Public-Private Partnership for Hospitals: A Wolf in Sheep's Clothes?

The Architect's Point of View

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Definition

- Participation by the private sector in the delivery of public services
- A procurement method by which a public authority enters into a partnership with a private consortium to finance, design, build, operate and maintain a facility for 25 to 35 years and then transfer it back to the authority
- Goes by different names: P3, PFI, AFP, BOOT

Characteristics

- Used mainly in countries with national health services
- Different models in different countries and even within countries
- Most common model: DBFOT
- Can be regarded as an extension of design-build

Justification for government

- *The public sector is intrinsically inefficient and less responsive than the private sector*
- *Governments cannot continue to fund facilities up front*
- *Governments want to achieve higher "value for money" than possible with traditional model*
- *Risks can be transferred to the private sector*
- *The procurement process of much needed facilities needs to be accelerated*

Consortium

- Usually includes:
  - A financing institution
  - A building contractor
  - Architects and Engineers
  - Specialized Consultants
  - Service providers

Key Issues

- Relatively little experience with this kind of model
- Governments have yet to undertake rigorous evaluations
- Highly contentious with design professionals involved
- Several key issues: cost, quality, flexibility and complexity

Cost

- Very costly to prepare a proposal
- Financing by the private sector more costly than for the public sector
- Risks taken by the private sector overestimated
- Highly complex projects
- Cost of annual charges may be higher than the cost associated with conventional method of procurement but greater attention paid to maintenance in PFI projects
- Difficult to make cost comparisons between PFI procurement and more conventional methods

Quality

- The eternal triangle: cost, time and quality
- PFI projects are in general completed within time and on budget but often at the expense of quality
- Poor quality of tendering documents
- Design features that would benefit the users, create a healing environment and an improved work setting are not alwsy implemented

Flexibility

- Delivery of health care is subject to rapid changes
- PFI contracts are very detailed to limit risks, therefore highly inflexible
- Flexibility rarely incorporated in design as it would impose additional design and construction costs

Complexity

- Complexity of major teaching hospitals with a multiplicity of stakeholders does not lend itself easily to PFI model
- Can the PFI model be simplified sufficiently to be used for complex projects?

Preliminary Conclusions

- The theoretical justification for private financing is widely accepted but the practical results don't always live up to expectations
- PFI facilities are delivered on time and on budget but often at the expense of quality
- Facilities delivered by PFI are generally more expensive than if procured by traditional methods
- PFI facilities are not "future proof"
- Debate all too often characterized by ideology rather than evidence

The Architect's Experience

- Seldom hear from the architects
- PFI usually promoted by financing institutions and builders
- Builders usually hire the design professionals and are responsible for their performance
- Architects interested in joining a consortium face several challenges

Challenges

- Huge financial risks involved in taking part in PFI and few have the ability to risk the pursuit costs
- Ties up resources that could be used for other more profitable opportunities
- Requires a different delivery process and a different scope of services
- Must work in parallel with much larger team

Challenges

- Very demanding pace of work and deadlines but without control over other members of the team
- Must run a very tight operation and strictly control overhead
- Designers are disconnected from the end-users, which is frustrating for many
- Designers can be aggressively tested and challenged by other members of the team about their design decisions

Challenges

- Design professional are seldom at "the big table"
- Designers in general:
  - Have minimal input in the bid strategy
  - Have minimal or no input into key decisions
  - Can invest large amount of money in pursuit costs and risk loosing everything
- Difficult for small firms to be part of a consortium
- Projects may be "bundled"

Opportunities

- New role for architects to play in providing compliance services and preparing transaction documents
- Architectural fees for projects will be greater
- With P3, facilities that would have been otherwise delayed will be built
- Clients and users will require a lot of support through the process creating a "niche" for architects

Opportunities

- In mature P3 markets such as Great Britain, design quality has become a decisive factor in selecting a consortium
- With more value attributed to design, designers have gained a new appreciation for the value of their creation
- Despite all the "certainty" talk in P3, users make changes and scope of work and services is increased
- Additional architectural fees are factored in by the builder

Is there a future for P3? Yes if…

- We understand the risks facing the proponents
- Public authorities underwrite and back the projects
- The right projects are chosen
- Design is one of the key criteria in the selection process
- Process is simple and standardized
- Lessons learned elsewhere are acknowledged and implemented

References

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