

Partnerships

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‘A friendship founded on business is a good deal better than a business founded on friendship.’

John Rockefeller, American oil magnate (1839–1937)

Listening and discussion

A Discuss this question.

In which areas does the private sector operate or help to fund public services in your country? Here are some examples:

- hospitals and health care
- schools and education services
- housing and urban planning
- utilities (i.e. water, gas, telephone, electricity)
- infrastructure projects (e.g. roads) and transport
- army, courts, prisons, police and security services

B 3.1 Listen to the first part of a radio programme about public private partnerships in the UK. Complete the notes with between one and four words in each gap.

Traditionally, public private partnerships in the UK are related to ¹, such as ² and ³ services in hospitals. The Private Finance Initiative (PFI) is different from earlier partnerships. It is now the main way that the UK government finances ⁴. PFI allows the government to build new ⁵ projects without ⁶.

A wide spectrum of projects are funded using PFI, for example new ⁷ and waste-disposal systems. PFI projects now tend to be much bigger than they were ⁸ ago.

- C** 3.2 Listen to the second part of the discussion and complete the summary of the arguments for and against PFI projects.

Arguments in favour of PFI	Criticisms of PFI projects
1 The government can commission public services it couldn't otherwise afford.	1
2	2
3	3
4	

- D** Complete these sentences using the correct form of the words given in brackets.

- 1 ..Privatisation.. (*private*) is the full transfer of publicly owned assets into the private sector through a sale on the stock market.
- 2 Critics argue that (*compete*) (*tender*) for public services emphasises cost-cutting over quality of service.
- 3 The (*run*) and (*maintain*) of this public hospital have been (*source*) to a private company for the next five years.
- 4 Government (*spend*) on transport, roads and railways has declined in the past 30 years, and many services have now been (*private*). Nonetheless, the private (*own*) of rail services is proving to be controversial in the UK.

- E** Discuss your views on public private partnerships.

- 1 What are some of the advantages and disadvantages of private sector involvement in public services? Think about the following issues:
 - value for money
 - accountability
 - public interest
 - employment rights
 - risks
- 2 How does private-sector involvement in public services in your country compare to the PFI model in the UK?
- 3 Do you think there are any 'core' public services that the private sector should not fund, sponsor or operate? Why (not)?
- 4 Do you think the notion of publicly funded services will disappear in the future?

Reading and language

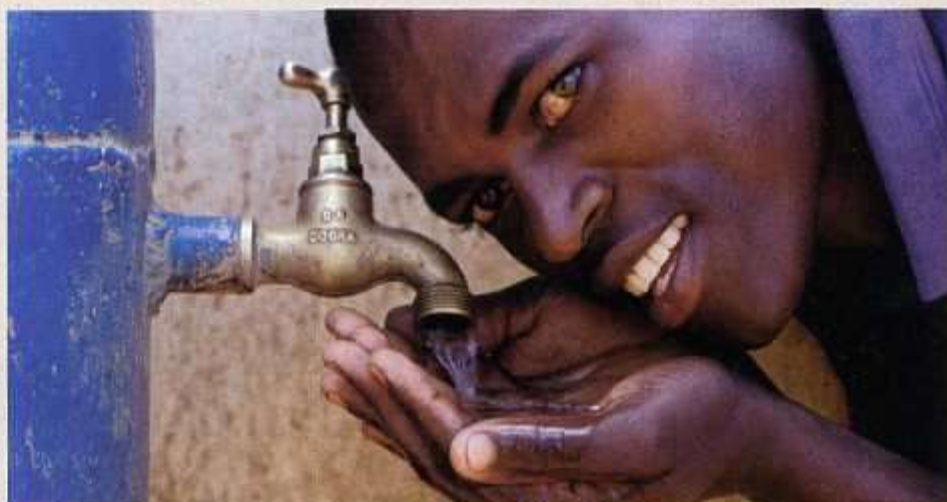
A Discuss these questions.

- 1 Which public services especially need to be improved in your country?
- 2 What factors do you think could affect the success or failure of public private partnership projects?

Infrastructure: Experience of the 1990s has put people off

By Sarah Murray

- 1 The failure of inefficient and under-funded governments to provide citizens in the developing world with essential services such as water, power and sanitation provides a compelling argument for private sector involvement in these activities. However, it is difficult to persuade companies to participate when pricing remains too low to repay investments, and when lenders are reluctant to back projects in places where political risk is high.
- 2 Private money flooded into infrastructure projects in the 1990s, particularly power projects in Asia and Latin America, which was a target for multinationals that invested widely as former state monopolies were privatised. But as problems emerged – both in the region and in companies' home markets – many withdrew, and today Latin American countries are embracing the privatisation of energy resources with less enthusiasm. Even if investors could be tempted back into power or water distribution projects in emerging markets, the higher tariffs associated with private systems are often politically unacceptable.
- 3 'The private sector not only has to improve operations and collection, but also has to increase the level of investment and correct for historical under-investment,' says Francisco Tourelles, director for infrastructure at the International Finance Corporation (IFC).
- 4 In the case of water, passions run high, with many arguing that access to water is an essential human right that should not have to be paid for. However, Michael Klein, vice-president for private sector development at the World Bank and IFC, points out



that many are paying for it already. Those without access to water, he says, are often forced to buy from vendors, paying ten times or more than people connected to modern water systems. 'The idea that you can't raise prices because it's not affordable is, in many cases, just plain wrong,' he says.

5 But even if the argument for a private-sector role in infrastructure development has been won, the question is how to persuade business to participate, particularly since the experience of the 1990s has made companies and lenders more risk averse. 'Companies got badly burned in Latin America,' says Dan Bond, who co-chairs the Experts Group on Developing Country Infrastructure Finance. 'They invested heavily before the regulatory regimes were worked out, so they were building the foundations on shifting sand.'

6 Another difficulty is that infrastructure projects generate local currency revenue, while the long-term financing is in dollars or euros. A sudden devaluation, such as the 1999 Brazilian currency crisis, means that what seemed a promising enterprise can

no longer service its debt. 'We're trying to figure out how to get projects' sponsors interested again, and one of the key things we see is some type of risk sharing between the public and private sector,' says Mr Bond. 'Because the private sector is certainly not going to step back in and take the kind of risks it did in the 1990s.'

7 Besides financing difficulties, recouping investments remains a challenge. The World Bank estimates that power prices cover an average of about 60 per cent of the costs, while water prices cover just 30 per cent. 'So whether it's public or private, if nobody pays for this stuff, it doesn't get built,' says Mr Klein. 'The private sector can't recoup the investment, and the public systems don't get expanded and become decrepit.'

8 The participation of multilateral institutions is seen as one answer. The IFC hopes to foster public-private partnerships by providing upfront financing, advising governments on how to structure contracts and establishing transparent processes, thus creating conditions it believes can attract investors.

9 Mr Klein believes other opportunities lie between big government and donor-funded projects and primitive systems such as collecting water from bore holes or using wood as fuel. Local entrepreneurs, he says, can provide services that, while more expensive than modern systems, are an improvement on what is available. Here, government legislation is the obstacle. In Africa, national electricity companies supply power to little more than 10 per cent of the population, and yet most African countries forbid the building of intermediate electricity systems.

10 In the few places in the world where this is permitted – as in Yemen and Cambodia – hundreds of small companies have bought generators and established wires connecting neighbourhoods or villages. 'Prices are higher than for national systems, but there are no modern systems, so people prefer this to nothing,' says Mr Klein. 'This isn't a perfect world. But it's second best in a world where the best is far away.'

FINANCIAL TIMES

B Read the text quickly and match the two parts of the sentence summaries.
Order the sentences in the way they appear in the text.

- | | |
|---|---|
| 1 Governments in developing countries have failed to | a) provide more costly services rather than no services at all. |
| 2 Private companies are now more wary of investing in | b) increase the participation of institutions and attract investors. |
| 3 Michael Klein would disagree that | c) charging higher prices for essential services is politically unacceptable. |
| 4 Developing countries tend not to | d) use the same currencies for financing projects and generating revenue. |
| 5 The International Finance Corporation is trying to | e) infrastructure projects in Latin America than in the 1990s. |
| 6 Michael Klein suggests local entrepreneurs | f) provide basic services such as water, power and sanitation. |

C Choose the meaning of the words in *italics*, according to the text.

- | | | |
|--|----------------------------------|--------------------------------|
| 1 <i>back</i> a project (paragraph 1) | a) provide political support for | b) provide finance for |
| 2 <i>got badly burned</i> (paragraph 5) | a) lost a lot of money | b) lost property in fires |
| 3 <i>get projects' sponsors interested</i> (paragraph 6) | a) encourage sponsors | b) create interesting sponsors |
| 4 <i>recoup the investment</i> (paragraph 7) | a) get returns on money invested | b) ask for their money back |



Grammar reference: *Dependent prepositions* page 120

D Look at this example of the passive from paragraph 4 of the article, then complete the following sentences using the verbs in brackets in the passive.

... water is an essential human right that should not have *to be paid for*.

- Despite improving the image of the public sector, a major change still (*need to / make*) from the top down.
- A think tank (*set up*) in the coming year in order to advise the government on how to spend public money more wisely.
- More companies (*have to / persuade*) to invest in our educational project for African countries.
- The relationship between public and private sectors (*should not / build*) on only mutual benefits. Any resulting projects must be to the public good.
- The water company (*forbid*) to continue with the project after it has emerged a number of directors have exchanged money under the table.
- As soon as the contract (*sign*), several scandals erupted. A politician had had financial links with the project and (*force*) to resign.

E Rewrite these sentences using *get* or *have* where possible and putting the verbs in the correct form and position.

- The Prime Minister want / pass the new legislation / by next month
The Prime Minister wants to get/have the new legislation passed by next month.
- The TV company still try / approve the joint venture / by the government
- The Polish minister hope / build a highway / in two years
- Many still believe the only way to / bring business in line / is through the establishment of global rules, such as are being discussed in Geneva
- PPPs are types of contracts whereby the public sector / build or manage some kind of service / by the private sector
- PPPs have often failed because governments / not involve the public / in projects.



Grammar reference:
Passive page 121

Business skills

Negotiating:
being vague and
being precise

LEIGH STEINBERG WINS WITH INTEGRITY

Steinberg follows 12 rules for winning with integrity. Six of the best are:

- Learn everything you can about the other party.
- Make sure the other party believes that you have options.
- Set the stage for cooperation, not conflict.
- Never show fear or anger in the face of intimidation.
- Be the best listener you can.
- Plan ahead for what you are willing to give up.



A Look at the extract from the book *Leigh Steinberg Has a Game Plan* on the left and discuss these questions.

- When was the last time you negotiated? What was the outcome?
- To what extent do you agree with the six rules for 'winning with integrity'?
- Do you know of any other rules or tips for successful negotiating? What are they?

B Match these negotiating expressions (1–8) to the correct function (a–h).

- 1 Given/Seeing (that) you can't deliver any sooner, we'd like a 5% discount.
- 2 What would you say to a 4% discount and a free sample?
- 3 Supposing we/you were to make that three free samples.
- 4 I think we could work/go with that.
- 5 We're looking at an initial order of 100 bikes.
- 6 Would you be willing to come down a bit in price?
- 7 Somewhere in the region of \$400.
- 8 Are you saying that you have those items, in that colour, in stock?

- a) Describing your needs
- b) Making a suggestion
- c) Introducing a condition
- d) Requesting a concession
- e) Hypothesising or 'sounding out' the other party
- f) Reaching agreement
- g) Asking for precise information
- h) Being vague

C 3.3 Listen to the following extract from a negotiation. What is being negotiated, and what is the outcome?

D 3.3 Listen again and say whether the speakers are (a) being vague, (b) being precise or (c) asking for precise information. Note down some of the expressions used.

Speaker	Vague	Precise	Asking for precise information	Expressions used
Kathy				
Giovanni				

E Role-plays. Negotiate the following situations. Take notes on what is agreed.

Student A: Turn to page 143.

Student B: Turn to page 150.

When you have finished negotiating, review what happened. Could you have reached a more satisfactory outcome if you had done something differently? Did the other party make any mistakes?

Report writing: layout and structure



- F** What is the logical order of these headings for a feasibility or recommendation report? What other sections might be included in this type of report?

- recommendations
- conclusion
- executive summary
- introduction
- findings

- G** Complete these tips with the words in the box.

draft re-edit errors headings layout plan register

Report writing tips

Read a similar report first; write a¹ or outline and then write your first draft.

Edit for style and², e.g. formal language, passive or active forms.

Proofread for typical³, e.g. subject-verb agreement, prepositions and punctuation.

Organise⁴ and structure with appropriate title and⁵.


R.....⁶ and rewrite if necessary.

Take a break or ask someone to read it before you rewrite your final⁷.

- H** Complete the report on concepts for negotiating on page 159 with these sentences (one of them is not used).

- A** After each negotiation session, review what happened.
- B** The end result may be agreement, agreement to continue later, or end the negotiation.
- C** BATNA stands for your Best Alternative To Negotiated Agreement.
- D** This report on negotiating aims to outline the main characteristics of a typical sales or business negotiation.
- E** An example would be agreements between suppliers and customers who intend to do repeat business.
- F** Both sides should share goals and be willing to trade to attain their objectives: a 'win-win' situation.
- G** Negotiation is conferring with another person or group to arrive at a settlement of some conflict.
- H** Define your own goals, your opponent's goals and the conflict.
- I** In business, negotiation is an important management skill.

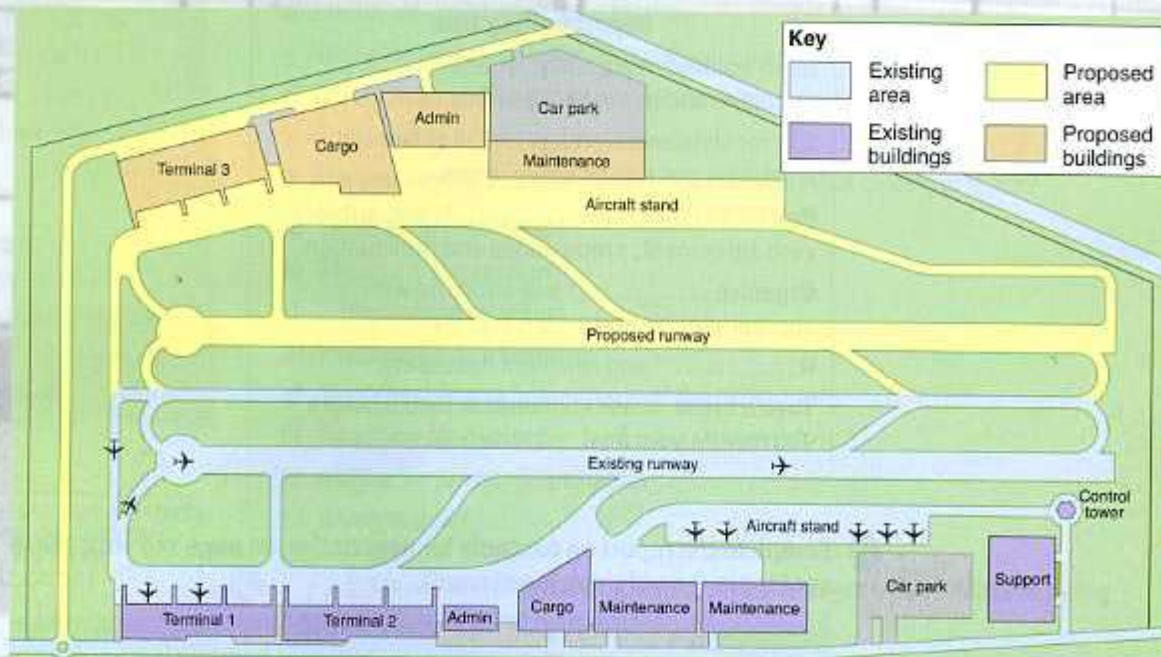
- I** Write a brief report on one of the negotiations you role-played in Exercise E.

 Writing file pages 138–139

Konopnicka Airport takes off

Background

Konopnicka Airport is one of the regional airports operated by the Polish Airports Agency (PAA). Last year, more than 5.5 million passengers passed through the passenger terminal, and a significant growth of freight volume and passenger traffic is forecast for the period to 2020. Passenger traffic has already grown at rates exceeding forecasts and is expected to increase to around 9.4m in four years' time. Capacity of the passenger terminal has been set at 12 million passengers yearly.



Konopnicka Airport is well suited for further development as an international hub airport and enjoys a geographic advantage, along with other Central European airports, that may relieve the air traffic congestion in many Western European countries. In order to adapt Konopnicka Airport to the increasing freight and passenger traffic, the PAA and the Ministry of Infrastructure have taken the decision to add a second runway and construct a new world-class passenger terminal, a cargo terminal and a catering base.



PRESS RELEASE