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Private sector involvement in urban governance: The case of Business Improvement Districts and Town Centre Management partnerships in England

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ABSTRACT

Although it has many merits, the voluminous literature on urban governance gives scant attention to the actual involvement and positioning of business elites and businesses within Public–Private Partnerships. There is also little consensus among academics as to why the private sector become involved in such schemes. This paper begins to address these issues through a critical empirical examination of how and why the private sector is involved with three English Town Centre Management (TCM) partnerships and the Business Improvement District (BID) subsidiaries all three partnerships have recently developed. In order to do this, the empirical study is guided by a conceptual framework that foregrounds the relationship between (a) the opening up and monitoring of 'institutional space' by partnerships and the state, and (b) the motivations and 'constrained agency' of the business elites. The paper demonstrates that the positioning of the private sector is more multifarious and fractured than previous studies of urban governance have suggested. It also reveals that business elites and businesses view their participation as an 'investment' that needs to accrue significant financial returns and that partnership and state officials are highly selective in their choice of 'who governs'.

1. Introduction

Geographers and academics in cognate disciplines have spent considerable time outlining the emergence of Public–Private Partnerships (PPPs) and the inclusion of business elites within contemporary urban governance (e.g. Imrie and Raco, 1999; Ward, 2000; Geddes, 2006). They have also paid close attention to the problematic rolling out of speculative, entrepreneurial projects from place marketing to urban regeneration and their governance by the 'new urban governors' (e.g. Harvey, 1989; Raco, 2003a; Kavaratzis, 2007). These studies provide extremely useful accounts of the reconfiguration of urban politics and the nature of contemporary urbanism. Yet they tend to fall short on two fronts. First, they are often unclear how business elites and businesses are positioned within urban governance and, second, there is little consensus as to why business elites and businesses get involved. Through an empirical examination of three English Town Centre Management (TCM) PPPs and the Business Improvement District (BID) subsidiaries all three TCM partnerships have developed, this paper offers a tentative insight into the positioning and motivations of the private sector in contemporary urban governance. This paper begins by critically reviewing the existing literature on the subject and developing a conceptual framework for understanding business involvement in urban governance. Using this framework, it then examines the positioning and motivation of businesses and business elites within TCM partnerships and their BID subsidiaries in Coventry, Plymouth and Reading. An empirical analysis of these case studies is useful in three respects. First, it vividly demonstrates the diverse inner-workings of two of the most-used and powerful PPP formations in England and the positioning of the private sector within these. Second, the comparative dimension of this study enables us to see the geographically hybrid nature of BIDs and TCM schemes, simultaneously stressing the commonalities and differences between these 'actually-existing' partnerships (Nijman, 2007; Ward, 2008). Third, these empirical insights can, and will, inform the conceptual points made by this paper.

Methodologically, this paper draws from semi-structured elite interviews conducted between January 2006 and January 2007. Interviews were conducted with four groups of actors, namely those involved in the national governance of TCM and BIDs; partnership staff and members of the three local partnerships; representatives of other institutions that worked closely with the partnerships; and a small number of business elites who had limited or fractured engagement with the local partnerships. In total, 49 interviews were conducted, each of whom were recorded, transcribed and encoded using the software package NVivo7. The case studies of CV One in Coventry, the Plymouth City Centre Company (hereafter Plymouth CCC) and Reading UK Community Interest Company (hereafter Reading UK CIC) were selected because of

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their differentiated TCM and BID organisational structures (as will be detailed later).

2. Reconstituting the local state

The local state has been heavily influenced and intertwined with the private sector. Focusing on England in particular, many of the practices and agendas of the local state have become more private sector-like. The local state, in the words of Phil Hubbard and Tim Hall, is "being run in a more businesslike manner" (Hubbard and Hall, 1998, p. 2), adopting "characteristics once distinctive to business – risk-taking, inventiveness, promotion and profit motivation" (Hall and Hubbard, 1996, p. 153). Their characterisation echoes the literature on the New Public Management (NPM) which identifies an increased emphasis by the state on competitiveness, accountability, efficiency, 'hands-on' auditing and benchmarking (the measuring and comparing of performance) and a move towards flatter hierarchies (e.g. Dunleavey and Hood, 1994; Dibben and Higgins, 2004). However, the emulation of private sector practices and mentalities, as Ward (2007a, pp. 7–8) notes, is an uneven and often unstructured process, varying between policy fields, organisations and places.

In addition, the local state has opened its doors to non-state actors and PPPs in the governance and delivery of 'public' services. For Jessop (1997, p. 37), a *de-statisation* of the state is taking place. For others, a shift from govern*ment* to govern*ance* is underway (e.g. Ward, 2000; Kjær, 2009). Nonetheless, we should be careful not to see this as a clear-cut binary shift from one epoch to another. As Imrie and Raco (1999, 2001) insist, this transition is uneven spatially and temporally with non-elected elites and entrepreneurial tactics having longer (if somewhat hidden) histories in local government than first suspected (cf. Ward, 2000, 2001).

Under New Labour, there has been a partial and uneven emphasis on involving residents, the voluntary sector and 'communities' in urban governance (Raco and Flint, 2001; Atkinson, 2003; Geddes, 2006). However, it is the private sector and its business elites that have been the most actively welcomed 'outsiders' to the new governance structures. Research has revealed five frequently-used strategies in which local government and its partners have sought to involve the private sector, namely: the contracting out of selected local state services (Szymanski and Wilkins, 1993; Grimshaw et al., 2002; Reimer, 2003; Higgins et al., 2005); the privatising of selected local state services and assets (Ginsburg, 2005); private financing for public and public–private services and buildings (Medway et al., 1999, 2000; Flinders, 2005, 2006); the use of private auditors, financial advisors and consultants (e.g. Saint-Martin, 1998; Shaoul et al., 2007); and the development of PPPs (Peck and Tickell, 1995; Flinders, 2005; Geddes, 2006). For Flinders (2006, p. 225) the restructuring of who governs, delivers and finances public services has led to a blurring of the lines demarcating the public and private sectors with a substantial 'grey zone' emerging "where the public–private distinction becomes opaque and the established frameworks for ensuring legitimacy, accountability and control become less clear".

Beyond these observations, the urban governance literature is somewhat unclear about the positioning of private sector elites and institutions within these new structures. Wood (2004), for instance, argues that it is hard to decipher from the literature what private sector elites actually do when they sit on PPP boards or how they influence the partnerships' agendas. That said, a number of studies within the management studies tradition have provided partial insights into the internal operations of voluntary and non-profit boards (e.g. Harris, 1996; Mole, 2003; Rochester, 2003). They have usefully examined, among other things, the tension and collaborations within the boardroom; the shifting division of labour between board members, chief executives and staff; and the ways in which decisions are made. However, while this literature is empirically rich, it rarely focuses on the external, multi-scalar pressures and influences facing the boards (Cornforth, 2003) or how these boards actively shape the wider processes of neoliberalisation (Wood, 2004).

Although it casts little light on the political roles and powers of the private sector, the urban governance literature does provide a few clues as to why they are involved. In two influential papers, Peck and Tickell (1995; Peck, 1995) reason that the contemporary political empowerment of the private sector is the result of centrally-orchestrated, neoliberal state restructuring whereby state power is strategically licensed out to the private sector. Behind this restructuring is the belief that business elites possess more appropriate, neo-liberal-like skills for the job (e.g. creativity, market-expertise, efficiency) than the 'rule-bound' public bureaucrats of local government (Peck, 1995; see also Farnsworth, 2006). Peck and Tickell, therefore, argue that business involvement should be seen as being "part and parcel of the process of state restructuring, not as some autonomous, grassroots revival of business paternalism" (Peck and Tickell, 1995, p. 76). Yet as Wood (2004, p. 2108) argues, their 'state-centric approach' cannot answer one fundamental question: "why, in the absence of compulsion, do businessmen and women answer the 'call to arms'?"

Stone (1989) provides an indirect answer to this question. He argues that public and private institutions try to work together because of the deep-seated division of labour between the state and market in a fragmented, complex world. For Stone, no one group monopolises power and resources; therefore, policymakers and other elites actively seek to work with each other in order to fully realise their ambitions. However, this reasoning alone cannot explain the sharp rise in partnership working in the UK since the late 1980s.

According to Logan and Molotch (1987; Molotch, 1976, 1993) and Cox and Mair (1988, 1989), the thirst for profit maximisation is behind the political mobilisation of the private sector. For these authors, particular types of capital lead these partnerships, or 'growth machines' as Molotch (1976) calls them. Logan and Molotch pinpoint 'rentiers' (property owners) as the leaders of the growth machine. They argue that rentiers are 'parochial capital', whose assets are often geographically immobile or deep-rooted (e.g. buildings, land). As a result of this immobility, they either develop policies or lobby for policies that focus on intensifying or replacing existing land uses and attracting more mobile 'metropolitan' capital, in turn increasing land rent and property values. Similarly, Cox and Mair (1988, 1989) argue it is the extent of an institution's *local dependence* – in other words, its relatively spatial immobility – that determines whether it will get involved in local economic development-based coalitions or not (see also Imrie et al., 1995). As Cox and Mair (1988, p. 310) contend:

> "[T]he primary interest of locally dependent firms is in defending or enhancing the flow of value through a specific locality: the territory that defines for them a geographically circumscribed content of exchange relations critical to their reproduction; and that, for reasons ranging from the immobility of their built environment facilities to the non-substitutable character of their exchange relations, is difficult to reconstitute elsewhere. Locally dependent firms [therefore] engage in collective strategies via business coalitions in order to realize their common interests in a particular area, interests that are antagonistic to those of locally dependent firms in other places."

Unlike Logan and Molotch, Cox and Mair do not suggest that property owners are the leaders in such a movement but do hint at their