



July 2002

# HOW TO NAVIGATE THE POLITICS OF PRIVATIZATION

by Robin A. Johnson  
Project Director: Geoffrey F. Segal



HOW-TO  
GUIDE  
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# How to Navigate the Politics of Privatization

BY ROBIN A. JOHNSON

## Executive Summary

As more governments from the halls of Congress to city halls consider private sector delivery of public services, proponents in both the public and private sectors are finding a frustrating wall of obstruction, opposition, and delay—otherwise known as politics—blocking otherwise solid public policy initiatives. For elected officials seeking to privatize services, the role of politics in the governmental process is well-known. For private sector firms, politics can seem an illogical force that slows and prevents efforts to make government function more efficiently. They often become impatient with a process that is cumbersome and antithetical to normal private-sector procurement methods.

This how-to guide shares lessons learned from both government officials and private firms at the front lines of privatization endeavors. These lessons may help others avoid the political pitfalls that can stymie a worthwhile privatization proposal. Survey data show that most public officials are persuaded of the efficacy of privatization as a policy tool but find the political barriers sometimes too great to overcome.

Political issues can quickly take center stage over technical and economic concerns when privatization is proposed. The dominance of politics often takes even seasoned public and private partners by surprise. We discuss a series of strategies for both sides of the partnership to cope with the politics of privatization.

For the private partners in a privatization endeavor, keys to success include:

- ✍ Identifying key leaders;
- ✍ Identifying stakeholders;
- ✍ Developing a communications strategy with public leaders;
- ✍ Knowing the political landscape;
- ✍ Respecting the process;
- ✍ Providing information;
- ✍ Answering all questions; and

~~///~~ Being persistent and patient.

For the public officials in a privatization endeavor, keys to success include:

~~///~~ Keeping the process open;

~~///~~ Inviting the news media;

~~///~~ Knowing the private partner;

~~///~~ Developing a public relations strategy with the private partner;

~~///~~ Disarming the opposition;

~~///~~ Involving the opposition, especially employees;

~~///~~ Being ready to compromise; and

~~///~~ Providing information.

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## Part 1

# Introduction

*"There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things."*

*? Niccolo Machiavelli*

The scene is all too familiar—a privatization proposal that saves tax dollars, improves service quality, and even guarantees fair treatment for current employees goes down in flames. “Politics” rears its ugly head and slays another privatization proposal, even one that is regarded as almost too good to be true.

As more governments from the halls of Congress to city halls consider private sector delivery of public services, proponents in both the public and private sectors are finding a frustrating wall of obstruction, opposition, and delay, otherwise known as politics, blocking otherwise solid public policy initiatives. For elected officials seeking to privatize services, the role of politics in the governmental process is well-known. For private sector firms, politics can seem an illogical force that slows and prevents efforts to make government function more efficiently. They often become impatient with a process that is cumbersome and antithetical to normal private sector procurement methods.

It can be easy, and perhaps understandable, for private firms to look down on the governmental decision-making process and denounce the role that politics plays. Some firms may even withdraw from public markets and focus exclusively on opportunities in the private and nonprofit sectors.

A better approach for private firms and proponents of privatization in the public sector is to grasp the fundamental role of political considerations and learn to overcome political obstacles. Mixing two volatile concepts such as politics and privatization is not an easy endeavor and is a mission into explored but uncharted waters.

This how-to guide seeks to provide public and private sector officials with some direction on how to proceed with a privatization proposal and carefully navigate the political minefields that exist. Some of the information is drawn from examples of privatization across the United States.

Readers may not only gain a new perspective on how to navigate the privatization process, but also discover a healthy respect for a constant element of this nation’s decision making since the days of the Founding Fathers—politics.

## Part 2

# Political Footprints in the Privatization Discussion

*“Good government is good politics.”  
? Old Illinois political saying*

The implication of this old saw is that a proposal will sell itself on its merits if it accomplishes a clear public benefit. Voters will reward a public official who supports efficient, effective government with reelection. But that is not always the case, especially if a proposal involves privatizing a service that is being provided by public employees, even if it achieves such laudable public interests as cost savings and better government performance.

Although the interplay between politics and privatization is sometimes addressed at professional conferences, few publications dealing with privatization address the issue of politics in sufficient detail. The reason is obvious—few public officials are likely to go on the record for authors and admit any political influences in their decisions of whether or not to support a privatization initiative. They may cite lofty goals such as cost savings, improved service quality, or sticking up for defenseless employees against profiteering companies, but are likely to have been motivated by political factors as well.

Harvard Professor John Donahue included a brief discussion in his well-balanced book about agent’s influence and the role of politics in shaping spending decisions.<sup>1</sup> A recent book by privatization critic Elliott Sclar called for “the separation of politics from the contracting process as much as possible,” but focused only on contractors’ efforts to shape the political process, not on other interested groups such as employee unions.<sup>2</sup> Long-time supporter E.S. Savas briefly examines some of the campaign-style opposition techniques used by opponents of privatization.<sup>3</sup>

Several recent books have included first-hand accounts from mayors who have maneuvered through political minefields during the privatization decision-making process. Atlanta Mayor Bill Campbell discussed the key role that political leadership played as the city entered into a landmark contract for water services.<sup>4</sup> Indianapolis Mayor Stephen Goldsmith detailed the evolution of his administration’s relationship with unions as the city privatized some services and enabled employees to bid for others through managed competition.<sup>5</sup> But the most riveting and extraordinary first-hand examination of politics and privatization to date is the story of Philadelphia Mayor Ed Rendell’s battles with unions over the issue of contracting services.<sup>6</sup> Rendell, a Democrat elected with union support, had to face down his old supporters in a bitter contest that helped the city on its road to financial recovery, but left some scars that have yet to heal.

The publication that comes closest to providing a map for elected officials to navigate privatization's political shoals comes from the General Accounting Office after they examined privatization efforts in five states and one city.<sup>7</sup> According to the experts and officials interviewed for the report, "privatization can best be introduced and sustained when a political leader champions it."<sup>8</sup> The report also said that political leaders "should anticipate a need to develop and communicate a privatization philosophy and to garner public, business, and political support."<sup>9</sup> This finding is supported by a survey of state governments that found more privatization activity as a result of "greater support among political leadership."<sup>10</sup>

Another successful ingredient mentioned in the GAO report is the need for flexibility during the decision-making process. While developing and implementing privatization initiatives, political leaders may need to alter their original proposals to overcome barriers and compromise with opponents to maintain support.<sup>11</sup>

Some surveys of government officials provide information on political factors in the privatization process. For example, a 1997 survey of city and county officials by the International City/County Managers Association (ICMA) bore out the role that fear of change plays in privatization debates.<sup>12</sup> Of the nearly 60 percent of responding officials that reported obstacles to alternate delivery of services, most (60.0 percent) encountered opposition from line employees. Another 29.4 percent of respondents said that department heads opposed any changes in service delivery methods. Opposition isn't limited to those directly by privatization—41.9 percent of respondents encountered opposition from elected officials.

Fewer respondents (32.3 percent) reported opposition from citizens. Only 6.2 percent of I.C.M.A. respondents reported that an active citizens group favoring privatization helped to spur the decision to examine private sector service delivery. However, 22.3 percent of respondents reported that citizen advisory committees were established to help evaluate the success of a privatization initiative. Roughly one in 10 (10.8 percent) respondents created citizen advisory committees to help ensure the success of a privatization proposal. Another 16.3 percent of city and county officials said that their governments surveyed citizens as part of activities to ensure success of privatization.

Only 20.3 percent of I.C.M.A. respondents cited lack of evidence on the effectiveness of privatization as an obstacle they had encountered. Thus, most respondents to the survey were apparently convinced of the effectiveness of privatization, but had to develop a marketing campaign to convince others of its worthiness.

## Part 3

# Politics Permeates the Privatization Process

*“All politics are local.”  
—Tip O’Neill*

While some academics and public policy purists would argue otherwise, consideration of privatization, like most other items that come before governmental bodies, involves political judgments on the part of decision makers that often take precedence over other factors. Whether the issue pertains to seasonal, specialized services, such as tree trimming or snow plowing, or basic city services, such as garbage collection or water treatment, politics can, and often does, permeate the decision-making process.

The initial factors that cause public officials to examine privatization are mostly economic and financial. Privatization can save money for cash-strapped governments and reduce pressure to cut services or raise taxes. Private firms often operate more efficiently and use fewer employees to provide similar levels of services. One of the main areas of cost savings in privatization is improved labor productivity, as contractors often attain lower labor costs through a reduction in the workforce, and not from decreased wages and benefits.

Political considerations can quickly take center stage, especially if public employees currently provide the service targeted for privatization. Proponents must ensure to their constituencies that the quality of services provided by private firms will be at least the same, if not better, than public provision. Also, leaders must address the fate of the existing workforce and take measures intended to minimize any potential negative impact.

Many public employees, as well as managers and elected officials, fear change and a loss of control over the provision of services. Few public policy proposals embody the perception of drastic change and loss of control more than privatization of services. Those directly affected by privatization are often those who present the greatest impediment to change. Perhaps the greatest example of the role of politics in privatization is the opposition by public employees and attempts by proponents to overcome those concerns.

The consequences of employee opposition, especially if the workforce is unionized, can vary with the size of the government. Proponents of privatization in large cities and states may be punished politically in the next election cycle and discover union funds and volunteers being utilized for their opponents. Employees may even attempt to recruit an opponent for the next election. Even in small communities, unions and employees may seek revenge at the polls in the next election.

In small communities, opposition can also take on a more personal dimension, increasing the pressure on officials to oppose privatization or address employee concerns.<sup>13</sup> Elected officials considering privatization are likely to encounter employees and/or their family members at public places and get an earful on “putting mommy or daddy out of work.”

Public officials seeking reelection are aware of the political potency of groups involved in the privatization debate. For example, the early 1990s witnessed so-called “ambulance wars,” as ambulances owned by private firms and public firefighters simultaneously arrived at accident scenes, and, in some instances, argued over who would transport a victim. Firefighters are expanding their range of services as the number of fires declines and are targeting emergency medical services (EMS). More importantly for vote-hungry public officials, the firefighters’ national union, the International Association of Firefighters (IAFF), donated \$1.2 million to political candidates in 2000, contributed \$3 million in soft money to political parties, and steered \$10 million in local campaign spending.<sup>14</sup> The political savvy of firefighters gives them a leg up on private E.M.S. firms in the battle to provide emergency services.

Some opponents are more direct in their attacks on privatization. Instead of fighting the battles on a case-by-case basis, they advance laws designed to obstruct, prevent, or otherwise slow down the privatization process. There is perhaps no better example of the bizarre role that politics plays in the decision-making process for privatization than Massachusetts and the Pacheco Law. Named after its sponsor, State Senator Marc Pacheco, the law mandates a variety of restrictions on privatization and requires private sector bids be compared with the most cost-efficient public service delivery, not the actual costs of services. The effect of the law, according to opponents, has been to virtually guarantee that no privatization plans in Massachusetts get approved.<sup>15</sup> The irony is that Sen. Pacheco, gearing up for a run for higher office, in 1997 pushed through a bill that allows cities and towns in the state to contract their municipal water and wastewater systems. It just so happened that one of the cities to take advantage of the law was Taunton, Pacheco’s hometown, which saved money by privatizing its wastewater facility.

**Part 4**

# Tales from the Front

*“We Don’t Want Nobody Nobody Sent.”  
—Old Chicago political saying regarding patronage*

**T**here are a variety of emerging issues and trends regarding the role of politics in the privatization process. As some the examples listed in this section illustrate, opponents often create a moving target for proponents to zero in on, starting with changes in the traditional system of political patronage.

## A. Pinstripe Patronage

The United States has a rich tradition of political patronage dating back to the days of Pres. Andrew Jackson and the spoils system. Civil service reform in the late 1800s led to some improvement in hiring and firing by governments, although many political practices remained in place. Merit systems for public employment in the modern era cover most employees from the federal government down to cities and counties.

However, some remnants of the patronage system remain—elected officials still have control over hiring and firing certain upper-level positions. And, some wily officials have managed to add a new twist to the American tradition of patronage that involves privatization. The term “pinstripe patronage” is applied to the political use of contracting whereby contracts are given to friendly businesses who, in turn, give campaign contributions to public officials at election time.

Pinstripe patronage, while commonplace across the nation, has its roots in Illinois under former Gov. Jim Thompson and Chicago Mayor Richard M. Daley.<sup>16</sup> No-bid consulting contracts for legal work, bond business, office leases, and low-interest loans are ways for public officials to gain favor in the business community and access large amounts of campaign donations.

Mayor Daley’s use of pinstripe patronage through privatization stands in contrast to his father, the late Mayor Richard J. Daley, who thrived under the former patronage system. Daley the father relied on armies of city patronage workers to turn out votes on election day, while Daley the younger relies on contributions of private contractors to pay the increasingly expensive costs of modern campaigning, such as political consultants, television advertising, and mass mailings.

While Thompson, Daley, and other officials are able to operate under the pinstripe patronage system, other officials, especially in small and medium-sized communities need to be aware of the potential for abuse. Private sector officials need to be cautious, as well, about being used as a source of campaign contributions in exchange for a vote in favor of privatization. While there may be nothing illegal about such an exchange, it

creates the appearance of impropriety. Appearances can be just as important as reality when operating in the public arena.

An example provided by a major contractor who wished to remain anonymous points out the impact patronage can have on the privatization process. In cities where old-time political bosses retain their influence, municipal employees remain an important source of election day workers. Public officials can usually maneuver around legal restrictions on patronage and still hire a significant number of supportive employees. The bosses work with the elected officials to work the precincts and support favorable candidates. In one instance, the political boss opposed privatization of a key city service because he feared that the employees would no longer feel obligated to help politically when they became private sector employees. Officials in the private sector should be aware of this type of scenario when they first examine the political landscape of a community.

## **B. Patience is a Virtue**

The government decision-making process can be more time-consuming and cumbersome than similar processes in the private sector. A privatization proposal needs to wind its way through several layers of approval before passage. Most cities have committees that must first review proposals before submittal to the full governing body for a final vote. It took the city of San Jose, California more than seven years of research, not to mention hundreds of thousands of dollars worth of studies, before the city council voted in December 2000, to solicit bids for management of the city's water system.<sup>17</sup> Some water industry officials estimate that the average amount of time to culminate a water privatization proposal is two to four years.<sup>18</sup> This means that a privatization endeavor may take longer than the election cycle for the politicians involved. That can cause more complicated politics or further delays, and sometimes has meant almost starting over again with a new group of elected officials.

## **C. 'Vox Populi'**

The latest twist in the debate over privatization is to involve the public directly through referendum. Opponents of privatization in Omaha placed on the November 7, 2000 ballot a measure that requires public approval of any proposal to privatize the management or operation of the city's two wastewater treatment facilities. The city charter amendment, supported by the entire city council and more than two thirds of Omaha voters, requires that 51 percent of voters approve privatization.<sup>19</sup> The city's Mayor, Hal Daub, said city leaders should not defer technical, difficult, not to mention emotional, decisions to the public.<sup>20</sup>

Opponents in New Orleans are going even further and invoking security concerns caused by the terrorist attacks and the foreign ownership of several leading U.S. water firms as justification for requiring public approval of privatization of the city's water and wastewater systems.<sup>21</sup> The fact that two leading opponents seeking delay or public approval through referendum intend to replace incumbent Marc Morial during a heated election campaign demonstrates the political nature of the issue.

Proponents are also seeking voter approval of privatization at the polls. In November 2000, voters in California approved Proposition 35, which amended the state constitution to allow state and local governments to contract for architectural and engineering services. The amendment, approved by 55 percent of the voters, was created after state courts ruled that the state constitution's provisions on civil service prohibited outsourcing for these services by state agencies.<sup>22</sup>

## D. Continuity

Many private sector contractors, like market watchers, like stability and continuity. A key part of any successful public-private partnership requires a degree of honesty and trust built up over time, solid communications, and personal relationships. As long as key political figures remain in office, private sector officials maintain those ties and develop a sense of stability in operations. These virtues are especially important for long-term contracts, which are increasingly popular in the water industry.

However, there eventually comes a time when the key political leaders will retire, seek higher office, or be defeated for reelection. New officials taking over may not have the same relationships with existing contractors, or may not even have served previously in government. Contractors must start all over building new relationships with newly elected officials and developing a level of trust.

Because of turnover among elected officials and staff from governmental bodies, it can be difficult for the replacements to have the institutional memory of events leading up to the original privatization agreement. In many cases, what goes around comes around, and some examples take on a comedic quality. In Pittsburgh, Pennsylvania, members of the Water & Sewer Authority began soliciting proposals in December 2000 for management of utility operations after they fired the management staff in response to a federal investigation into contracting practices. Opponents wanted more city control over the authority, which was spun off from city government in 1984. Privatization supporters pointed out the irony of such an argument: the former mayor of Pittsburgh had originally created the authority nearly 20 years ago because of poor council oversight of the system and the council's reluctance to raise water rates for system improvements.<sup>23</sup>

One way to ensure continued political support is by establishing boards, commissions, and councils to promote and sustain privatization efforts. Such structures were recommended by the GAO as a way to ensure effective implementation and provide guidance for future efforts.<sup>24</sup> The 1998 Council of State Government's report recommends that implementation structures be included in enabling legislation to sustain privatization "regardless of changes in the governors' and agency directors' offices."<sup>25</sup>

## E. Manager Versus Mayoral Systems

When dealing with small and medium-sized cities and counties, private contractors encounter different governmental systems and structures. Some local governments have professional managers or administrators that oversee the day-to-day operations with the mayor and council playing policy-making roles. Others rely on elected officials to develop and implement policy. Debate continues over which structure is better suited to fair consideration of privatization.

Systems with professional administration often offer better capacity to gather and analyze large amounts of technical information related to cost comparisons and contract specifications. Administrators and/or managers also may be less susceptible to political winds although these officials must please their bosses on the local governing boards who are sensitive to politics.

One possible downside to professional administrators is that they may feel qualified to be as good, if not better, than private firms at providing cost-effective services. Their education, advanced degrees in public administration, and prior experience may convince them that they can operate government as efficiently as the private sector.

A 1990 survey found a positive correlation between privatization and council/manager or strong mayor types of government—“less political forms of government.”<sup>26</sup> Local governments are more likely to contract with those structures of government as well as those with “enlightened management,” “no well-entrenched power base,” “autonomous decision-making capacities,” and, “progressive attitudes.” In addition, a 1998 survey of Florida cities found that manager governments are more likely to contract information systems services than mayor-led governments.<sup>27</sup> It appears that a more analytical and less politicized decision process is more likely to result in decisions to privatize.

## F. Partisan Versus Nonpartisan Systems

However, some private sector officials believe that a more political process increases accountability and ultimately performance. Some local officials run for election in partisan systems that often feature the democratic and republican parties, similar to federal and state elections. Other communities have nonpartisan systems that do not include parties whereby candidates run for office in a primary election with a runoff between the two top vote getters if no candidate receives a majority in the primary. The type of system varies from city to city and between states. For example, most Illinois cities have nonpartisan election systems and Indiana elects most of its municipal officials in partisan elections.

According to the Mercer Group study, many contractors prefer nonpartisan systems that limit the influence of politics.<sup>28</sup> One official interviewed for this report, who requested anonymity, prefers a partisan system because it can be easier to communicate with officials. Contractors can sell a privatization concept to one official in hopes that he or she will be able to convince other members of the party. A partisan system can, therefore, provide a better mechanism for communicating with members of a governing body.

## G. Mayors Step Up To The Plate

There are times when the benefits of privatization are so obvious that unexpected elected officials throw caution to the wind and publicly endorse its use for certain services. While opposition does not necessarily soften, the strong stance taken by mayors ensures a bold political champion when the time comes to move forward with a privatization initiative. A good example is when the populist Democrat mayor of Atlanta, Bill Campbell, decided to defy many of his traditional supporters and privatize the cities water and sewer systems.<sup>29</sup>

A milestone for political support of privatization was reached in 1997 when the U.S. Conference of Mayors endorsed public-private partnerships for water and wastewater facilities as an effective way for cities to “realize significant operational cost savings, and to attract private capital investment for needed infrastructure development.”<sup>30</sup> The endorsement came two years after the conference formed the Urban Water Council to serve as a forum for local governments to share information on technology, innovative management methods, and infrastructure development.

# Strategies for Success

*“Governing is the art of the possible.”*  
—Vaclav Havel

There are no foolproof strategies or formulae for achieving a successful public-private partnership. Each initiative will feature its own individual dynamics and personalities. But there are several best practices that private and public sector officials should consider when devising their communications’ strategies. These concepts should be adapted to the local conditions and key players.

## A. Strategies for Success: Private Partners

Both private and public sector proponents of privatization should first realize that they should pursue their initiative with a two-track approach: one dealing with the substantive aspects of the proposal and the second concerning a communications or public education strategy. The latter aspect is as important as the former and often is a requirement for success.

### 1) *Who is the political champion?*

As the GAO survey pointed out, the success of a privatization proposal is dependent upon a political champion who has the ability to shepherd an initiative from the conceptual stage through implementation. While the political champion is often the chief executive of a government, such as a mayor or governor, elected officials in the legislative branch can also take a leadership role.

There are other potential champions besides the chief executive. For example, the chair of the finance committee in local governments is often a leader because of his/her knowledge of finances. When the famous bank robber Willie Sutton was asked why he robbed banks for a living, he replied, “Because that’s where the money is.” The same concept applies in most governments—leaders are generally found on the committees that deal with government finances.

Another way of finding potential supporters or champions is to examine the background of elected officials. For example, city council members who are small businessmen or have a background in business can be assumed to be more agreeable to private sector strategies, such as privatization.

Finally, is there simply one person, either elected or appointed, that elected officials respect and listen to?

### 2) *Who are other key players?*

There are other important stakeholders in the decision-making process that must be identified and taken into consideration. A separate communications strategy should be developed for each stakeholder.<sup>31</sup> Examples of potential stakeholders includes:

- ✍ Employees;
- ✍ Government officials;

- ✍ Community leaders;
- ✍ The news media;
- ✍ Suppliers; and
- ✍ The general public.

### **3) *What type of government structure exists?***

Are the officials elected on a partisan or nonpartisan basis? Does the government have an administrator or manager in place? Some cities still have commission forms of government where elected officials have responsibility over municipal departments. Does the governing body have committees or does it meet as a committee of the whole? Does the city have an in-house attorney who will negotiate the contract or will it hire one?

Also, how does the government department or service targeted for privatization fit into the municipal structure? Whom does the department head report to? For example, are there separate water and sewer department heads who report to a director of public works? Or do they report directly to the city administrator or manager?

### **4) *What is the decision-making process?***

If the governing body has committees, which committee will have jurisdiction for the privatization proposal? What members are on the committee? Does the political champion have influence with the members? What is the timeline for consideration? Can the proposal be resurrected before the full governing body if it is defeated in committee? Above all, contractors need to respect the process and make it work to their advantage.

### **5) *What is the political landscape?***

There are often rivalries, jealousies, and hidden agendas on local governing bodies that are not apparent to the casual observer or outsider. Some governing bodies are divided into factions and votes on most issues are predictable. One sales representative of a water firm estimates that one-third of the cities he calls on have “Hatfield-McCoy” rivalries that impede privatization; in the other two-thirds, a political champion exists to move through the process.<sup>32</sup>

When are the elected officials up for reelection? Those officials facing the voters in the near future may be less willing to even consider an issue as controversial as privatization, let alone support it. On the other hand, if a political champion is not running for reelection, the timeline of proposing an initiative may need to be reconsidered.

### **6) *What else can we do to help the political champion(s)?***

Ultimately, the decision on whether to privatize services will be led by the political champion and his/her allies. Private sector officials can play a helpful supporting role by being available to answer questions from affected employees, the news media, the general public, etc. Privatization is such an intense, emotional issue because it potentially affects employees’ lives. They will understandably have questions regarding their job status, pay, health insurance, pension, coverage of family members, seniority, and other important issues.

Private sector officials should put themselves in the role of the employees and anticipate the questions and be prepared to respond—many times if necessary. They should also make clear that *there are no dumb questions*.

Finally, officials in the private sector require a combination of persistence and patience to deal with the perceived flaws of the governmental decision-making process. There are often many ups and downs during the process, but dogged determination and a strong sense of humor and irony can help officials persevere and achieve success.

## B. Strategies for Success: Public Partners

For elected officials, the selling of a privatization initiative is similar to political campaigns—they need to focus on a message, communicate the message over and over, and generate support from like-minded individuals and groups. While private sector partners have a role in the communications process, elected officials will be out front during the decision-making process and will have the major leadership role. Public officials, too, face a variety of challenges and opportunities during the process.

### Private Partners' Keys To Success

- /// Identify key leaders
- /// Identify stakeholders
- /// Develop a communications strategy with public leaders
- /// Know the political landscape
- /// Respect the process
- /// Provide information
- /// Answer all questions
- /// Be persistent and patient

### 1) How do we get started?

The introduction and initial discussion of privatization can set the tone and can define the terms of debate during the entire process. Elected officials must be prepared to provide enough factual information about the proposal and a possible timeline for consideration and implementation.

One common way to initially raise the topic of privatization is to have someone else do it for you. Many newly elected officials form blue-ribbon task forces of private sector officials who dispense advice on how to make government less costly and more efficient. For example, after his election as mayor of Baltimore in 1999, Martin O'Malley asked 250 area business leaders to offer suggestions for improving efficiency in five major municipal departments and accepted more than 80 percent of the nearly 200 recommendations, including several dealing with privatization.<sup>33</sup>

Task forces can also include other members including elected officials, employees, and citizens. An examination of privatization-related task forces in two cities, Raleigh and Charlotte, North Carolina, found that, when properly structured and implemented, they can help “make privatization more effective.”<sup>34</sup> Another study examined the involvement of public employees during the decision-making process in three cities and recommended their participation as a way to overcome resistance and enhance private service delivery.<sup>35</sup>

Another key factor is to keep the process open to citizens and the news media. A task force or other group responsible for decision making that meets in private will only invite suspicion, misinformation, and more intense opposition. Proponents should have nothing to hide. If the proposal is sound, saves money, improves services, and minimizes the impact on employees, then it should be discussed in the open as a way to generate support.

### 2) How do we overcome opposition?

Proponents should anticipate the arguments that will be used by opponents and prepare to answer them. Why can't the city provide the services as efficiently as the private sector? Why not a two-year contract instead of a 10-year deal? Will the city lose control over the services? Who will citizens call when the service is not provided properly? All are legitimate questions that deserve answers.

One public official involved in a successful privatization advocates "disarming the opposition" by including representatives of the opposition in all meetings and addressing those issues that are perceived to be the opposition's strengths.<sup>36</sup> Such a strategy can show even opponents the advantages that privatization offers and perhaps soften, if not overcome, opposition.

As was stated earlier, proponents from the public sector need to work with their private partners to develop a public relations or communications strategy. Letters to the editor, speeches to local service organizations, op-eds, and other methods of communication are important not only for their content, but also their timing during the decision-making process. All these elements must be organized and coordinated early in the process. In fact, communications with certain stakeholders should continue after acceptance and initial implementation.

### ***3) If we're close, how do we get the deal done?***

The game of politics is often like chess: the participants must try to anticipate their opponent's moves in response to their own. The bottom line on succeeding is knowing how many votes are necessary for approval and moving towards that number. Some elected officials may want more than just a majority if the issue is particularly controversial and sensitive in the community.

It is sometimes necessary for proponents to compromise certain elements of the proposal to gain the required votes. For example, a 20-year contract proposal could be pared back to a 10-year deal with a 10-year option for renewal. An initial contract proposal involving public employees transitioning to private employment can be scaled back to a management contract involving private management while the employees stay employed with the public entity. Or employees may move to the private sector but remain in the municipal pension plan. It is wise for proponents to consider these strategies during their initial discussions. They may be better off developing a proposal with the intention of compromising later to help overcome potential opposition and hostility.

#### **Public Partners Keys To Success**

- ~~///~~ Keep the process open
- ~~///~~ Invite the news media
- ~~///~~ Know the private partner
- ~~///~~ Develop a public relations strategy with the private partner
- ~~///~~ Disarm the opposition
- ~~///~~ Involve the opposition, especially employees
- ~~///~~ Be ready to compromise
- ~~///~~ Provide information

## Part 6

# Summary

A successful privatization effort involves much more than just putting together the proposal and handing it over to public officials. Private firms should be prepared to work with their public-sector partners to develop a communications strategy and to know the political landscape. With a better understanding of the political process and the crucial role that politics plays in governing, private sector officials can communicate their proposals more effectively and improve their efforts to make privatization an effective strategy for service provision.

# About the Author

**Robin A. Johnson** is a Senior Research Fellow in Reason Public Policy Institute's Privatization Center. His research focuses on privatization, government reform, and outsourcing, with an emphasis on small and rural municipal governments.

Mr. Johnson is the former director of the Illinois Center for Competitive Government, a partnership between the Illinois Comptroller's Office and the Illinois Institute for Rural Affairs at Western Illinois University. He is a former elected Alderman with the city of Monmouth, Illinois, the largest city in the state to contract its entire public works department with a private firm. His pioneering work has won national recognition, including a 2000 Project Innovation Award for his city from the National Council for Public-private Partnerships.

Mr. Johnson has co-authored several reports on privatization and has published articles in *Illinois Municipal Review*, *Public Works*, *County to County*, *Illinois County and Township Official*, *Peoria Journal Star*, *Government Finance Review*, *Privatization Watch* and *American Small Business Association Today*. Johnson is also the co-editor and author of a new book, *Local Government Innovation: Issues and Trends in Privatization and Managed Competition* (Greenwood Publishing Group).

Johnson holds a B.A. in Government from Monmouth College and an M.P.A from Western Illinois University.

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*Reason*

Reason Public Policy Institute  
3415 S. Sepulveda Blvd., Suite 400  
Los Angeles, CA 90034  
310/391-2245  
310/391-4395 (fax)  
[www.rppi.org](http://www.rppi.org)