

MANAGEMENT TROUGH MUNICIPALLY OWNED CORPORATIONS

Abstract

The paper presents the changes made in the provision of public services at the level of Bucharest, where the local government decided to create 24 municipally owned companies, some of which will be entrusted with the provision of public services. The decision of creating these companies was swift and not much research on the efficiency and effectiveness of these companies was done. The paper presents the way the provision of these public services was transferred from public administrations or private companies to these new municipally owned companies in a broad sense.

Keywords: Municipally owned companies, efficiency, effectiveness, local government, public services.

JEL CODES: M00, O29, H83, H72

NOUL MANAGEMENT PUBLIC PRIN COMPANIILE MUNICIPALE

Ioan RADU

PhD, Professor
The Bucharest University of Economic Studies
Bucharest
E-mail: iradu13@gmail.com

Cleopatra ȘENDROIU

PhD, Associate Professor
The Bucharest University of Economic Studies
Bucharest
E-mail: mihaidemeter2004@gmail.com

Mihai DEMETER

PhD, Student
The Bucharest University of Economic Studies
Bucharest
E-mail: mihaidemeter2004@gmail.com

Florin CAZACU

PhD, Student
The Bucharest University of Economic Studies Bucharest
E-mail: contact@cazacufloirin.ro

Rezumat

Lucrarea prezintă modificările aduse în furnizarea serviciilor publice la nivelul municipiului București, unde administrația locală l a decis să creeze 24 de companii municipale, dintre care unele vor fi însărcinate cu furnizarea de servicii publice. Decizia de a crea aceste companii a fost rapidă și nu sa făcut prea multă cercetare în ceea ce privește eficiența și eficacitatea acestor companii. Lucrarea prezintă modul în care furnizarea acestor servicii publice a fost transferată de la administrațiile publice sau companiile private către aceste noi societăți deținute într-un sens larg.

Cuvinte cheie: serviciu public, guvernare locală.



Proceedings of the 13th Administration and Public Management International Conference
"Policy and Organizational Change in Public Institutions"

1. INTRODUCTION

Several frameworks have been developed to classify and analyse different approaches to public administration and public sector reforms in advanced industrialized countries. Most of these focus on the transition from the Old Public Administration to the New Public Management that occurred in the 1980s and 1990s. From 2000 there was a discernible trend towards an emerging model variously termed the “new public service”, the “new public governance” or the “post-New Public Management” (Osborne, 2006).

The advent of New Public Management in the 1980s brought a shift towards involving markets in producing public services (Van Genugten 2008). And for some years this was the trend, most local government contracting out the provision of public services both in the United States and in Europe. This lasted for a while but by the 2000s, public services were being more and more contracted back into public provision (Hefetz and Warner 2007).

In terms of public provision, public services can be provisioned by bureaucracies, which tend to lack in efficiency due to their deep political implications and dependency to the local public administration, Public-private partnerships, and municipally owned corporations, which we will discuss in the present article. MOCs are corporations constituted by municipalities to provide a single service, ranging from bus services, water and sewerage services, refuse collection to administration of public and private municipal property. They differ from bureaucracy in that they are governed by appointed executive boards and have independent corporate status (Bel and Fageda 2006).

One of the main advantages of municipally owned corporations over bureaucracies is the rule of imposing professionalism over politics given their increased autonomy (Bourdeaux 2013) which can ensure a lasting policy regarding the way the company is being led and the objective that it must achieve.

In the article entitled “The efficiency and effectiveness of municipally owned corporations: a systematic review”, author Bart Voorn, analyses 21 distinct municipalities, in order to assess the main advantages of MOC over bureaucracies and concludes that MOC are indeed, more efficient than local bureaucracies, in terms of legal autonomy efficiency. The same study concludes that even though MOCs have a high initial failure rate they are a viable mean for delivering some public services, often being more efficient than local bureaucracies.

It appears that in most cases MOCs have a higher efficiency when they provision services at a regional level and benefit from cooperation with other localities (Bel and Fageda 2006, Zafra-Gomez 2013) benefiting from economies of scale, under the condition that they can overcome goal conflicts between the different local governments.

2. RESEARCH METHODOLOGY

After analyzing the opinions and studies of other authors in the subject regarding the efficiency and effectiveness of municipally owned corporation the authors made a thorough examination on the legal acts of the municipallity of Bucharest that created these MOCs and the transfer of the public services form local administrations to the MOCs, as well as the total expenditure in this endeavor.

At the begining of 2017, the local government of Bucharest decided to create 24 municipally owned corporations, as a viable strategic option in the development of Bucharest using New Public Management concepts. From these companies 12 were aimed at provisioning public services that today are provisioned by public administrations or bureaucracies, or by private companies trough delegation contracts. The main sectors in wich these companies will provision public services are energy, transport and administration of public and private municipal property.

3. THE SHIFT FROM “ADMINISTRATION OF LAKES PARKS AND RECREATION” TOWARDS MOCS

Most of the services reagarding the administration of public and private municipal property are provisioned by public administrations which are regulated by law 215/2001 of public administrations. These in-house operators are also knows as bureaucracies and are usually lacking in efficiency, mostly because of their lack of managerial autonomy that ultimately leads to a substantial political influence.

In terms of parks, gardens, lakes, green spaces and recreational activities the main operators is, for the time being, “Administration of lakes parks and recreation”, most commonly known as ALPAB. This grand administration is envisioned to be split into three municipally owned corporations in terms of public services to be provided.

For that, the following three municipally owned corporations were created by the decision of the local council, as presented in figure 1.

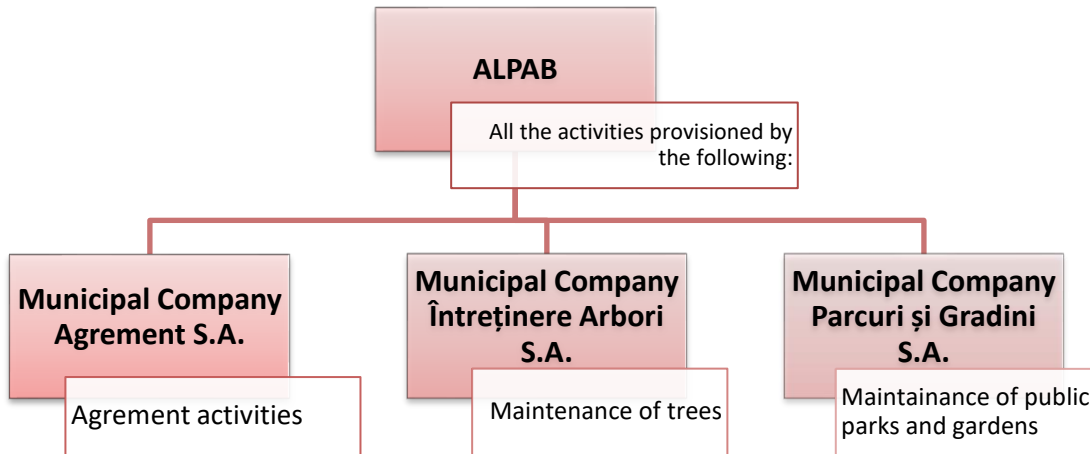


FIGURE 1 - MUNICIPALLY OWNED CORPORATIONS RESULTED BY THE DIVISION OF ALPAB

For creating these companies so that they can actually provision the presented services, the municipallity has spent, to this day aproximately 16 milion lei as described bellow:

TABLE 1 - MUNICIPAL INVESTMENT IN THE COMPANIES DERIVED FROM ALPAB

Company	Initial Investment (lei)	After capital increase (lei)	Loan from the municipality (lei)
Agrement S.A.	120.000	1.497.000	2.300.000
Întreținere arbori S.A.	120.000	4.296.900	6.626.015
Parcuri și Gradini S.A.	120.000	30.120.000	7.132.350

All of the above described companies will provide the activities as described in Government Ordinance 71/2001, and considering the municipalities declarations most of the human and techincal resourcses that will be used by these MOCs will be transfered from ALPAB.

The transfer from „Street Administration” towards MOCs

As in the case of ALPAB, the Street Administration is in direct subordonation from the municipallity and is in charge of provisioning services regarding the maintainance of streets, bridges, passageways, parking lots and for some time the administration of road traffic in Bucharest. All of this activities will be transfered to MOCs as presented in figure 2.

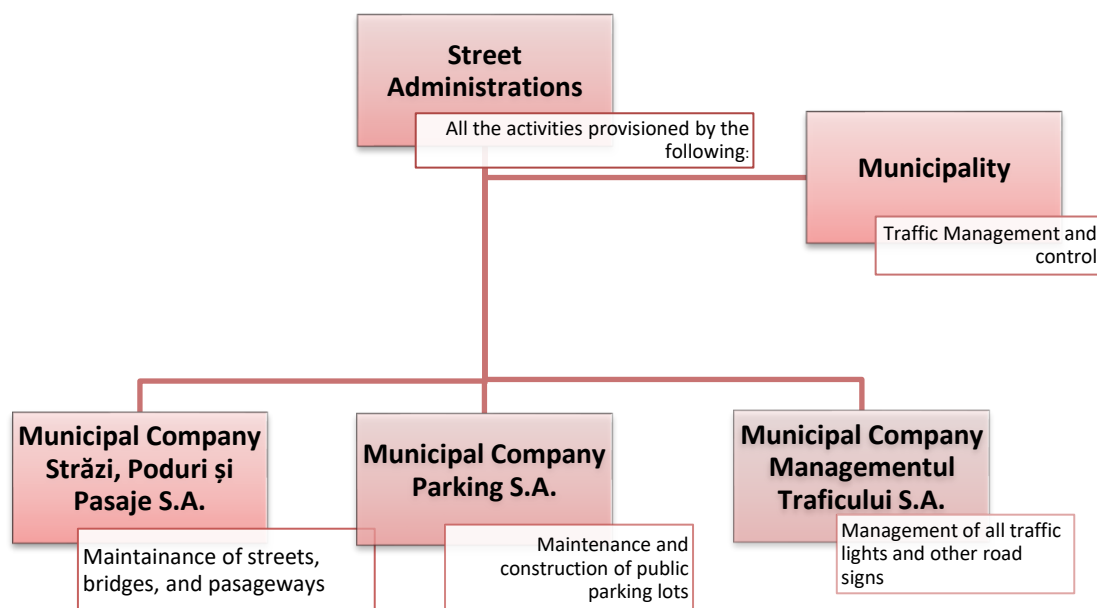


FIGURE 2 - MUNICIPALLY OWNED CORPORATIONS RESULTED BY THE DIVISION OF THE STREET ADMINISTRATION

In this particular case, even though traffic management was, for most of the time one of the main activities of the Street Administration, in 2017 the Municipality managed this particular activity in a specialized department, that will now be transferred to the new traffic company.

For creating these companies so that they can actually provision the presented services, the municipality has spent, to this day approximately asd milion lei as described bellow:

TABLE 2 - MUNICIPAL INVESTMENT IN THE COMPANIES DERIVED FROM THE STREET ADMINISTRATION

Company	Initial Investment (lei)	After capital increase (lei)	Loan from the municipality (lei)
Străzi, Poduri și Pasaje S.A.	120.000	70.132.370	18.000.000
Parking S.A.	120.000	24.000.000	2.100.000
Managementul Traficului S.A.	120.000	14.995.840	25.000.000

As in the case of ALPAB, most of the human and technical resources will be transferred from the street administration to these new MOCs.

Besides the two great bureaucracies, ALPAB and Street Administration, other services provisioned today by private operators or municipal bureaucracies will be transferred to newly created MOCs.

Other MOCs created by transferring activites provisioned by bureacracies or other operators

The following MOCs, presented in table 3, were selected on the basis that they will provision public services as stated in government ordinance 71/2001 and law 51/2005 regarding public utility services.

TABLE 3 - OTHER MOCs THAT WILL PROVISION PUBLIC SERVICES IN BUCHAREST

Company	Initial Investment (lei)	After capital increase (lei)	Loan from the municipality (lei)
<i>Energetica Bucuresti S.A.</i>	120.000	299.625.850 ¹	7.800.000
<i>Imobiliara Bucuresti S.A.</i>	120.000	57.135.000	4.000.000
<i>Publicitate și Afișaj București S.A.</i>	120.000	10.200.000	2.117.000
<i>Iluminat Public București S.A.</i>	120.000	9.917.000	9.715.000
<i>Managementul Transportului București S.A.</i>	120.000	1.620.000	5.000.000
<i>Eco Igienizare București S.A.</i>	120.000	10.734.000	3.898.500

The limit of the article is that it does not analyze the other MOCs created by the municipality of Bucharest that do not provide a public service and only refers to the ones mentioned above that provision activities as stated in 71/2001 and law 51/2005 regarding public utility services.

All of the data collected and aggregated in the above presented tables was taken from official decisions of the local government of the Bucharest, as presented on the municipality website.

Most of the MOCs presented above have not yet started to provision the public service they were created for given the fact that the contract for delegating the public service provision draft has yet to be approved by the local government.

4. RESULTS AND DISCUSSIONS

It is too soon to discuss about the performance of the MOCs created by the municipality of Bucharest given the fact that they have yet to start provisioning public services but as seen in the works of other authors and various studies on the subject there is some proof which suggests that the shift from old public administration to new public administration through MOCs is a good decision. Regardless, with a total financial effort of 627.962.825 lei from the municipality for the creation of these companies one might ask if effectiveness was put in front of efficiency without any in-depth analysis from the municipality.

REFERENCES

Bel, G., & Frageda, X. (2006). "Between Privatization and Inter-Municipal Cooperation: Small Municipalities, Scale Economies, and Transaction Costs." *Urban Public Economics*(6), 13-31.

¹ HCGMB 415/2017 privind participarea Municipiului București la majorarea capitalului social al Companiei Municipale Energetica București S.A.

- Bordeaux, C. (2013). "Politics versus Professionalism: The Effect of Institutional Structure on Democratic Decision-Making in a Contested Policy Arena.". *Journal of Public Administration Research and Theory*, 349 -373.
- Hefetz, A., & Warner, M. E. (2007). Beyond the Market versus Planning Dichotomy: Understanding Privatisation and Its Reverse in US Cities.". *Local Government Studies*(33), 555-572.
- Osborne, S. P. (2006). The New Public Governance? *Public Management Review*, 337-387.
- Van Genguten, M. L. (2008). The Art of Alignment: Transaction Cost Economics and Public Service Delivery at the Local Level. *University of Twente*.
- Zafra-Gomez, J. L., Prior, D., Plata Diaz, M., & Lopez-Hernandez, A. M. (2013). "Reducing Costs in Times of Crisis: Delivery Forms in Small and Medium Sized Local Governments' Waste Management Services.". *Public Administration*(91), 51-86.
- Law 51/2006 of public services, Romania
- HCGMB 661/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Agreement București S.A.
- HCGMB 452/2017 privind acordarea unui împrumut temporar către Compania Municipală Întreținerea Arborilor și Grădinilor București S.A.
- HCGMB 660/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Parcuri și Grădini București S.A.
- HCGMB 464/2017 privind acordarea unui împrumut temporar către Compania Municipală Parcuri și Grădini București S.A.
- HCGMB 657/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Străzi, Poduri și Pasaje București S.A.
- HCGMB 455/2017 privind acordarea unui împrumut către Compania Municipală Străzi, Poduri și Pasaje București S.A.
- HCGMB 658/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Parking București S.A.
- HCGMB 659/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Managementul Traficului București S.A.
- HCGMB 415/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Energetica București S.A.
- HCGMB 666/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Imobiliara București S.A.
- HCGMB 663/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Publicitate și Afișaj București S.A.
- HCGMB 449/2017 privind acordarea unui împrumut temporar către compania Municipală Publicitate și Afișaj București S.A.
- HCGMB 665/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Iluminat Public București S.A.
- HCGMB 461/2017 privind acordarea unui împrumut către Compania Municipală Iluminat București S.A.

HCGMB 468/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Managementul Transportului București S.A.

HCGMB 469/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Managementul Transportului București S.A.

HCGMB 669/2017 privind participarea Municipiului București la majorarea capitalul social al Companiei Municipale Eco Igienizare București S.A.

HCGMB 443/2017 privind acordarea unui împrumut către Compania Municipală Eco Igienizare București S.A.