

Do Public Interest Companies form a Third Way in Public Services?

- Public Interest Companies have attracted much attention in recent times. In a paper for the Office for Public Service Reform in 2003, Paul Maltby notes that over the, ‘last year the debate about the best way to deliver public services has stumbled on a new option – a not-for-profit company, or ‘public interest company’ (PICs). From Network Rail, National Air Traffic Services and Foundation Hospitals, there has been much political and media attention towards those ‘new’ organisational forms’.
- For its advocates PICs are a third way beyond traditional public enterprise and private firms.
- Critics say that they are a free market measure (e.g. David Taylor claimed in the House of Commons on April 29 2003 that foundation hospitals are a free market policy).
- In this presentation I ask if PICs form a third way in public services.
- We need to be clear about the nature of these bodies if we are to explore properly the potential of these organisations within public services.
- The answer to this question also sheds light on the attempts by New Labour to create a broader third way beyond state-centred social democracy and free markets.

What are PICs?

- A number of bodies have contributed to the definition of PICs.
- The Public Management Foundation outlines one of the most comprehensive definitions. Nine features are set out:
  1. PICs have to act in the public interest.
  2. PICs are committed to the public interest over time.
  3. These bodies are allowed to trade.
  4. These organisations should be cost-efficient.
  5. PICs should be entrepreneurial.
  6. No dividend payments can be made within PICs.
  7. PICs can raise money from capital markets.

8. PICs should be accountable to different stakeholders.
9. PICs should be independent of government control.

### The Case for PICs

#### *Associative democracy*

- In a pamphlet written for the New Economics Foundation, Ed Mayo and Henrietta Moore argue Moore (in *The Mutual State*, 2001) that the PIC model offers a way of conducting a much-needed democratic renewal of the British state.
- For these thinkers, voting at general elections is inadequate for guaranteeing democracy in the future.
- More direct forms of democracy are needed to supplement votes cast at general elections.
- PICs offer a way of promoting user-involvement in public services.

#### *Critique of the all-knowing state*

- This springs from the view that practical or ‘tacit’ forms of knowledge undermine central planning.
- Individuals such as Hilary Wainwright and John Kay believe that collective institutions below the state are still important for the generation of this knowledge.
- Co-operation among stakeholders creates ‘organisational knowledge’.
- The duty of managers should be to establish and maintain stakeholder relationships. This is best achieved if executives act towards a suitably defined public interest criterion.

### A third way in public services?

- State funding still likely to be a critical element of PICS.
- Provision is not usually through the state.
- PICs differ from private corporations because they act for the public interest rather than the payment of dividends.
- Are PICs unworkable?
  - Will the number of stakeholders involved in these organisations increase without limit?
  - Does the proliferation of stakeholders mean that these bodies will lack a clear purpose?

### New Labour and PICs

- PICs form one strand of wider attempts to create a third way ideology beyond free markets and state-centred social democracy.
- Anthony Giddens writes that part of a ‘third way, phase two’ should mean that ‘variety of non-state agencies, including mutuals, social enterprises, not-for-profit trusts and public benefit corporations can and should be brought into the delivery of public services’ (in *Where Now for New Labour?*, Polity, 2002, at p65).
- In 2003 Alan Milburn stated that, ‘NHS Foundation Trusts will usher in a new era of public ownership. They will be owned and controlled locally not nationally. Modelled on co-operative societies and mutual organisations, these NHS Foundation Trusts will have as their members local people, local members of staff and those representing key organisations such as PCTs. These members will be its legal owners and they will elect the hospital governors. In place of central state ownership there will be for the best first time in the NHS genuine local public ownership’ (available on the Department of Health’s speech archive).
- Policies such as foundation hospitals advance this agenda at a policy level.