

## **COST SAVINGS FROM PRIVATIZATION: A Compilation of Study Findings**

by  
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### **EXECUTIVE SUMMARY**

Opponents of privatization and other methods of increasing competition in government-financed services frequently claim that privatization/competition rarely results in cost savings for government or society at large. In fact, some argue that privatization increases costs to the taxpayer.

These claims are refuted by a substantial body of research that has documented significant savings from privatization/competition. More than 100 studies over the course of the last 20 years have demonstrated privatization/competition cost savings in service areas from airport operation to weather forecasting.

The wide variety of reasons for the cost savings include, for example: 1) better management techniques; 2) better and more productive equipment; 3) greater incentives to innovate; 4) incentive pay structures; 5) more efficient deployment of workers; 6) greater use of part-time and temporary employees; 7) utilization of comparative-cost information; and 8) more work scheduled for off-peak hours. All these benefits stem primarily from the introduction of competition into the bidding process to perform the service.

Insulated from competition, most government units have lower incentives to—or are even prohibited from—adopting the productivity-increasing techniques of private firms. When government units compete against private bidders to provide a service, cost savings are significant regardless of who wins the contract because the government unit typically responds by cutting its costs greatly.

The following service-by-service table is a compilation of cost studies that compare the costs of in-house (sole-source) government agencies versus alternative—and mostly private-sector providers. It is derived from my book, *Competition in Government Financed Services*, published by Quorum Books in 1992. The over 100 independent studies typically found cost reductions of 20 percent to 50 percent that resulted from privatization and, more importantly, increased competition.

## INTRODUCTION

This table updates and expands an earlier 1982 compilation of studies on the effect of competition on the costs of government services.<sup>1</sup> It references over one hundred independent studies of increased competition in specific government services and the cost discrepancies observed. Studies that collected quantitative results usually demonstrated cost savings of 20 percent to 50 percent as a result of increased competition.

The primary method of increasing competition is contracting out public services to private firms. However, this is not the only method of increasing competition examined in the studies presented in the table. Findings from two other methods of increasing competition are also detailed.

One alternative is allowing management and workers of the in-house government unit to bid against private firms. The other method is termed intergovernmental contracting and refers to agreements between two or more government jurisdictions to purchase service from another government. Competition takes place between in-house units in all the jurisdictions that might contract with each other.

## RESEARCH FINDINGS

<b>UPDATED COST SAVINGS RESEARCH FINDINGS</b>		
Arranged Alphabetically by Service Category		
<b>SOURCE</b>	<b>COMPARISON</b>	<b>FINDINGS</b>
<b>AIRLINE OPERATION AND AIRPLANE MAINTENANCE</b>		
Savas 1987	In-House versus contract maintenance support for air force bases.	Contract maintenance reduced costs by 13% while improving availability of parts and planes. Cost savings were primarily attributable to use of 25% fewer personnel by contractors.
Davies 1971, 1977	Australia/sole private airline versus its lone public counterpart.	Efficiency indices of private airline were 12% to 100% higher.
Domberger and Piggott 1986	Survey article dealing with many services. Focus on Australian Airlines.	Concludes that private firms are generally more efficient, unless the public firms are faced with equivalent competition.

### Privatization Cost Savings (Continued)

<b>AIRPORTS</b>		
Auditor General of Canada 1985	Tax-supported Canadian airport operations versus comparable U.S. airport authorities that must borrow in capital markets to finance their facilities.	Airports subject to capital market discipline are much more efficient. Work-year requirements are 30% to 40% lower. Canadian government workers have inflexible work assignments and procedures. Canadian airports are overbuilt and neglect many commercial opportunities. Fail to monitor trends in operating costs. Overall savings rate is 40%.
Moore 1987	In-house versus contract air-traffic control.	Government pricing policies for landing rights and other airport services lead to inefficient congestion and inability to finance expansion of facilities.
Roth 1987	Government-managed versus private-managed airports.	Government pricing policies for landing rights and other airport services lead to inefficient congestion and inability to finance expansion of facilities.
<b>ALL SERVICES</b>		
Deacon 1979	In-house versus intergovernmental production of all services.	Intergovernmental contracting saved 14% relative to in-house production.
David 1987	In-house versus private contracted services.	Surveyed local administrators reported that cost savings were achieved in 98% of contracting efforts. The range of operating-cost savings was large: 10% reported more than 40% savings. The weighted average cost saving was 19%.
Savas 1987	Los Angeles county in-house services versus contracted services from 1979 to 1984.	Cost of contracted services averaged 30% less than in-house services.
Moore 1987	In-house versus contract in Mirada, California.	Contracting has 30% lower costs.
<b>ASSESSING PROPERTY TAX</b> (financial administration) also see Payroll and Data Processing (service category 28).		
Stocker 1973	In-house versus private contractors in Ohio.	Private assessments provided 50% cost savings and were found to be more accurate.
<b>BANKS</b>		
Davies 1982	Australia/one public versus one private bank.	Sign and magnitude of all indices of productivity, responsiveness to risk, and profitability favor private banks.
<b>BUS SERVICE</b> (Utilities) also see Electric Utilities and Water Utilities (service categories 10 and 43).		
Morlok and Moseley 1986	Municipal in-house agency versus competitive contracts.	Contract winners supplied services at 28% lower costs.
Morlok and Viton 1985	Municipal in-house agency versus contracts awarded in competitive bidding versus noncompetitive contracts.	Contract providers had cost 50% to 60% lower than municipal agencies they replaced. Noncompetitive contracts were similar to municipal agency costs.
Oelert 1976	Municipal in-house versus	Public bus services have 160% higher costs per

### Privatization Cost Savings (Continued)

	private bus service in W. Germany.	kilometer than private equivalents.
Walters 1987	Municipal in-house versus private bus service in various cities.	Private bus services typically charge similar prices, but have 50% to 65% lower costs.
Perry and Babitsky 1986	Private versus cost-plus contract versus municipal in-house versus regional in-house authority bus operators.	Private operators are significantly more efficient. Cost-plus contractors and municipal bus lines are less efficient. Inefficient private operators are sold to government.
Prommerehne and Schneider 1985	In-house versus private firms in West Germany.	Private costs were 60% lower than public costs for commercial bus operations.
Talley and Anderson 1986	In-house motor bus versus contracted dial-a-ride service.	Substituting dial-a-ride for scheduled service decreased costs by reducing overtime and idle time and utilizing less costly vehicles. It also reduced costs indirectly by encouraging competition with traditional services of the agency.
Teal, Guiliano, and Morlok 1986	In-house versus competitive contract operators.	Competitive contract operations provided cost savings from 10% to 50% (larger fleets). Cost savings are due both to less overhead/greater productivity and lower wages.
Rice Center 1985	In-house versus contract express commuter services.	Contract operators have 30% to 60% lower costs.
<b>CLEANING SERVICES</b> (General maintenance of public buildings) also see Security Services (service category 37).		
Bundesrechnung-shoff 1972	In-house versus private contracting of cleaning services in West German post offices.	In-house service 40% to 60% more costly.
Hamburger Senat 1974, Fischer-Menshausen 1975	In-house versus private contracting out in West German public buildings.	Public service 50% more costly than private alternative.
Kaiser 1977	In-house versus contract services in schools.	Contracting saved 13.4% of costs.
Pommerehne and Schneider 1985	In-house versus private-sector costs of services in West Germany.	Private costs were 33% lower than public costs for commercial cleaning services.
U.S. GAO 1981b	In-house staff versus GSA contractors versus private landlords.	Private window cleaning costs averaged 47% lower than GSA staff while contractor costs were 38% lower. Higher costs were due to higher wages as well as more workers.
Stevens 1984	In-house versus contract janitorial services.	Contract service had 42% lower costs even after accounting for quality, service levels, and economies of scale.
U.S. GAO 1982b, Fixler and Poole 1987	In-house versus contracted janitorial services in post offices.	Contracted janitorial services were 50% less costly than in-house services.

## Privatization Cost Savings (Continued)

DAY CARE CENTERS		
Bennett and DiLorenzo 1983	In-house versus private providers of equivalent services. Article is based on GAO studies.	Private day care was found to be 45% less costly because of fewer teachers, lower wages, and fewer nonteaching staff.
DEBT COLLECTION		
Bennett and DiLorenzo 1983	In-house versus private providers of equivalent services.	Private debt collection procedures were faster and 60% less costly.
Bennett and Johnson 1980	In-house versus privately contracted equivalent services.	Government 200% more costly per dollar of debt pursued.
ELECTRIC UTILITIES (Utilities) also see Bus Services and Water Utilities (service categories 6 and 43).		
Bennett and DiLorenzo 1983	In-house federal agencies versus private hydroelectric plants.	Private utility costs averaged 17% lower due primarily to federal overstaffing.
Hellman 1972	In-house versus electric utilities that compete versus regulated private monopolies.	Competition produced lower rates than regulation. Government production produced the lowest rates due to tax exemptions.
Meyer 1975	In-house versus private firms, sample of sixty to ninety U.S. utilities.	Slightly higher costs of private production. Threat of competition improved cost efficiency somewhat.
Moore 1970	In-house versus private U.S. utilities.	Overcapitalization greater in public firms. Total operating costs of public firms higher.
Primeaux 1975	In-house versus private U.S. utilities.	Municipal utilities facing competition have 11% lower cost on average. Economies of scale offset X-inefficiency at big firms.
Spann 1977	In-house versus private firms in Texas and California.	Private firms, adjusted for scale, are as or more efficient in operating cost and investment.
Atkinson and Halvorsen 1986	U.S. public utilities.	Public Utilities are as efficient as private utilities.
Wallace and Junck 1970	In-house versus private firms by region of the U.S.	Operating costs 40% to 75% higher in public mode. Investment is 40% higher (per kilowatt) in public mode.
Bellamy 1981	Monopoly versus competing utilities.	Competing utilities had 20% lower prices.
FINANCIAL ADMINISTRATION See Assessment, Property Tax (service category 4), and Payroll and Data Processing (service category 28).		
FIRE PROTECTION		
Ahlbrandt 1973, 1974 Moore 1988	In-house (Seattle) versus private (Scottsdale, Arizona).	Municipal fire departments 39% to 88% higher per capita.
Hilke 1986	In-house versus varying degrees of use of volunteers in New York, and Pennsylvania cities (not suburbs) with	Use of volunteers reduced firefighting costs. Cities in New York with all-volunteer departments had 62% lower costs per capita. Pennsylvania's all-volunteer cities saved an average of 79% per capita. A 10%

### Privatization Cost Savings (Continued)

	populations between 10,000 and 50,000.	increase in use of volunteers provides a 2.8% decrease in costs.
Kristensen 1983	In-house versus major private provider in Denmark.	The principal private firm provided services at 65% lower costs. Differences in costs due to economies of scale, lower input costs, and especially part-time reservists and lower X-inefficiencies.
McDavid and Butler 1984	In-house versus major private provider in Denmark.	Mixed fire departments averaged 33% lower costs than purely municipal departments.
Poole 1976, Smith 1983	Private versus contract fire fighting.	Switching to private contract fire fighting reduces costs by 20% to 50%.
<b>FORESTRY</b>		
Bundesregierung Deutschland 1976	In-house versus private in West Germany.	Annual operating revenues 45 DM per hectare higher in private forests (approximately \$6 per acre).
Pfister 1976	In-house versus private in the state of Baden-Wurttemberg, Germany.	Labor input twice as high per unit of output in public as compared with private firms.
<b>GENERAL MAINTENANCE OF PUBLIC BUILDINGS</b> See Cleaning Services (service category 7) and Security Services (service category 37).		
<b>HEALTH SERVICES</b> also see Nursing Homes (service category 25).		
Schlesing, Dorwart, and Pulice 1986	In-house versus contract mental health services.	Nominally competitive-contracting procedures resulted in sole-source supply with little increase in efficiency.
Valente and Manchester 1984	In-house supply of substance abuse programs versus volunteer-based program.	Systematic volunteer program allowed service expansion with cost savings to the community.
<b>HIGHWAYS</b>		
Deacon 1979	In-house (local) versus intergovernmental provision of street repair.	Intergovernmental contracting saved 30%.
Stevens 1984	In-house versus contract provision of asphalt overlay and traffic light maintenance.	Contracting out was half as costly with equivalent quality. Contractors used more experienced staff and more equipment. Cost savings in the traffic light maintenance averaged 36%.
<b>HOSPITALS</b>		
Lindsay 1975	In-house Veterans Administration (VA) versus private.	VA hospitals have lower costs and lower quality. Resource use is distorted towards outputs that are easily monitored by Congress. Actual costs per medically necessary hospital stay may be higher in VA hospitals after controlling for length of stay.
Robinson and Luft 1988	Investor-owned versus public hospitals using a sample of 5,490 hospitals.	Cost increases at public hospitals were 15% lower than those in investor-owned hospitals from 1982 to 1986 after controlling for various demand and cost factors.
Becker and Sloan 1985	Investor-owned versus nonfederal government hospitals.	Government hospitals had no higher costs per admission.

### Privatization Cost Savings (Continued)

Shortell and Hughes 1988	Investor-owned versus nonfederal government versus nonprofit private hospitals.	No differences in quality, measured in death rates between different types of hospitals.
Register and Bruning 1987	Investor-owned versus thirty-six nonfederal state and local government owned and operated hospitals.	No significant efficiency differences between types after controlling for size and other factors that should effect efficiency.
Grannemann, Brown, and Pauly 1986	Investor-owned versus nonfederal government hospitals using a national sample of short-term hospitals.	Investor-owned hospitals had 24% higher costs than nonfederal government hospitals.
Noether 1987	Investor-owned versus nonprofit hospitals including nonfederal government hospitals sampled from 223 metropolitan areas.	Investor-owned hospitals are significantly more efficient once tax payments are taken into consideration.
Lindsay 1976	In-house Veterans Administration versus private.	Cost per patient day less in VA hospital, unadjusted for type of care and quality. Less "serious" cases and longer patient stays were observed in the VA facilities. The VA had a higher proportion of minority group professionals compared to proprietary hospitals.
Benton 1979	In-house versus private home care.	Government had 43% lower cost. No controls for quality were made in the study.
Wilson and Jadow 1978	In-house versus private in 1,200 U.S. hospitals providing nuclear medicine services.	Proprietary hospitals more efficient than public hospitals.
Hatry 1983	In-house managements versus contract management.	Experience with contract managements has varied. Seven out of fifteen large California public hospitals signing new management contracts with private management firms between 1973 and 1980 terminated the contracts. The hospitals noted small savings, service problems, and the hospital's ability to learn and then duplicate the cost-saving management techniques of private contractors.
<b>HOUSING AND COMMUNITY DEVELOPMENT</b>		
Muth 1973	In-house versus private construction costs in U.S. cities.	Public agencies 20% more costly per constant quality housing unit.
Rechnungshof Rheinland Pfalz 1972	In-house versus private cost of supplying large public projects in West Germany.	Public agencies 20% more costly than private contracting.
Schneider and Schuppener 1971	In-house versus private construction in West Germany.	Public firms significantly more expensive suppliers.
Pommerehne and Schneider 1985	In-house versus private costs in West Germany.	Private costs were lower than public costs for commercial services generally, 17% for construction.

## Privatization Cost Savings (Continued)

President's Commission on Privatization 1988	Publicly constructed versus various privatization alternatives.	Public housing costs per unit over twenty years total \$69,863 versus \$27,892 to obtain private units through housing subsidies to individual need families.
Weicher 1980	Government-financed construction versus private.	Government-financed construction 25% more costly. Government management is also more costly.
<b>INSURANCE CLAIMS PROCESSING</b>		
Hsiao 1978	In-house versus private.	Equivalent claims processing costs of private insurers were between 15% and 26% lower. Most of the differences were attributable to compensation and organizational differences. Some cost difference were attributable to efforts by public insurance programs to control medical costs generally.
<b>INSURANCE SALES AND SERVICING</b>		
Finsinger 1981	In-house (five firms) versus private (seventy-seven firms) liability and life coverage in West Germany.	Competition between public and private firms prompted equivalent efficiency.
Kennedy and Mehr 1977	In-house (in Manitoba) versus private (in Alberta).	Private insurance quality and service higher than those of the public insurance with equivalent costs.
<b>LAUNDRY SERVICE</b>		
Pommerehne and Schneider 1985	In-house versus private in West Germany.	Private costs were 46% lower than public costs for commercial services in laundry services.
<b>LEGAL SERVICES</b>		
Houlden and Balkin 1985	Ordered assigned counsel versus contract counsel for indigents.	Contract counsel had at least 50% lower costs. Contract counsel processed cases in half the time of assigned counsel. The authors note that since fees per hour are roughly equal, the primary difference is due to less attorney time per case under the contract system. This may imply a lower quality of service with contracts, but this does not affect the average jail term.
<b>LIBRARIES</b>		
White 1983	In-house libraries before and after federal aid.	After federal aid started in 1960s, productivity slowed as libraries added federally sponsored programs with lower marginal impact on output and fewer volunteers. Total factor productivity was at least 27% lower as a result.
<b>LIQUOR STORES</b>		
Simon and Simon 1987	In-house versus private.	State stores have higher compensation rates, but higher sales per hour. If hours of operation (quality) are considered, private stores have lower costs.
<b>MILITARY SUPPORT SERVICES</b>		
Bennett and Dilorenzo 1983	In-house versus private providers of equivalent services.	Average cost savings in base support services were 15%.

### Privatization Cost Savings (Continued)

U.S. GAO 1985b	Precontract bids versus post-contract costs for competitive Department of Defense contracts.	Most post-contract prices were in accord with bids. Some unsatisfactory performance seen in 33% of the contracts. Personnel turnover and low staffing were main problems. Contract prices increases due largely to contract changes and Davis-Bacon wage regulations.
U.S. GAO 1981a	In-house versus contract.	Savings from both higher employee productivity and lower wages.
U.S. GAO 1985b	Contract bids versus actual contract experience.	Contract costs increased over time in 95% of sample. In 89%, increases were too small to eliminate the net savings from contracting. (Contracts were rebid in 35% of the cases due to failures of the initial contractor.) Main causes of the cost increases were general wage increases, rebidding of contracts, contract errors, or additional requirements not originally included.
<b>MOTOR VEHICLE MAINTENANCE</b>		
Campbell 1988	In-house versus contract services.	Contractor costs are 1% to 38% below municipal costs for equivalent or higher levels of service. In conversions to contracting, wage levels generally remain similar, but the number of operating and overhead employees is reduced because of greater productivity.
Pommerehne and Schneider 1985	In-house versus private costs in West Germany.	Private costs were 50% lower than public costs for automobile motor maintenance repairs.
Stolzenberg and Berry 1985	Noncompetitive in-house versus competitive contract versus competitive in-house.	Competition resulted in lower costs through large reductions in personnel. Contracting saved approximately 17%. The lowest costs occurred where an in-house operator won competitive contracts. Costs averaged over 40% lower at these bases. Quality of maintenance was similar, but slightly better in government operations operating under competitive conditions. Higher government costs came from staffing for peak-load demand, higher government fringe benefits and difficulties in hiring and firing.
<b>NURSING HOMES</b> (health services) also see Health Services (service category 13).		
Lindsay 1975	In-house (VA) versus contract.	Contract operated homes had 45% lower per day costs.
<b>PARKING</b>		
Caponiti and Booher 1986	In-house versus contract parking meter and parking restrictions enforcement.	Contracting is less costly, primarily because of lower fringe benefits and greater flexibility in meeting staffing requirements. Productivity (violations ticketed) improves as much as 10%, averaging 5%.
<b>PARKS AND RECREATION</b>		
Stevens 1984	In-house versus contract park turf maintenance.	Contract service had 28% lower costs and equivalent quality of service.
Savas 1987	Government versus privately	Costs of privately constructed sports arenas averaged

### Privatization Cost Savings (Continued)

	constructed sports facilities.	31% less than those of public arenas.
Holmes 1985	In-house versus contract recreation program.	Cost savings of 20% obtained by privatizing. Savings come from more use of volunteers and better use of employees.
Poole 1980	In-house versus private facilities operations and programs.	Cost savings of 20% obtained by privatizing. Savings come from more use of volunteers and better use of employees.
Fixler and Poole 1987 Valente and Manchester 1984	In-house versus contracted profit and nonprofit organizations.	Contracting allowed maintenance of quality recreation services, even though budgets were reduced under California's Proposition 13 by as much as 50%.
<b>PAYROLL AND DATA PROCESSING</b> (financial administration) also see Assessment, Property Tax (service category 4).		
Valente and Manchester 1984	In-house versus private competitive contractors.	Contractor performed higher quality data processing service with cost savings of 15%.
Stevens 1984	In-house versus private contractors.	No cost differences found after accounting for quality and other factors.
<b>POLICE</b>		
Deacon 1979	In-house (local) versus intergovernmental.	Intergovernmental contracting saved 42%.
Mehay 1979	In-house (local) versus contract with county (Lakewood Plan).	Contract costs were lower due to fewer police officers per capita. However, contract cities experienced higher rates of violent and property crime. Net effects were probably negative for contract cities. Problem attributable to inability of contract cities to specify quality of service and monitor performance.
Mehay and Gonzalez 1985	In-house monopoly versus in-house production with competition to serve additional jurisdictions.	Costs in counties that sell their police services to other jurisdictions are estimated to be 9% to 20% lower. The authors conclude that competition encourages police departments to keep their costs down.
<b>POSTAL SERVICE</b>		
U.S. GAO 1982a	In-house versus contracted routes.	Contracted delivery routes save up to 66% on delivery costs.
Hanke 1985a	In-house versus contracted window service.	Contractors (retail stores with postal services) provided window service at 88% lower cost than USPS operated.
Savas 1987	In-house versus private parcel delivery services.	Private firms have lower rates, faster delivery, lower losses from damage, better tracking systems, wider variety of services, and lower costs.
<b>PRINTING</b>		
Pommerehne and Schneider 1985	In-house versus private in West Germany.	Private costs were 33% lower than public costs for commercial printing services.
<b>PRISONS</b>		
Grant and Bast 1987	In-house versus contract facilities and services.	Contractor prison construction costs are at least 45% lower than government averages. Service contracts for prison operations are at least 35% below average per prisoner costs in recent cases.

## Privatization Cost Savings (Continued)

PUBLIC WELFARE		
Poole 1980	In-house versus private variety of welfare services.	Privately supplied programs operating under competitive bidding saved 20% to over 60%.
Hatry 1983, Wedel, Katz, and Weick 1979	In-house versus private contracting for vocational rehabilitation, childrens' protective services, and programs for the elderly.	Competitive contracting efforts have often devolved into single source contracting with little evidence of efficiency gains. Nonprofit firms are the predominate suppliers. Improved program characteristics are the primary objective of contracting, but no quantifiable quality information is available.
RAILROADS		
Bennett and DiLorenzo 1983	In-house versus private providers of equivalent tract repair. Article is based on GAO studies.	Private railroads repaired ties, replaced track, and surfaced rails at least 70% more efficiently.
Caves and Christensen 1980	In-house (Canadian National) versus private (Canadian Pacific) costs and productivity differences.	No current productivity differences. The public firm substantially increased its efficiency after competition increased in 1965.
REFUSE COLLECTION (Sanitation other than Sewerage) also see Street Cleaning (service category 41).		
Collins and Downes 1977	In-house versus private contracting-out in St. Louis area.	No significant cost differences. Private firms lost density economies because several firms served the same areas. Public suppliers had monopoly status.
Savas 1974, 1977a,b, 1980; Stevens and Savas 1978; Edwards and Stevens 1979	In-house versus private monopoly franchise versus private nonfranchise firms.	Public supply was 40% to 60% more expensive than private. Private monopoly price was only slightly 5% higher than price of private non-franchised collectors. Density economies offset otherwise higher costs.
Stevens 1984	In-house versus competitive contract.	Cost savings of 22% were found, controlling for quality.
Hirsch 1965	In-house (St. Louis City-County area) versus private firms.	No significant cost differences. Private competing suppliers lost density economies.
Kemper and Quigley 1976	In-house versus private monopoly contract versus private nonfranchise versus municipal firms in Connecticut.	Municipal collection costs were 14% to 43% higher, but private nonfranchise costs were 25% to 36% higher than municipal collection. Loss of density economies increased costs of nonfranchise suppliers.
Kitchen 1976	In-house versus private firms in forty-eight Canadian cities.	Municipal suppliers were more costly than proprietary firms.
Petrovic and Jaffee 1977	In-house versus private contracting in midwestern cities.	Cost of city collection was 15% higher than the price of private contract collectors.
Pier, Vernon, and Wicks 1974	In-house versus private firms in Montana.	Municipal suppliers appear to be more efficient, not controlling for quality and community characteristics.
Savas 1977a	In-house versus private firms in Minneapolis.	No significant cost differences if suppliers compete through tight control of municipal costs imposed by

## Privatization Cost Savings (Continued)

		legislature using private costs as a comparison.
Savas 1981	In-house and franchise contractors in a single district jurisdiction versus contractors and in-house in a multidistrict setting.	The average number of bids per area increases when cities are divided into small districts. Competitive bidding leads to lower costs for contractor service. Cities that actively monitor municipal agencies using private contractor costs have lower average costs. No benefits are obtained without these policies.
Spann 1977	In-house versus private firms. (Survey of literature.)	Public firms were 45% more costly.
<b>.SCHOOLS</b>		
Peterson 1981	In-house versus private contractor-operated public schools.	Private contracting prompted small gains in math and reading and losses in other subjects. No cost savings.
<b>.SECURITY SERVICES</b> (general maintenance of public buildings) also see Cleaning Services (service category 7).		
Hanke 1985a	In-house versus private security guards.	Private security services save 50% or more.
<b>.SEWERAGE/WASTEWATER TREATMENT</b>		
Hanke 1985a	In-house versus contractor-built and operated treatment facilities.	Contractor costs averaged 20% to 50% less due to shorter construction lags and lower construction costs. Competition also reduces operating costs 20% to 50%.
Savas 1987, Moore 1988	In-house versus outside contracts	Contracted wastewater service is 20% to 50% less costly because federally financed projects involve higher construction (Davis-Bacon Act) and design costs.
<b>.SHIP REPAIR AND MAINTENANCE</b>		
Bennett and Johnson 1980	In-house versus commercial tankers and oilers.	U.S. GAO reports that the private ship repair costs averaged 80% less than the U.S. Navy's costs.
<b>.SLAUGHTERHOUSES</b>		
Pausch 1976	In-house versus private firms in 5 major West German cities.	Public firms were significantly more costly because of overcapacity and overstaffing.
<b>.STREET CLEANING</b> (refuse collection) also see Refuse Collection (service category 35).		
Stevens 1984	In-house versus competitively contracted.	Contract cities have 43% lower costs after accounting for quality and other factors.
<b>.TOWING</b>		
Kaiser 1976	In-house versus contractors in New York.	Contract towing bids provided cost savings of more than 40%.
<b>TRANSIT</b> see Bus Service (service category 6).		
<b>UTILITIES</b> see Bus Service (service category 6), Electric Utilities service category 10), and Water Utilities (service category 43).		
<b>.WATER UTILITIES</b> (utilities) also see Bus Services and Electric Utilities (service categories 6 and 10).		
Crain and Zardkoohi 1978	In-house versus private suppliers; comparisons of 112 firms and detailed case study of 2 firms that switched type of ownership.	Public firms were 40% less productive. Private firms had 25% lower costs. Public firms going private had 25% increase in output per employee. Private firm going public had an output per employee decrease of 40%.

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Feigenbaum and Teeples 1982	In-house versus private water companies.	No cost differences were found after controlling for other cost factors.
Mann and Mikesell 1976	In-house versus private suppliers.	Found public modes were 20% more expensive after adjusting for input prices.
Morgan 1977	In-house versus private suppliers covering 143 firms in six states.	Costs 15% higher for public firms.
<b>WEATHER FORECASTING</b>		
Bennett and DiLorenzo 1983	In-house versus private. Based on U.S. GAO studies.	Private weather forecasting contractors provided equivalent weather forecasting with 35% lower cost.

SOURCE: John Hilke, *Competition in Government-Financed Services*, 69-94.

### ABOUT THE AUTHOR

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## ENDNOTE

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