

Better in public hands

Why we need a Public Service Users Bill



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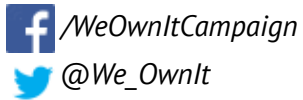
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Public services belong to all of us. We use them every day, we pay for them with our taxes, some of us work for them, and all of us want a say in how they are run. At a time when government policy is pushing outsourcing and privatisation, this report is a call to put people at the heart of public services, by promoting public ownership.

The policy of privatisation and outsourcing that has been promoted for over 30 years is under challenge. Increasingly, it seems to be in conflict with an evidence-based approach to public services that gives us what we need as citizens and as consumers. This report focuses on the positive alternative, looking at examples of public ownership from the UK, the rest of Europe and the US.

From East Coast rail to the NHS, from the water supply to local authority waste services, via Jamie Oliver's school dinners, there are inspiring case studies which show what successful public ownership can do for all of us. This report shows that public services are better in public hands; better quality, lower cost, more accountable and shared by us all. Public ownership is understood in a broad sense. It can include democratically controlled and accountable cooperatives, mutuals and social enterprises where safeguards are in place to protect the public interest.

We are calling for a Public Service Users Bill.

The people who use public services must have a look-in when it comes to how our public services are run. A Public Service Users Bill would protect and promote the high quality, accountable services that we all need:

- Public ownership would be prioritised as the default option that is looked at first, before contracting out (supported by 60% of the public). Local and national government would always explore best practice public ownership, before turning to private companies.
- There would always be a realistic, thorough in-house bid from the public sector whenever a public service – local or national - is put out to tender (supported by 80% of the public).
- Organisations with a social purpose – the public sector and genuine cooperatives, mutuals, charities and social enterprises – would be prioritised in the tendering process (supported by 57% of the public).
- The public would be consulted and its views thoroughly considered before any service is privatised or outsourced (supported by 79% of the public).
- The public would be properly consulted about the services they receive through public service contracts.
- The public would have a 'right to recall' private companies who are doing a bad job (supported by 88% of the public).
- Private companies running public services would be transparent about their performance and financial data - as in the public sector (supported by 88% of the public).
- Private companies running public services would be subject to Freedom Of Information legislation - as in the public sector (48% of the public mistakenly believe this is already the case).



Why this report is needed

What matters in public services is the people who use them. Yet people are not at the heart of the policy debate around public services. Instead, an ideological commitment to privatisation has overshadowed public services policy for the last thirty years. Despite the failures of water, energy and rail privatisation, the market for our public services is wide open.

Since the 1970s and 1980s, the belief that 'private is more efficient' has dominated political debate and decision-making, both in the UK and promoted by the UK abroad. While the language of UK policy makers has become less radical, moving from 'privatising the world' to 'opening up public services', the policies themselves have become more radical. Thatcher would not have considered privatising the NHS, the fire service or the courts. New areas of public life are now up for sale. Yet the evidence that this is in any sense better for service users is lacking, and so is public support for this approach.

This pressure to allow unaccountable third parties to run taxpayer-funded public services has increased since 2010. Oxford Economics estimates the current outsourced market for public services has an annual turnover of £82 billion, representing around 24 % of the total spend on goods and services by the public sector.¹ Recent legislation and policy – notably, the Health and Social Care Act, the Work Programme and the Welfare Reform Act – could take the value of public-sector commissioning well past this.

Yet despite all this, public ownership is making a comeback, locally, nationally and internationally, because of its success in making life better for public service users and for society as a whole. This is a pragmatic trend, it's about what works. And it's a trend that is showing what can be achieved for the people who use public services – that's all of us. Public ownership is better for people because it means higher quality services at lower cost, more ability to get their voices heard and to be involved in shaping services themselves.

Public ownership is popular and this report explains why, by exploring some of the best practice in the UK and the rest of Europe. It is not intended to be a comprehensive assessment of privatisation and why it's not working. It is intended to show that there are more effective, efficient, accountable ways of running public services, in the public interest.

By privatisation, we mean the selling off of public services and assets - such as energy or water to a business in the private sector operating for profit. We also mean the outsourcing of public contracts – as with the railways, health, social care, welfare. Private financing of public services through PFI also offers some useful lessons but we will focus on the first two: outsourcing and selling off.



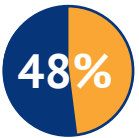
Private companies running public services should be held to account

Our poll² found support for a Public Service Users Bill:



YES “The government should be required to end private company contracts early when they are found to be doing a poor job of running public services, following public complaints”

YES “Private companies running public services should be required to be as transparent about their performance and financial data as the public sector”



(mistakenly) believe that private companies running public services are obliged by law to respond to Freedom of Information requests

“Wherever you look you can see the so-called market failing our fellow countryman and taking away our freedom. Prices are no longer under proper control, and our right to a say in how national services are run is being sold off to foreign and multinational companies, who have no commitment or loyalty to the people and values of this country. To them we are just customers to be manipulated and dictated to in a monopolised market.”

Hugh

“I’ll pay taxes for public services provided by adequately waged public workers. I don’t agree with my taxes lining the pockets of shareholders when they use workfare, zero hours and temporary contracts for their workers.”

Jane

*“There is no way a private company can run a public service *so much more* efficiently than a publicly-owned set up that there’s room for profit. They can only do it by cutting the service level; cutting wages (at the bottom, of course, probably also required to prop up higher wages at the top); and making things worse for us, the users (customers?), the public.”*

Rich



Public ownership should be the default for public services

Our poll² found support for a Public Service Users Bill:



YES “When a public service is put out to tender, there should always be an in-house bid to see if the service could be provided publicly at better value”

YES “Citizens should be consulted and have their views considered before any service is privatised or outsourced”



YES “Local and national government should run public services in the public sector as the default, and only consider contracting out if this fails”

YES “Organisations with a ‘social purpose’ (public sector and not-for-profit sector) should be prioritised above private companies in the tendering process for public services”



“Public ownership means services will be better run with people’s interests in mind.”

Margaret

“All the public money invested in the railway could be put to good use, delivering a better service for passengers while also achieving wider environmental and social goals.”

Malcolm

“Care homes need to be run in a way that safeguards care and not profit. The ethos must be public service not private gain.”

Kandy

“I want public services. Services that are not contracted out but provided publicly and paid for out of our taxes. This is the most efficient and equitable way to provide essential services. By keeping services public there is greater democratic accountability. Freedom of Information means there is greater transparency and excuses like commercial confidentiality can’t be used to fob off requests for information.”

Kevin



Calling time on privatisation

Many public services are currently being outsourced or privatised. At the same time, the belief that private companies are appropriate bodies to run public services is increasingly under challenge.

This belief is under challenge from *the evidence*:

- A report by Social Enterprise UK finds that “a ‘shadow state’ is emerging, where a small number of companies have large and complex stakes in public service markets, and a great deal of control over how they work. Transparency and genuine accountability are lacking.”³
- An Audit Commission report ‘For better, for worse’ in 2008 highlighted the complexities involved in outsourcing and strategic partnering. It also questioned some of the reported efficiencies arising from outsourcing.⁴
- A Deloitte report looking at outsourcing for large companies found that it is an ‘extraordinarily complex process’ and that there are real costs and serious risks involved. The anticipated benefits often don’t actually happen. Many of these companies have responded by bringing operations back in-house.⁵
- A report by the Working Lives Research Institute found that outsourcing can lead to higher costs and lower quality services, and managing contracts with private companies creates extra costs. ‘The potential risks are substantial. The potential benefits unproven.’⁶
- Analysis by Stiglitz and Knyazeva finds that ‘the optimality of privatization as a policy of reforms is not a given’ and that ‘public sectors outperform recently privatized sectors over the sample period’.⁷
- In the USA, a study found a fifth of all previously outsourced services were brought back in-house. The research found primary reasons for insourcing were: a failure to maintain service quality by the outsourced contractor (73%); and a failure to achieve cost savings (51%).⁸ President Barack Obama supports keeping USA jobs local as opposed to outsourcing. His administration is looking at insourcing key services since he has said that in many government agencies outsourcing has gone too far and eroded their core capacity to manage contractors effectively.

A Europe-wide study for the European Commission found that ‘service provision should not be left to the “free” play of market forces’. It says ‘public ownership combined with new forms of service users’ participation’ is viable and efficient.⁹

The belief that private companies should be running public services is under challenge because of *the many public scandals*, for example: G4S failing to provide adequate security at London 2012; Serco risking patient safety and falsifying NHS data 252 times; Atos finding disabled people ‘fit for work’ who subsequently died.¹⁰

The belief is under challenge because it is becoming ever clearer that privatisation does not mean choice or a voice for public service users. When private companies are given control of public services, there is often very little competition involved. Public services tend to be natural monopolies so there isn’t much choice for consumers. If you want to travel from A to B on the railways, there’s only one way of doing it. Similarly, in any one location, there is only one source of drinking water. Therefore, the government (local or national) asks private companies to bid for contracts. In this process, there are



frequently only a few bidders, and there's no real opportunity for the voices of public service users to be heard. Competition in the tendering process does not mean choice on the ground, and once services are outsourced, public service users and the wider community have almost no powers to hold providers to account. Companies running public services are bought and sold by major corporations for financial reasons without considering the interests of service users.

It's not clear that choice is a priority for public service users in any case. Evidence shows that people's top priorities for public services are fairness and high quality, followed by local control, accountability and a personal service.¹¹

Finally, this belief is under challenge because of *on-the-ground examples of public ownership working well and delivering for people*, the counter-trend of insourcing. In this report we focus on the latter, the positive alternative, on what public ownership can deliver for public service users, and what we think this means for public service policy. We also look at what can be done to give public service users a voice when their services are outsourced to third parties.

Public ownership isn't a panacea, but it's the right starting point. It offers the right policy framework for high quality, accountable public services which allows for service users to be involved, and for staff to be empowered.





Quality: we use it

Meeting people's needs means giving them time, attention and care. Public ownership makes it easier to take the time that's needed rather than squeezing services to boost profits. It also makes it easier to invest, innovate and cooperate without running into commercial concerns.

Many local authorities are bringing public service provision back in-house because of poor performance by private companies and low customer satisfaction levels. Analysis in 2009 of over 50 case studies of local authorities showed that a desire to improve the quality of the service was a key reason behind the decision to insource.¹² The trend was shown to be particularly strong in London, the South East, South West and East of England and the analysis also found that a high proportion of 'conservative' and coalition/'no overall control' authorities are deciding to insource. This suggests that the trend is being driven by pragmatic reasons, not ideological ones.

In 2011, a survey showed that this trend of choosing public control to improve service quality was continuing. 140 local authorities were interviewed, and 57% had brought services in-house or were considering doing so, with 44% of these saying that service quality was the key reason behind the decision. Insourcing services has led to dramatic increases in service user satisfaction levels.¹³

For example, in the London Borough of Southwark, satisfaction with street and estate cleaning rose from 30% to 70% in four years, according to a MORI survey. The in-house service now delivers: removal of fly-tipping; removal of graffiti; street cleaning; and estate cleaning. The return of street and estate cleaning services in-house has corresponded with improvements in service effectiveness and resident satisfaction. Residents are reporting a cleaner and more pleasant local environment, which is impacting upon their quality of life. Linked to this has been the move of the London Borough of Southwark from being the fifth dirtiest London Borough to the fourth cleanest in a poll by the environmental campaigning charity ENCAMS/Keep Britain Tidy.¹⁴

In-house cleaning has been reintroduced to health services in Scotland, Wales and Northern Ireland as private contractors were unable to maintain a sufficiently high standard of work.

THE PUBLIC SERVICE USERS BILL

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- Public service users would have a 'right to recall' private companies who are doing a bad job (supported by 88% of the public). This right would be written into new contracts, and would be triggered by clear criteria, such as widespread low levels of satisfaction with the service or a public petition for change.



The East Coast mainline: improving passenger satisfaction

Since 2009 one of Britain's 16 rail franchises has been in public ownership, and it has been a huge success. East Coast, run by the publicly owned Directly Operated Railways (DOR,) operates the London to Scotland line and came into existence when National Express became the second private company forced to drop the franchise after financial difficulties.

Public ownership of East Coast has improved journeys for passengers. The line achieved a 92% overall satisfaction rating in the Autumn 2012 Passenger Focus National Passenger Survey – the highest score on this franchise at any time since the survey was first launched in Autumn 1999.¹⁵ This score was three percentage points higher than the 89% average for all long distance train operators. East Coast was rated higher than the long distance operator average for 16 out of 19 measures. Passengers rated East Coast 13 points higher than the long distance average for how the operator deals with delays. The train operator won a national award, the Silver Whistle prize, for its provision of customer information at times of disruption.¹⁶

Public ownership of the line has also been highly efficient. The publicly owned East Coast group is paying more money back to the state than any private operator ever has. It has paid more than £600 million in premiums and profits into government coffers in the three years to April 2012.¹⁷ This is more than Virgin's West Coast line has paid in the past 15 years. A study by the Office of Rail Regulation, the official industry watchdog, noted that the East Coast line requires significantly less government funding than the other 15 franchises given to the private sector by the Department for Transport.¹⁸

Despite the success of the publicly owned East Coast line, the Government plans to hand the franchise back to a profit-making company by 2015. Passengers will be the first to suffer if the service is re-privatised.





Cost: we pay for it

Public ownership means taxpayers' money is better spent, both locally and nationally. Profits can be reinvested into services when they are in public ownership. Savings are also made through better integration of services and reducing the costs associated with managing contracts.

Local savings

Improving efficiency and cutting costs were the key drivers behind bringing services back in-house for 60% of the local authorities surveyed in 2011. Insourcing was seen as a way of delivering efficiency savings in the face of tighter budgets. Almost 13% of respondents reported that insourcing could deliver efficiency savings of up to £25k a year, 8% reported savings of up to £250k a year, and 6% anticipated savings in the region of £500k. A further 5% said that they envisaged savings of up to £1 million a year.¹⁹

For example, Three Rivers District Council brought its waste and recycling service in-house, leading to efficiency savings of over £1.5 million when compared to the original contract. Whilst these savings would have been kept as a profit by a private sector contractor, the local authority has been able to retain the savings in its reserves and invest them back in services at no further expense to the local taxpayer.²⁰

National savings

The NHS was found to be one of the most cost-effective healthcare systems amongst Western countries, achieving one of the highest reductions in mortality rates for economic input from 1979-2005.²¹

Public ownership of all the water companies could save nearly £2 billion every year by reducing the cost of capital of the water companies. This would mean that every household in England and Wales would save about £80 every year on average.²² Alternatively the money saved could be used to increase capital investment by 25%.²³ In addition, publicly owned water companies would pay the tax due on their profits.

THE PUBLIC SERVICE USERS BILL

- There would always be a realistic, thorough in-house bid from the public sector whenever a public service – local or national – is put out to tender (supported by 80% of the public). This would ensure there is always a public sector benchmark and a test of value for money.
- Private companies running public services would be transparent about their performance and financial data – as in the public sector (supported by 88% of the public).



Scottish Water: lower water bills, more investment

Scottish Water is a publicly owned company, providing all water and sewerage services in the country and accountable to the public through the Scottish Government.

It was founded in 2002 by a merger of three regional public water authorities and has an annual turnover of around £1bn. It provides 1.3 billion litres of drinking water every day to 2.4 million households and 152,000 business customers.

Scottish Water is funded by charges paid by its customers, and long term loans from the Scottish Government (unlike the water companies in England and Wales who must borrow at higher market rates).

Since 2002, the company has invested £5.5 billion and improved nearly 5000 miles of water pipes. The ongoing investment is supporting thousands of construction jobs across Scotland.

Over the last 9 years, leakage has been reduced by over 44%. This compares to a 5% reduction in leaks in England and Wales over the past 13 years. In the last year, leakage in Scotland was reduced by 70 million litres of water a day.

The average household charge was the lowest in the UK in 2013/14 at £334 or less than £1 a day. This is £54 less than the average in England and Wales and has remained the same for the fourth year running. Drinking water quality is at an all-time high in Scotland.

The Water Industry Commission for Scotland has described Scottish Water as the fastest improving water company in the UK. Since 2002, it has reduced its real operating costs by 40%, partly through using new technologies and innovative ways of working.

The company's latest carbon footprint shows grid electricity use has fallen by 4%, and it has the lowest emissions per megalitre of drinking water in the UK water industry. The company is investing in renewables and producing energy of its own.

Scottish Water is asking customers for their views on the future of the service until 2040, in the biggest ever consultation carried out by a water company.





Accountability: we have a say in it

There is clear public support for public ownership. When public services are run by local or national government, it is easier to know who to turn to for information, or to complain. Public ownership makes it easier to achieve public policy goals. It also provides the best framework for public service users to have a say in what they want from their services, and how they should be improved.

Surveys show repeatedly and consistently that the public wants public services to be provided by government: 64% of people agreed that public services should not be run like businesses.²⁴ IPPR and Price Waterhouse Coopers found that 94% believe that national or local government should be mainly responsible for providing health care, 93% believe that different state agencies should be responsible for running local schools and 93% are of the opinion that public professionals should be responsible for keeping the streets safe.²⁵

Public ownership reduces the complexity created by public service contracts, providing a more direct link from citizen to public service provider. The public sector has a duty to make information available about its performance and must respond to Freedom of Information requests. Outsourcing services and commercial confidentiality, on the other hand, make it harder for people to understand what is going on or to hold those responsible to account. While privatisation was supposed to make public services more accountable through enhancing choice, the reality is that public services are often natural monopolies, while the tendering process often blurs the lines of accountability between government and third party provider.

Public ownership enables important public policy aims to be achieved. For example, the UK government's environmental commitments on power generation can almost certainly only be delivered through complex intervention by the regulator, coupled with long term government guarantees to infrastructure funds. The market is simply unable to deliver these.²⁶ Publicly owned services can respond in a more flexible way to changing priorities and wider social goals, without the need to renegotiate contracts.

A public ownership framework makes it easier for people to participate in shaping their own public services, participating and having a say in what affects their lives. Public services are the 'face of the state' citizens see in their day-to-day lives, and human relationships should be prioritised. This 'relational state' model is subtly different from traditional models of public ownership based on vertical accountability, where government acts from the centre. The public ownership that works in today's world also allows for horizontal accountability, where those most directly involved in a service have a say in how it is run. Service users and neighbourhoods need to feel empowered to take decisions on the design and delivery of services such as housing, social care, leisure and learning. Principles such as co-operative governance and co-production involve key groups, including users, in a partnership model as collaborators rather than consumers, enabling them to shape services in line with their needs and priorities.²⁷

THE PUBLIC SERVICE USERS BILL

- The public would be consulted and its views thoroughly considered before any service is privatised or outsourced (supported by 79% of the public).
- Private companies running public services would be subject to Freedom Of Information legislation - as in the public sector (48% of the public mistakenly believe this is already the case).



Jamie Oliver: achieving public policy objectives

One example of what happens when publicly owned and controlled organisations - which are at the forefront of pursuing public policy objectives - are replaced by private companies, is shown in the case of school meals.

Following TV Chef Jamie Oliver's series of programme on school dinners in 2005, nearly 300,000 people signed an online petition on the Feed Me Better website, which was delivered to 10 Downing Street. The Government promised to take steps to improve school dinners: certain junk foods (such as the notorious 'Turkey Twizzlers' which were much derided on the show) were banned from schools by their local education authority and fried foods were only allowed to be served twice a week with soft drinks no longer available. A £60 million initiative, the School Food Trust was created to provide support and advice to school administrators to improve the standard of school meals.



Jamie also secured promises from the then Education Secretary and the Prime Minister himself for an additional £280 million for three years for schools to build their own kitchens, a pledge to consider a series of training kitchens across the country, and creation of a voluntary code of conduct concerning advertising of junk food to children.

In 2009, researchers from Institute for Social and Economic Research at Essex University found that Jamie's School Dinners programme had 'positive effects' on test scores in English and science.²⁸ Over a whole year the performance of 11 year old students from Greenwich, south London improved and 8% more students reached levels 4 and 5 in science exams, 6% more in English, with a smaller increase in maths.

Oliver is reported to be furious with the current Education Secretary, for allowing the government's Academy schools to sell junk food and opt out of the standards which he has worked so hard to get introduced into schools in the rest of the country.²⁹

'What Michael Gove has done is a crime,' he says: '... allowing these academies to sell what they like is risking our children's health.' His big beef about the Government's attitude towards promoting healthy food for kids is that, in the long term, not looking after their nutrition will cost the country more. It's bad for business: 'The long-term cost to the country and the NHS runs into millions and millions.'³⁰

Long-term catering contracts with private companies can get in the way of delivering public policy objectives, such as introducing healthier school meals.



Public ownership makes it possible for a public service ethos to develop: a culture and approach that is dedicated to serving the public. It makes it easier for staff to work to improve services, in consultation with service users, community groups and commissioning authorities. This leads to win-win situations – both better public services and a happier workforce and community.

Public service staff – their passion, professionalism and commitment - are vital in the drive to improve services. Frontline staff are working with members of the public in areas like health and social care, housing, childcare, education and criminal justice to deliver better services, together.³¹ Research shows that trade unions and local authorities are working together to achieve ‘improved efficiency, cost savings, better quality services and/or service redesign and improved staff motivation and morale’.³² Case studies featured in the research include public service unions working with local authorities to:

- deliver more ‘person-centred care’ to residents and better job satisfaction for staff in care homes in Belfast
- develop an in-house approach to sharing services in Lincolnshire that offered a cost-effective alternative to outsourcing
- remodel Oxford Council’s finance and HR, releasing £4 million annual savings while protecting relocated or redeployed staff
- build Care4you, an award winning service for older people delivered by Sheffield City Council employees.

Public services need people who care about people. This social purpose is often found in the public sector, and it can also be found in many cooperatives, genuine mutuals, social enterprises and voluntary organisations. The Foster Care Co-operative, for example, offers high quality services for children who are being fostered, underpinned by the fact that foster carers have a say in the running and ownership of the enterprise. Co-operative schools offer parents, staff, learners and community groups a say in the governance of the school. Cooperatives, mutuals, social enterprises and charities can be run in a way that ensures democratic accountability to the whole of the public.³³

However, public accountability is the key to ensuring that these kinds of innovative approaches are of public benefit. The government is trying to encourage ‘open public services’ as a way to privatise by the back door. It is vital that any organisation that delivers public services is responsible to service users in a clear and concrete way. When cooperatives, mutuals and social enterprises play a role in delivering public services, there must be robust safeguards in place. They must be accountable to service users, all profits must be reinvested in improving the service, there should be an asset lock to keep public money safe, and the service should revert to the public sector if the organisation fails.

THE PUBLIC SERVICE USERS BILL

- The public would be properly consulted about the services they receive through public service contracts.
- Organisations with a social purpose – the public sector and genuine cooperatives, mutuals, charities and social enterprises – would be prioritised in the tendering process (supported by 57% of the public).



Newcastle City Service: a public ethos success story

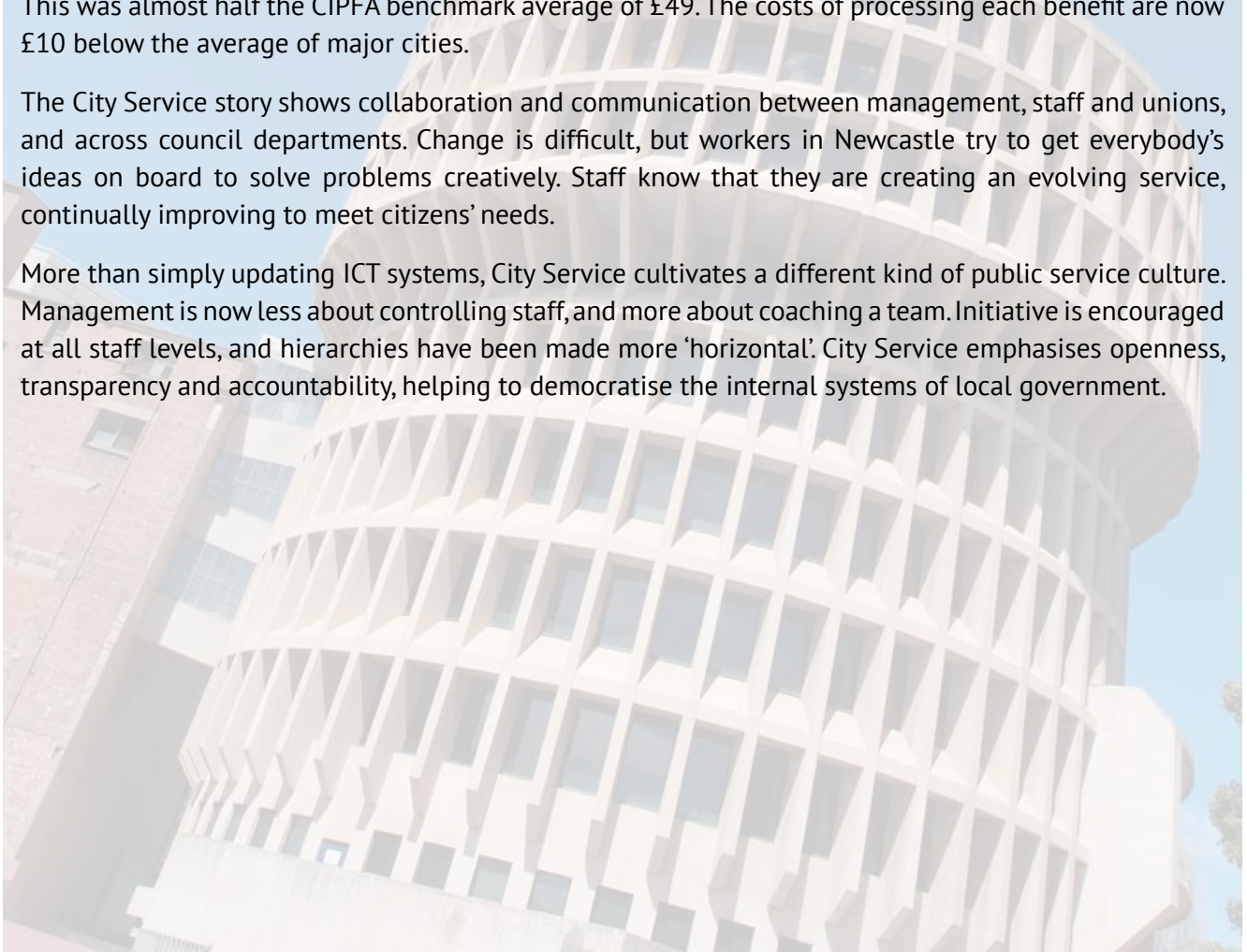
Although Newcastle has been hit hard by public sector cuts, the story of its 'City Service' still shows us what can be achieved under public ownership.

In 2000, it was agreed that Newcastle City Council needed to overhaul its outdated and inefficient ICT infrastructure. Everyone assumed it would be contracted out to a private company. But local unions worked together with staff and management to put together their own in-house bid to run the service; and against competition from BT and other private companies, they managed to secure the contract and – ultimately – remodel their service. The new 'City Service' is speedier and more accurate than before, has made £28 million net savings over 11.5 years, and has raised customer satisfaction.³⁴

People receiving housing and other welfare benefits in Newcastle now receive them quicker than in most other major UK cities. The percentage of benefits processed correctly is 98.4% (second amongst core cities). Phone queuing time for access to council services has fallen from around five minutes to around two minutes. In 2008 a survey of the new Contact Centre in the Civic showed 91% customer satisfaction and evidence that the new arrangements are reaching the people who need them - 30% of callers are ill, disabled or infirm. A survey of the Customer Service Centres in 2008 reported satisfaction levels of 95%. Newcastle council now collects more council tax and other revenue owed to it than it did before. By 2007 the annual cost of administering the payroll per employee had fallen from £49 to £26. This was almost half the CIPFA benchmark average of £49. The costs of processing each benefit are now £10 below the average of major cities.

The City Service story shows collaboration and communication between management, staff and unions, and across council departments. Change is difficult, but workers in Newcastle try to get everybody's ideas on board to solve problems creatively. Staff know that they are creating an evolving service, continually improving to meet citizens' needs.

More than simply updating ICT systems, City Service cultivates a different kind of public service culture. Management is now less about controlling staff, and more about coaching a team. Initiative is encouraged at all staff levels, and hierarchies have been made more 'horizontal'. City Service emphasises openness, transparency and accountability, helping to democratise the internal systems of local government.



Public ownership success stories across Europe

In the Flanders region of **BELGIUM** all urban and regional bus and tram transport is organised by a company owned by the regional government, VVM, and known as “De Lijn”. The company is committed to promoting sustainable mobility - supporting economic, ecological and social development - in exchange for fare subsidies. Over 65s travel for free and school pupils receive season tickets at greatly reduced prices. De Lijn supports almost 500 million passenger rides per year over a network of about 13,500 kilometres. In general, government subsidy represents about two-thirds of the total costs.

In 2004, the **NETHERLANDS** parliament passed a law stating that production and distribution of drinking water services to consumers may only be provided by entities which are 100% public or publicly-owned.

In **FRANCE**, three-quarters of the water services used to be run by huge private companies, but now an increasing number of towns and cities have opted for public ownership after years of rising prices, mismanagement and accountability problems. Paris itself decided to remunicipalise its water service in 2010, under a new publicly owned company, Eau de Paris, for water distribution to over 2 million people. The remunicipalisation has led to more control and oversight from the regional authority and representatives of water users, improved water quality and lower prices.³⁵

In a number of major cities and regions of France, there has been a process of gradual municipalisation of the water supply in recent years. Since 2000 at least 16 public authorities covering about 9% of the total population have decided to replace private contracts with a publicly provided service.

After recent changes in legislation, a number of French cities and départements are now bringing public transport back into the public sector as contracts expire, in order to make savings (Saumur, Ille et Villaine, Tarn, Pyrenees-orientales).



In **FINLAND**, a number of public authorities are dissatisfied with outsourcing of services and planning to take back services such as cleaning, social services and healthcare, catering, accounting and property management to be run again by their own staff.³⁶

In **GERMANY**, the last few years have seen a major expansion in direct public ownership of utilities, away from the four major multinational firms dominating the electricity sector. By 2011 the majority of energy distribution networks had returned to public ownership, while nearly 1,000 local public utilities now account for almost 10% of electricity generation.³⁷

Many German public authorities are bringing services such as waste disposal, public transport, water, social care, social housing back in-house, not only to give better value for money, but to help meet important social and environmental objectives.

German government policy on “energy transformation” is that the share of renewables in electricity should rise from 12% in 2011 to 35% in 2020 and 80% by 2050. In Munich, SWM GmbH, which is owned by the city and is one of the largest energy suppliers in the whole country, has responded by committing itself to an even more ambitious target, in contrast to private companies who have been reluctant to pursue this route. SWM plans to invest as much as €9 billion in renewable energy in order to achieve its aims of 100% electricity consumption derived from renewable sources for all 800,000 households by 2015, and for the city as a whole, which consumes about 7.5 billion kilowatt hours per year, by 2025.

In **ITALY** in 2011, 96% of the public voted in a referendum to keep their water services public.

Conclusion

We need to put people back at the heart of public services. 'Opening up' our public services to outsourcing companies is not the right approach. In a world which is becoming more and more responsive to meeting people's needs and desires, often more decentralised and flexible, private sector contracts are failing us. The policy of privatisation and outsourcing is not an evidence-based policy. A mixed economy works best if the private sector gets on with the entrepreneurial job of producing goods and services that people want to buy, while the public sector takes care of the basic services that we all need.

The attempted creation of artificial markets in natural monopolies has not worked. Meaningful competition, choice and user voice is largely absent in the tendering process. For public service users to get a look-in, we need a rethink. The contracting process needs to be rethought and legislation introduced to defend the interests of public service users.

But we need to go further than that. Public ownership offers a real, practical, successful alternative that has strong public support. It's an alternative we should be investigating because it enables us to achieve better results in terms of quality, cost, accountability and ethos. Public ownership is being proved successful time and time again, in the UK, in the rest of Europe, in the US. The public sector is clearly better placed to deliver accountable services, and this can involve imaginative new ways of involving service users and staff in making improvements.

Procurement policy should therefore prioritise public ownership as the first port of call, the default option. Local authorities and national government should be required by law to show that they have thoroughly explored the public ownership option before contracting out a service. Public sector best practice needs to be looked at first, because public ownership offers the most likely framework for achieving high quality, cost-effective services where users have a voice. We need a Public Service Users Bill to promote the public ownership option, because it works best for us, the people who use public services.

This doesn't mean that government cannot choose to tender out a service where appropriate. It does mean that they should be able to explain how their decision meets the needs of service users, why they chose a third party to deliver the service, and what public ownership best practice options they looked at first.

The days of handing over taxpayers' money to private companies who aren't serving us are coming to an end. The myth of private sector efficiency is not borne out by the evidence. Public service users expect much more - they expect public ownership.





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