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Elected officials, Secretary Peters, Administrator Garvey, Mayor Goldsmith, Members of Federal and State Governments, Representatives from National and Civic Bodies and Executives from the Private Sector, Officers from NCSL and UKTI.

It is a great pleasure to be here to speak about the UK's experience of Public Private Partnerships or PPP or P3. Looking at the list of participants, it is clear that we have a broad cross-section of the "Who's Who" of the US PPP market represented here today, which reflects the growing interest in the P3 approach in America.

Before I say something about our experience of PPP in the UK, I would like to follow the lead given by Representatives Terri Austin and Linda Harper-Brown and acknowledge the co-sponsors of the conference, NCSL and UKTI, and thank them for their collaboration, of the results of which we are the beneficiaries today.

Public-Private Partnerships have provided a solution to some of the challenges successive British governments have faced in delivering public services. That is not to say that a P3 project should be the answer in every case. Nor that the experience of PPP has been without its difficult moments.

But we, in the UK, have now learned how to do P3. The UK P3 market is a mature one. Over the last 12 years, we have delivered over 900 P3 projects, of which about 700 are up and running. That represents a capital value of about $120bn.

So we have now built up sufficient of a track record of using the P3 model to be able to say that it has succeeded in delivering better value for money for taxpayers and more and higher quality investment in our infrastructure than would otherwise have been the case.

The P3 model is increasingly suited to our times. For the next few years, at least, we can expect the major public policy focus to be on reducing government debt and on putting government finances onto a sustainable footing. In such an environment, it is only natural to expect some retrenchment in the public funds available for capital projects. P3 offers a way to surmount these difficulties.

Our experience shows that PPP can make a game-changing difference in at least two ways: first, it enables more investment to be made in public services – schools, hospitals, transport infrastructure etc – than would be affordable if the government had to raise the finance itself, particularly true when the level of public debt is already very high. And secondly, investments made under P3 generally deliver better value for money and higher standards of quality than the traditional model.

For example, not so many years ago, the UK's transport infrastructure seemed to be lurching into crisis.

- Roads were in such a poor state of repair they were, literally, crumbling.
- Things weren't that much better on the railways where there weren't enough train carriages.
- And the track the trains were running on needed serious attention.

This state of affairs had come about because successive governments had not given sufficient priority to investment in these sectors. And that may well have been the right decisions for those governments, given the many other competing demands on the public purse, from sectors like education, health, defence, pensions, social security and many more.

The problem was that governments had to appropriate spending within the framework of annual budgets, two-yearly or even three-yearly budgets. And this short termism led to decision making that perhaps worked for one year, or maybe even two or three.

Those of us who have to work with such systems know the temptations well. First, in order to get a project approved, it helps to under-estimate its true cost. After all, any cost over-runs are a problem for some future year's budget and possibly another set of officials, after you've moved on, and different political leaders. And an incoming government of a different political hue is not going to abandon a half-completed schools building programme, or a half-built road, are they?

Secondly, and this is really quite important, choose a design for the project which is cheap-to-build, but expensive to maintain. Higher long-run maintenance costs lie well beyond the horizon of today's financial problems and, after all, who is to say that future budgets won't actually grow in real terms? The high running costs of the project may-well turn out to be affordable after all – so what's the problem with a cheap design?

Does this sound familiar to anyone? Far from saving money, this kind of short-termism ultimately leads to the worst of all possible outcomes: poor quality public services which are unaffordable to maintain.

Which is where the UK found itself and its transport infrastructure some years ago.

So a fresh approach was needed: a Public-Private Partnership approach which harnessed the incentive structure, tactical skills and efficiency of the private sector to meet public sector objectives, ultimately to deliver better value for taxpayer's money.

How does that work?

P3s take a variety of forms, with varying degrees of public and private sector involvement. But they share the goal of combining the best capabilities of the public and private sectors for mutual benefit with responsibilities and business risks allocated between the public and private partners in the most efficient way.

The public sector is responsible for (and best placed to define) the policy, the priorities, the scope and standards of services that are required, and the overall level of public sector investment need within the community. Effectively these are the public service outputs which the Government purchases on behalf of its citizens. These are the natural strengths of the public sector.

The private sector, on the other hand, is given the task of finding the method by which to deliver the required public service outputs, at least cost to the public purse. So, choices of design, construction, materials, operation and maintenance regimes and working practices are chosen by the private sector and committed to under long-term contracts.

For example, a private company might agree a contract with the government to finance, build and maintain in good condition a highway. As part of the P3 model, it would also assume responsibility for dealing with some of the related risks. Most P3 projects are based on a fixed price. So the extra costs associated with, say, interest rates rises, delays in construction, increases in labour costs and so on are borne by the private partner.

The wisdom at the core of the P3 model is that the private sector partner will be better at coping with certain of these risks and at keeping costs under control, because it has the skills and techniques to do so and is highly incentivised to control costs by its bottom line.

You might ask why the private sector would be willing to assume these risks? Because where risk exists, so does opportunity. The private sector partner gains a relatively stable, long-term investment opportunity with a steady, reliable revenue stream paid by government, or by fees collected from users, for example in the case of highway tolls.

We also expect private firms to play to their own strengths and abilities to add value to P3 arrangements. For example, in the hypothetical case of the highway project, the private sector partner might find efficiencies or employ innovation to offset risks and costs. The private firm could also potentially increase its revenues, for example, ensuring the most efficient vehicle flow possible. In addition, the private partner would also be building P3 expertise, which could then be used to win more contracts in future, perhaps in other sectors or jurisdictions.

So the simple answer to the question why do P3 contracts deliver better value-for-money is that, in a P3 arrangement, the public sector and the private sector do what they are best at.

And the temptations from short-termism that I identified earlier are overcome by including long-term, performance-based specifications and fixed-price contracts. Indeed, these are the bedrock of the P3 model.

The savings resulting from the use of PPPs instead of traditional procurement methods are difficult to measure and will vary from project to project. But when a P3 project is well conceived and executed, savings in the order of 20% for the public purse are not uncommon. That suggests that taxpayers and Governments can get, say, five schools for the price of four, or 100km of new highway for the price of 80 as compared to traditional short-term approaches!

So limited budgets can be stretched further and innovative and productivity improvements can be introduced into previously stale sectors of the economy.

Our experience in the UK is that PPP projects are not uniform – they differ on the basis of the need, the contractual arrangements, the objectives, the budget available, and the interested parties. But despite this they share four common characteristics.

- First, they all reflect long-term relationships between the public and private sectors. We do not typically consider a turnkey or design/build contract to be a PPP in the UK.

- Second, they use the concept of public service outputs. That is, outputs which the public sector defines and which the private sector delivers.

- Third, all PPPs involve private sector invested capital being placed "at risk" to long-term performance in public service delivery. Sometimes returns on that capital are tied directly to project revenues, whilst other times they are not.

- Fourth, PPP arrangements are mostly based upon fixed-price contracts.

Centralising or, at least, coordinating public sector know-how in PPPs has been a major driver for the rapid development and delivery of the PPP programme in the UK. Practical steps, such as standardising contracts, developing best-practice guidance, providing a help-desk to the public sector, and coordinating the flow of projects to the market – all of these measures can make a big impact on the efficiency and effectiveness of both the public and private sectors.

Capacity is enhanced in the public and private sectors; and transaction costs and timescales are reduced. To achieve this is not easy, of course, and needs strong high-level commitment and a clear communications strategy.

Ladies and gentlemen, let me try and sum up: the British experience of PPP has been overwhelming positive.

From the government's and general public's point of view, P3 has proved itself capable of delivering:

- Increased investment in public infrastructure
- Better service delivery
- Better cost effectiveness and value for money
- Reduced public sector risk
- Fast delivery of capital projects
- More budgetary certainty
- Better use made of the assets built.

Importantly too, fewer P3 projects have overrun on either budget or schedule:

- Just 24 per cent of P3 projects were late, compared to 70 per cent of traditionally procured projects.
- And just 22 per cent of P3 projects were overspent, against 73 per cent of the traditional type.

Oh and you remember the crumbling transport infrastructure of the 1970s and 80s. Well of the 900 plus P3 projects of the last 12 years, about half have supported the enhancement of transport infrastructure in the UK.

It is said that imitation is the sincerest form of flattery. We in the UK are delighted to observe that governments across the European Union are now setting up PPP units based on the British model, to take forward their own public-private-partnership projects.

Ladies and gentlemen, I hope you wouldn't expect the self-deprecating British to claim that we know all the answers on P3.

We don’t. We are still learning as we take forward these projects. We have made mistakes – you may have heard of a maintenance programme for the London underground that became derailed, as it were, when one of the two private consortia, Metronet, went into administration.

However, it is clear that, particularly in these extremely difficult financial times when reducing deficits in government finances will be the order of the day, the benefits from P3 are manifest for public authorities and indeed for all of us who rely on and use public services and infrastructure, which must include everyone.

I wish everyone the greatest of success in their deliberations today. Thank you very much.