Abstract

Under the global trend of transformation of public administration, New Public Management (NPM) has been adopted to re-engineer the delivery of public service. In essence, the NPM brought in business concepts and private practices into the domain of public sector management. The NPM initiatives include innovations in delivering service, refining performance measurement, managing programmes, improving efficiency, managing public finances, managing human resources, managing support services, decentralizing the administrative structures, and developing a new culture of service. Innovations in these areas are taken in the forms of both introducing business practices into the government and inviting private business to deliver public services.

The aim of the paper is to evaluate the public-private collaboration in public service delivery in Hong Kong. The Hong Kong government believes that the public and private sectors complement each other in providing services to the public. On the one hand, the public sector brings (a) experienced and dedicated staff, (b) significant public policy knowledge and skills, and (c) commitment to public interest. On the other hand, the private sector brings (1) experience and innovation to the provision of services, (2) a culture of identifying and managing risks and efficiency, and (3) strong awareness of expanding markets. Based on this belief, close public-private relationships are built by the Hong Kong government to deliver public services. These cover the sales of shares in government enterprise, contract out, trading funds, market provision of services, and withdrawal of public services. Through exploring the performance of these practices, the paper will discuss (a) how have the government and private sector worked to achieve economy and efficiency in the provision of public services? (b) what positive or negative outcomes have resulted from these practices? and (c) what important
insights may be gained from these experiences?
Public-Private Collaboration in Public Service Delivery: Hong Kong’s Experience

Introduction

Under the global trend of transformation of public administration, New Public Management (NPM) has been adopted to re-engineer the delivery of public service. In essence, the NPM brought in business concepts and private practices into the domain of public sector management. The NPM initiatives include innovations in delivering service, refining performance measurement, managing programmes, improving efficiency, managing public finances, managing human resources, managing support services, decentralizing the administrative structures, and developing a new culture of service. Innovations in these areas are taken in the forms of both introducing business practices into the government and inviting private business to deliver public services.

The aim of the paper is to evaluate the public-private collaboration in public service delivery in Hong Kong. The Hong Kong government believes that the public and private sectors complement with each other in providing services to the public. On the one hand, the public sector brings (a) experienced and dedicated staff, (b) significant public policy knowledge and skills, and (c) commitment to public interest. On the other hand, the private sector brings (1) experience and innovation to the provision of services, (2) a culture of identifying and managing risks and efficiency, and (3) strong awareness of expanding markets. Based on this belief, close public-private relationships are being built by the Hong Kong government to deliver public services. These cover the sales of shares in government enterprise, contracting out, trading funds, market provision of services, and withdrawal of public services. Through exploring the performance of these practices, the paper will discuss (a) how have the government and the private sector worked to achieve economy and efficiency in the provision of public services? (b) What positive and negative outcomes have resulted from these practices? And (c) what important insights may be gained from these experiences?

NPM: A Synergy between the Public and Private Sectors

The paradigm of NPM has existed for more than a decade and its principles have been widely practiced in both developed and developing countries (Kaul, 1997). The notions of reinventing government (Osborne and Gaebler, 1992) and managerial reforms (Pollitt, 1990) have taken government leaders and administrators by storms. NPM has not only become a dominant paradigm in the academic field but also a fashionable practice in the public sector. Eight elements are nicely summarized by Armstrong (1998, p.13) to encompass the major practices of NPM:
1. Cost cutting, capping budgets and seeking greater transparency in resource allocation.
2. Disaggregating traditional bureaucratic organizations into separate agencies.
3. Separating purchaser and provider, i.e. the functions of providing public services from those of purchasing them.
4. Introducing market and quasi-market-type mechanisms.
5. Decentralization of management authority within public agencies.
6. Introducing Performance Management: staff are now required to work to performance targets, indicators and output objectives.
7. New personnel policies, which shift the basis of public employment from permanency and standard national pay and conditions towards term contracts, performance-related pay and local determination of pay and conditions.
8. Increasing emphasis on service quality, through standard setting and a new focus on customer responsiveness.

The above NPM practices signify the change from the Weberian theory and practice of public administration based on hierarchical order and bureaucratic neutrality. Instead, the NPM emphasizes a post-bureaucratic model that is anticipatory, strategic, results directed, based on executive leadership, market oriented, customer driven, and entrepreneurial (Massey, 1995).

A fundamental principle behind the theory and practice of NPM is the synergy or inter-face between the public and private sectors. Recognizing the merits of private business practices, the NPM brings business values into the public sector and collaborates with the private sector to deliver public services. Under the NPM, the boundaries between the public and private sectors become blurred. Administrators become managers; routine administration formulates into business plans; financial resource management means value for money; human resource management means productivity gains; division of labour transforms into contracting out; and resource allocation means self-financing.

As governments increasingly adopt a more business management culture in the delivery of public service, a broader range of choices is available for the intervention in, and withdrawal from, areas of social and economic activity. Broadly speaking, the public/private synergy is achieved by a tactical choice of three strategies and actions: (a) market-testing, (b) contracting out, and (c) partnerships in the private and Non-Governmental Organization (NGO) sectors (Kaul, 1997, p.22). Market-testing entails placing the activity or service in question for competitive tender, with internal and external bids assessed against the same criteria (Ibid). The approach can determine what will be the most efficient way of carrying out public service activities that clearly need to remain the ultimate responsibility of the public sector (Ibid). There are three principal benefits to be gained from the market-testing process: (1) when considering whether to accept an in-house bid or give the work to an outside contractor, the
evaluation will look at improvements in the quality of service available from innovative methods of service delivery. (2) There may be cash savings. It is axiomatic that where an activity is market-tested, and an external bid is successful, it will be because that bid offers greater overall long-term value for money than the current method of provision. Where an in-house bid succeeds, the process of opening up that public sector activity to competition in itself often will create opportunities for greater effectiveness. (3) Experience suggests that market-testing will lead to raised standards by making expectations explicit within contractual arrangements. Greater clarity about standards of service and better monitoring of performance against those standards is a vital feature of public sector reforms (Ibid).

Contracting out is a now a common practice in the public sector as specialist services have always been purchased from the private and non-government sectors. It is the development of contracting out that is providing the strategy for assessing the ability of the market to provide goods or services historically considered to lie at the core of government. Significantly, contracting-out is showing considerable potential as a technique for stimulating change through the assessment of internal efficiency (Ibid).

The development of partnerships with the private sector and NGOs has emerged as a key element in implementing public policies and programmes. Opening up areas of public service to private or NGO suppliers, while maintaining standards in the delivery of public service, is believed to result in efficiency and productivity gains. The collaboration of the private sector to deliver public service can take the forms of liberalizing or commercializing of activities which remain within the public sector. This can be done through trading funds, asset sales to an established private organization, and public float after listing on the stock exchange. Public-private partnership brings benefits to both the public and private sectors. On the one hand, these practices assist governments in their desire to reduce budget deficits, pay off debt, and fund schemes designed to attract voters (Wettenhall, 1998, p.146). The public sector can also benefit from the experience and techniques of the private sector in the delivery of public service. On the other hand, the private sector can expand their markets and activities into the public sphere. Public-private collaboration is perceived as a win-win strategy for both sectors.

The use of the above three strategies in the public-private synergy essentially means improving and measuring public sector effectiveness using private sector methods. Effectiveness is defined as the comparison of output to standards or expectations (Hedley, 1998, p.251). Private sector output effectiveness will be the ability to achieve the planned targets and to cover all operating expenses, stated in terms of surplus or deficit. Also, an important measurement of private sector effectiveness is the notion of “going concern” which includes negative trends, possible financial difficulties, and unfavourable internal and external factors
affecting production (Ibid, p.254). All these measures used by the private sector are transferred to the public sector to measure public service effectiveness as well as to foster public-private collaboration in the delivery of public service.

**Public-Private Collaboration: Overseas’ Experience**

Government-private sector partnership has caught the world attention and has been trialed out in both developed and developing countries. Australia has sold its commercial bank, domestic and international airlines, naval dockyard, defense-related aircraft factories, communications satellite system, engineering-consulting enterprise, natural gas pipeline system, railway service, serum laboratories enterprise, the management of the superannuation fund for public sector employees, and the housing network for ex-servicemen (Wettenhall, 1998, p.145). Australia was among the OECD countries second only to Britain in the value of privatizations from 1990 to 1997 (Ibid). In Australia, apart from asset sales, there are three other ways to transfer business to the private sector: management contracts (where the property remains in public ownership but a private firm is contracted to provide the management service), private provision of infrastructure, and lease-back (Ibid, p.147).

In Singapore, the public enterprise system had a strong network of statutory boards, government holding companies, and a wide conglomerate of government-linked companies. In providing new directions for the Singapore economy, a high-level Economic Committee was formed in 1986 to recommend that the government should reduce its dominant role, encourage more initiative from the private sector, and divest its equity holdings and control (Tan, 1999, p.22). A Public Sector Divestment Committee was also formed to identify public sector investments for disposal and to structure the timing and manner of disposal. The Committee recommended which companies should be privatized, the amount of shareholdings that should be reduced, and the time frame for these actions. It also suggested the eventual privatization of statutory boards such as Singapore Telecom, the Port of Singapore Authority, and the Public Utilities Boards.

Privatization is emerging as a new trend of public administration in Thailand. Many forms of privatization have been implemented, ranging from the sale of state enterprises, either in part or whole, to public-private joint ventures, to liberalization (Chandarasorn, 1996, p.183). Major moves of privatization were taken in three areas: banking, insurance, and telecommunications. The liberalization of the banking industry is aimed at leading to more competition in the banking business, more options and more benefits for citizen consumers, and improvement of the capability of Thailand’s financial sector to cope with growth in trade, industry and other business, thus, contributing to the growth and prosperity of the Thai
Insurance liberalization is believed to contribute to increased competition among insurance firms and consumers will benefit as a result. The telecommunications industry has witnessed many governmental efforts in implementing privatization policy in its industry, characterized by a changing of public monopoly into private firms (Ibid., p.187).

In the Philippines, considerable attention has been given to government-private sector partnership in the delivery of public service. NGOs, People’s Organizations (POs), and co-operatives emerged as catalyst in promoting the interest of the marginalized sectors of society, as alternatives to the public bureaucracy in the delivery of essential public services (Rosario, 1996, p.191). The option of privatizing some basic services is a pioneering dimension in local administration in the Philippines. The *Local Government Code of 1991* called for the local government units to promote the establishment and operation of the NGOs and POs to become active partners in the delivery of public service. It was based on the assumption that the private sector can provide certain services with more efficiency and cost effectiveness. Under the Code, local government units may sell, lease, encumber or otherwise dispose of public economic enterprises owned by them in their proprietary capacity. Local government units are likewise allowed to enter into joint ventures and other cooperative arrangements with NGOs and POs to engage in the delivery of certain basic services, capability-building and livelihood projects, and to develop local enterprises designed to improve productivity and income.

**The Hong Kong Model**

The Hong Kong government has started to transform its public service since the publication of the document *Public Sector Reform* in 1989. The Efficiency Unit was subsequently created in 1992 to pursue the government’s objective of improving its services to the community. The Efficiency Unit (1993) has embarked on four reform areas in the delivery of public service: (a) policy management reform, (b) financial and human resource management reform, (c) institutional reform which introduced the practice of trading funds, contracting out, and corporatization, and (d) operational reform which involved publication of performance pledges and the establishment of a business centre. The new management framework is composed of four core principles that the Hong Kong public service applied in its work (Efficiency Unit, 1995). The first principle is “being accountable”; the second is “living within our means”; the third is “managing for performance”, and the fourth is “developing our culture of service”.

Underlying these four principles is the integration between the public and private sectors through the introduction of business values into the delivery of public service for productivity
gains. Private sector involvement in public service and public-private collaboration become
the norm in the provision of social service. The Head of the Efficiency Unit, Colin Sankey,
said there are three basic principles with regard to the private sector involvement in the public
service (Sankey, 2001). The first is to presume that the private sector can also provide certain
public services. The second is that if the service can be provided by either the private or the
public sectors, then the private sector will be considered first. The third is that the public sector
will be chosen to provide public service when necessary.

There are four broad approaches for private sector involvement in the provision of public
service in Hong Kong (Ibid). The first is public-private partnerships which cover (a) creating
wider markets, (b) private finance initiatives, (c) joint ventures, (d) partnership companies, (e)
partnership investments, and (f) franchises. The second is private sector provision which
covers (a) market provision of services and (b) withdrawal of public services. The third is
privatization which covers (a) asset sales, (b) sales of shares in government enterprises, and (c)
management buy outs. The fourth is purchaser/provider agreements which cover (a)
contracting in, (b) contracting out/outsourcing, and (c) grants and subventions. It is believed
that the public and private sectors complement each other in providing services to the public.
On the one hand, the public sector brings experienced and dedicated staff, significant public
policy knowledge and skills, a unique source of data and intellectual property, and a range of
brands trusted in Hong Kong and beyond (Ibid). On the other hand, the private sector brings
experience and innovation to the provision of services, a culture of identifying and managing
risks, and strong awareness of expanding markets. At present, there are six service delivery
agents in Hong Kong: government departments, trading fund agencies, municipal services
departments, non-departmental public bodies, public corporations, and the private sector. The
details of operation are summarized in Table 1 as follows.

Table 1: Service Delivery Agents

<table>
<thead>
<tr>
<th>Agent</th>
<th>Departments</th>
<th>Trading Fund Agencies</th>
<th>Municipal Services Departments</th>
<th>Non-Departmental Public Bodies</th>
<th>Public Corporations</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>General Revenue</td>
<td>Government equity/loans</td>
<td>Rates</td>
<td>Government subventions</td>
<td>Government loans/equity, private loans</td>
<td>Private capital/loans</td>
</tr>
<tr>
<td>Charging</td>
<td>Free, subsidized, cost recovery</td>
<td>To achieve agreed rate of return</td>
<td>Free, subsidized, cost recovery</td>
<td>Subsidized, cost recovery, profit making</td>
<td>To achieve agreed rate of return</td>
<td>Market price</td>
</tr>
<tr>
<td>Staff</td>
<td>Civil servants</td>
<td>Civil servants</td>
<td>Civil servants</td>
<td>Civil and non-civil servants</td>
<td>Non-civil servants</td>
<td>Non-civil servants</td>
</tr>
<tr>
<td>Program Areas</td>
<td>Social, Public Order</td>
<td>Companies Registry</td>
<td>Cultural, Recreational</td>
<td>Hospital, Welfare Bodies</td>
<td>Rail Transport</td>
<td>Road Transport</td>
</tr>
</tbody>
</table>

Apart from creating more trading fund agencies and non-departmental public bodies to deliver public service, the Hong Kong government is determined to invite the private sector to participate in the public service provision through contracting out or hiring service where it is more cost-effective. For instance, Government Supplies Department abolished 13 delivery teams and contracted out the service to commercial operator. Social Welfare Department closed Kowloon Kitchen and adopted a more cost-effective arrangement for providing hospital meals. Fire Services Department hired private contractors to provide catering and cleansing services at fire stations and ambulance depots. Offices of the Chief Secretary for Administration and Financial Secretary hired private security service for the Central Government Offices. Intellectual Property Department outsourced a number of activities to the private sector, including information management, development and administration of computer systems, and office operation. Leisure and Cultural Services Department contracted out the supporting services in leisure services venues. The Housing Authority also planned to sell its 130 shopping malls and 100,000 car parking spaces (South China Morning Post, 21 July 2003).

The recent major initiative of the public-private collaboration is the government plan to float part of the Airport Authority as the Hong Kong government seeks to accelerate its privatization programme. Financial Secretary Tang said he would present the necessary legislation to the Legislative Council in the first half of 2004. Tang announced that “the government has decided to commence work immediately in preparation for the privatization project” and that “privatization of the Airport Authority will be conducive to maintaining and further developing Hong Kong International Airport as a centre for international and regional aviation. When successfully listed on the Hong Kong stock exchange, shares of the privatized Airport Authority will also help enhance the attractiveness of our stock market to investors” (South China Morning Post, 7 August 2003). It is the government’s second major privatization since listing the Mass Transit Railway Corporation in October 2000. The airport is believed to be worth more than US$ 13 billion. Analysts said that the government would raise US$ 4 billion through a partial privatization of the Airport Authority which has made a profit for each of the past three years, including a net profit of US$ 63 billion for the year ending 31 March 2003 (Ibid).

Achievements and Concerns of the Public-Private Collaboration

The economic gains and the quality of services have been largely increased through closer ties between the public and private sectors involvement in the delivery of public services. In the view of the huge fiscal deficit in Hong Kong in recent years, privatization and commercialization of public services seem to be a quick fix solution. Hong Kong is facing an
unprecedented huge fiscal deficit, as the consolidated deficit for 2002-03 was estimated to be US$ 10 billion which was equivalent to 5.5% of Gross Domestic Product (GDP) (Budget, 2003-04). Hong Kong has had consecutive operating deficits over the past five years. On the one hand, the operating deficit has increased from US$4 billion in 1998-99 to US$ 8.8 billion in 2002-03. On the other hand, the government’s fiscal reserves have decreased from US$ 60 billion in 1997-98 to US$ 40 billion in 2002-03 (Ibid). In reducing the operating deficits, the government decided to reduce public expenditure from 22.3% of the GDP to 20% or below. The government also set a target of reducing operating expenditure by US$ 2.5 billion, to US$ 25 billion by 2006-07. The 2003-04 Budget stated to attain a balanced operating account and to restore balance in the consolidated account by 2006-07.

Under the principle of “Big Market, Small Government”, the government has adopted the “3R1M” approach. That means “Reprioritizing the provision of services, Reorganizing the structure of government departments, Reengineering procedures, and Making full use of the market, so as to optimize resources and provide better services for the public” (Ibid, p.8). Over the past year, some government bureaux and departments have been merged and more services have been outsourced. The government stated clearly that “it will also continue to encourage private sector participation in the provision of services and infrastructure projects” (Ibid).

The achievements of the public-private collaboration in the delivery of public services can be partially reflected from the productivity gains that the government recorded through the Enhanced Productivity Programme (EPP) in the last few years. Under the EPP, the government required departments to achieve the best value-for-money in government expenditure while maintaining and improving the quality of public services. The EPP measures included the invitation of the private sector to provide public services through contracting out, privatization, and commercialization. The government recorded a 5% cumulative savings in the government’s baseline operating expenditure from 1999 to 2003. In 1999-2000, government bureaux, departments, and subvented organizations had already delivered total productivity gains of US$ 102 million (Enhanced Productivity Programme, 2003, p.21). In 2000-01 and 2001-02, the government delivered savings of US$ 143.5 million (equivalent to 1.2%) and US$ 281 million (equivalent to 2.1%) respectively, amounting to 3.3% of baseline expenditure (Ibid). In 2002-03, the government has identified savings of US$ 254.5 million (equivalent to 1.9%) (Ibid). Overall, this brought cumulative savings from 2000-01 to 2002-03 to HK$ 5.4 billion, or 5.2% of baseline expenditure (Ibid). The five trading fund agencies (the Companies Registry, Electrical and Mechanical Services, Land Registry, Office of the Telecommunications Authority, and Post Office) and the Housing Authority also recorded savings in 2002-03, amounting to US$ 29 million (Ibid).
Based on the successful experience of achieving the productivity gains through the EPP measures, a leading consultant (Michael O’Higgins) advised the Hong Kong government to adopt the British style public-private partnerships (PPPs) to further create a smaller government. Higgins said that “PPPs are not just contracts. The emphasis is long-term partnerships that put the onus on the service provider to establish the framework of the partnership.” (South China Morning Post, 21 July 2003) Under the PPPs, the government sets the benchmarks for what it wants and then the private sector partner decides how best to provide this. They are then paid by the outcome. Higgins said the biggest difference from traditional methods of privatization was that “the private sector under the PPPs model has to be willing to take on more risk than they would normally do with a government contract” (Ibid). Whereas in the traditional model of privatization, providers are paid for providing the service; in PPPs, they are paid by the transaction. In the United Kingdom, this is called “gain sharing” (Ibid). The advantages of the PPPs are at least two-fold: (a) gains in efficiency would be properly priced into the partnership, and (b) there tends to be lots of transparency in the process (Ibid). As a result, it forces the two sides to think about the level of service desired and how much it would cost to provide it, resulting in more realistic pricing practices (Ibid).

On a more cautious side about the public-private collaboration in the delivery of public service, Chapman and O’Toole (1995, p.4) warned against “the intricate implementation of proposed changes motivated by the fashionable pursuit of apparently new approaches to public service”. The public-private collaboration under the NPM is criticized for profits over public interests, business values over social values, and managerial accountability over political responsibility (Ibid., pp.5-17). Hood (1995, p.113) reminds that “public management changes could produce unintended side-effects and reverse effects.” According to Hood, there are two possible unintended outcomes arising from the the NPM private-public collaboration. The first is the emergence of a “headless chicken” state (a structure of no-one-charge management in which everything is up for grabs at every stage and there are no clear rules of the road or demarcation of responsibilities) (Ibid). The second is emergence of a “gridlocked contract” state (a structure in which public service provision is a matter for private corporations or organizations operating in a business look-alike style) (Ibid). This is neither to demise the contribution of the NPM public-private collaboration nor to call for a stop in its implementation but to treat the application with caution. Governments and managers should be aware of the concerns and difficulties in the process of involving the private business into the public sector. Public service is not purely an administrative and business matter, but it is also a political and social matter. All these concerns are visible in Hong Kong and other developing and transitional societies.

Balance between Business and Social Values
An important concern is the proper balance between social and economic values in making strategic planning decisions on public services. The NPM public-private collaboration puts a lot of emphasis on economic and business considerations such as cost recovery and even profit maximization in the provision of public services. The practice of user pay is now widely used in the Hong Kong public sector, such as in the medical and housing sectors. Trading funds are now injected into Electrical and Mechanical Services Department, the Land Registry, the Companies Registry, Office of the Telecommunications Authority, and the Post Office for generating their own income. Efficiency initiatives take the forms of business reviews and value-for-money studies in government departments and corporate bodies. The Mass Transit Railway and the Airport Authority are also sold to the private business. The entire government is now running like a business with cost and measurable output identified as the most important considerations in the provision of public services. The public-private collaboration in the delivery of public service emphasizes the core values of self-financing, privatization, public-private partnership, efficiency, effectiveness, cost recovery, user pay, and value for money. But none of these is related to the social values of justice, fairness, and equality.

The indiscriminate use of business and economic values in the provision of public services began to attract criticisms from various sectors. For instance, the International Air Transport Association (IATA) in Hong Kong issued a cautionary statement. The industry is concerned that it could face higher charges after the Airport Authority is privatized, and comes under pressure maximize returns for shareholders (South China Morning Post, 7 August 2003). IAIA Director-General Bisignani said “where governments were greedy with a short-term vision, there have been some spectacular failures. Privatization of Hong Kong airport must benefit the general public, travelers, airlines, and shippers – not just the operators of the airport and the government” (Ibid). Bisignani pointed out that “the privatization of the airport goes well beyond the 45,000 airport jobs. Privatization is far too important to be viewed as a quick fix to the government’s current budgetary difficulties. Long term vision is needed” (Ibid). Bisignani suggested the government must ensure that After the listing, the airport maintained just charges and timely infrastructure development. The government is warned that “privatization must not give a private monopoly a licence to print money at the expense of the greater economy” (Ibid).

As the Hong Kong economy is facing a serious downturn with an unprecedented high unemployment rate of 9 percent recorded in August 2003, the issue of affordability of privatized public services becomes an increasing concern. Seriously hit by the Asian financial crisis and the government’s failing economic policies, the consumption confidence index dropped from the apex of 60.5 in 1997 to the bottom of 13.9 in 2002 (Apple Daily News, 11
July 2003). In a survey conducted by the Chinese University of Hong Kong, 42 percent of the respondents predicted that their personal financial situation in the coming year would decline; 55 percent of the respondents thought that the economic environment in Hong Kong would be further worse; and 62 percent of the respondents said they would reduce their expenditure (Apple Daily News, 11 April 2003). Neglecting the dominant social values and the affordability of public services could be dangerous, resulting in social unrest and political instability. On 1 July 2003, 500,000 citizens took to the streets to protest against the government. The Chinese University of Hong Kong survey showed that 91.9 percent of the respondents who participated in the mass rally were very disappointed about the overall performance of the government; and that 91.5 percent of the respondents felt that the performance of the government was intolerable (Ming Pao, 7 July 2003).

As the Hong Kong economy is deteriorating during a painful process of economic restructuring, a careful balance between business and social values has to be drawn in the provision of public services. In times of economic prosperity, the public sentiment against the use of business practices in public services may not be visible. Yet, in a time of economic depression, when most citizens cannot afford expensive public services based on economic calculations, the entrepreneur approach will be problematic. This scenario could be extended to a wider context in developing societies where there is a wide gap in income distribution. If most of the people could not afford to buy the expensive public services formulated according to the private business model, social problems can be aggravated and social instability can be disrupted. It is worth worrying that the government planned to sell assets of US$ 17 billion over the next five years (South China Morning Post, 7 August 2003).

The Need for Political Accountability

The NPM public-private collaboration aims to enhance public service performance through privatization, corporatization, decentralization, contracting out, and commercialization. However, this also raises the concern of political accountability of public services. As more responsibilities and functions are delegated to more independent and private business bodies, it becomes practice that these independent and business bodies, rather than the central government, are made answerable for their policies and decisions to the elected politicians and legislatures. To some politicians, privatization and corporatization is perceived as an evasion of political responsibility and accountability by the central government. There is a belief among the politicians that the government intends to shift the political burden and responsibility of providing public services to independent and corporate bodies. Consequently, it is feared that the government will be held less politically accountable for public policies and decisions. As there are constitutional constraints and legal limits to control and to monitor
corporations, private business bodies, and non-departmental public bodies, public control can be lessened and, therefore, political accountability declined.

The accountability system of public service in Hong Kong was severely criticized by the politicians and legislators in Hong Kong. The President of the Hong Kong Legislative Council said the ministerial system had not improved the relationship between the government and the Legislative Council (South China Morning Post, 15 July 2003). The Democratic Party even launched a motion debate in the Legislative Council on 10 July 2003 to denounce the accountability system. The Democratic Party chairman, Yeung Sum, said the Hong Kong government under Tung Chee-hwa was out of touch with the public (South China Morning Post, 11 July 2003). Although the non-binding motion by the Democratic Party was rejected by a vote of 27 to 22, many pro-government legislators criticized the system for failing to live up public expectations and called for a review (Ibid). Eric Li of the pro-government group was unhappy with the system and called for a review: “Everyone can see that the accountability system has not been working” (Ibid). The vice-chairman of the pro-government Democratic Alliance for the Betterment of Hong Kong, Ip Kwok-him, also conceded that the system was below public expectations (Ibid).

However, the Hong Kong government refused claims that the accountability was a failure, defending that top officials had been decisive and flexible in dealing with public demands (Ibid). The government issued a report on the accountability system in July 2003, saying that the government is prepared to heed public sentiment, to adjust position in the light of public opinion, and to take into account the views of the Legislative Council members” (South China Morning Post, 19 July 2003). The Secretary for Constitutional Affairs, Stephen Lam, said that “the principal officials have been prepared to stand up and be counted and to assume political responsibilities. The government had also been decisive and responsive” (Ibid). However, the government’s claim is inconsistent with what the people think, as reflected from a survey conducted by the policy think-tank SynergyNet that Hong Kong people were unhappy at the refusal of ministers to take responsibility for their policy failures (South China Morning Post, 21 July 2003). Respondents in the survey gave the officials less than 30 points out of 100 on their willingness to accept responsibility for social problems and policy mistakes (Ibid). Respondents also gave the lowest point (23 out of 100) for the government’s willingness to listen to criticism (Ibid). The need for the Hong Kong government to improve political accountability in view of increasing public-private collaboration is therefore evident.

The Need for Legitimacy

Increasing public-private partnership through privatization and corporatization without a proper system of accountability leads to another concern on legitimacy. As more decisions on
public policies are made by corporate and private bodies, the general public and elected politicians may not recognize these policies. As the government is held less politically accountable for public policies, the general public and elected politicians might think the government is retreating from its commitment and responsibility. There is a concern that the government intends to shed its social commitment to and to shift the social responsibility to the private sector and corporate bodies.

A more serious worry is that the private sector and corporate bodies do not involve a high degree of public participation in the decision-making process. Elected politicians and general citizens are not involved in the business board meetings which however make important decisions on public policies. As a result, recognition of the policies and decisions made by these bodies may not be high among the general public. Further, these private and corporate bodies are not subject to close scrutiny by both the government and the Legislative Council. Consequently, both the public policies and the government are subject to certain degree of legitimacy crisis.

In Hong Kong, the government has already been suffering from a serious legitimacy crisis. There were 3 large scale demonstrations against the government respectively held on 1 July 2003, 9 July 2003, and 13 July 2003. The 1 July demonstration attracted 500,000 people, the second 50,000, and the third 20,000. A survey conducted by the Chinese University of Hong Kong showed that 91.5 percent of the respondents among the demonstrators in the 1 July demonstration found the government performance intolerable; 91.9 percent of the respondents felt the overall performance of the government was disappointed; 82.6 percent of the respondents wanted the Chief Executive of Hong Kong should step down; and 83.5 percent of the respondents thought that Hong Kong citizens should use people’s power to force the Chief Executive to resign (Ming Pao, 7 July 2003). The second demonstration held on 9 July mainly called for the resignation of the Hong Kong Chief Executive. Rally organizer, Richard Tsoi, said “If Mr Tung continues to ignore people’s aspirations, he will face greater pressure” (South China Morning Post, 10 July 2003). The third demonstration held on 13 July demanded the speedy introduction of full democracy in Hong Kong and called for universal suffrage in the election of the Chief Executive and the whole Legislative Council (South China Morning Post News, 14 July 2003). These three demonstrations were the largest anti-government protest the city has seen.

Tung’s ability to govern has been seriously questioned and the legitimacy of the government has dropped to the lowest.

Currently, the Chief Executive of Hong Kong is elected by a small group of 800 members who in turn are not directly by the general citizens. Only half (30 members) of the Hong Kong
Legislative Council are directly elected by general citizens from geographical constituencies while the other half are indirectly elected by business and professional groups from functional constituencies. According to a Chinese University of Hong Kong survey, the popularity rating of the Chief Executive dropped to the new low of 38.9 out of 100 (passing mark is 50) in July 2003 (Apple Daily News, 22 July 2003). Among the 14 ministers of Tung’s Executive Council, only 4 ministers received a rating above the passing mark of 50. These ratings and the three demonstrations show that the legitimacy of the current Hong Kong government is low and that the voice for a more democratic political system in Hong Kong is strong. As the Hong Kong government is facing such a low degree of legitimacy, further privatization of public polices is afraid to further deepen the legitimacy crisis of the government.

Conclusion

The experience of public-private collaboration in Hong Kong reflects both productivity gains and concerns over the balance of economic and social interests, the need for accountability, and the need for legitimacy. The success stories of public-private partnership in the delivery of public services have actually occurred in countries like the United Kingdom, the United States, Australia, and New Zealand with a strong economy, democratic political system, and well established welfare system. Besides, there are pre-conditions for successful privatization. Property rights, an independent judiciary, efficient processes for the sale of enterprises, and the existence of a more-or-less efficient financial market must be in place before any NPM public-private partnership can be pursued (Ariff and Iyer, 1995, pp.340-341).

Moreover, it is pointed out that employing business-type operating standards is replete with problems as the most significant of which is the seeming incompatibility of efficiency and effectiveness controls (Hedley, 1998, p.257). Fiscal conservatism and controls are often necessary, but they can be in dysfunctional tension with the basic intention of social improvement (Ibid). It is warned that “when public administrators modify their managerial controls to conform to business standards rather than concentrating on basic legislative intent, they will continue to make little headway towards increasing the effectiveness of public services” (Ibid). Wettenhall (1998, p.155) succinctly pointed out that “privatization should be in the public interest”. The inevitable outcome of improper privatization is drastic weakening of the public sector and of the collective social spirit, hence a drastic weakening of government itself (Ibid). In conclusion, the public-private partnership in the NPM context is an important idea and tool to enhance the performance of the public sector on the one hand. It calls for a careful analysis and implementation if a programme of public-private collaboration is to be successfully launched on the other. As revealed from the Hong Kong’s experience, the concerns for social values, accountability, and legitimacy should be properly addressed.
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