LEGISLATIVE PRINCIPLES SERIES

NUMBER 7

One in a series of brief guides to the most important public policy issues of the day, written especially for elected officials and other opinion leaders.

Ten Principles *of* Privatization

By Leonard Gilroy and Adrian Moore

Reason

The Heartland Institute

Series Preface

Welcome to the latest installment in The Heartland Institute's *Legislative Principles* series. Each booklet in this series presents a set of principles central to the debate about a major public policy issue. Each principle, in turn, is carefully documented to enable readers to find the original sources, many of which are on The Heartland Institute's Web site (www.heartland.org) and, in the current case, on the Reason Foundation's Web site (www.reason.org). An electronic version of this booklet, also posted on both organizations' Web sites, has links to the URLs of many of the sources cited.

By design, most of The Heartland Institute's publications focus on news and contain factual accounts about current events, policies, and legislation. The booklets in the *Legislative Principles* series, on the other hand, set forth enduring principles that are likely to remain valid and relevant to legislative policy in the next decade. They can help busy legislators rapidly prepare themselves to discuss and even propose new legislation in areas they may not ordinarily follow closely.

This particular booklet was produced in partnership with the Reason Foundation, a Los Angeles-based nonprofit research and education organization that is internationally known for its expertise on privatization. Some parts of this booklet are based on ideas and language that appeared originally in past publications of the Reason Foundation. The authors thank their earlier coauthors and colleagues for permission to use that material, and also thank Joseph Bast and Diane Bast for editing and fact-checking.

We hope the *Legislative Principles* series forms a mini-library for elected officials, their staff, and concerned citizens. Kept on a desk or in a drawer, the booklets can form a ready reference on major legislative issues and policies. We also hope you will distribute copies to friends and colleagues who share your interest.

Herbert J. Walberg
Series Editor and
Chairman, The Heartland Institute

Ordering Information

Additional copies of this booklet
are available from The Heartland Institute
for the following prices:

1-50 copies	$3.95 each
51 - 200 copies	$3.21 each
201 - 1,000	$2.66 each
> 1,000 copies	call for pricing

Send check or money order to:
The Heartland Institute
19 South LaSalle Street #903
Chicago, Illinois 60603

or order online at www.heartland.org.

About the authors

Leonard Gilroy, AICP is director of government reform at Reason Foundation, a nonprofit think tank advancing free minds and free markets. He is a certified urban planner (AICP), editor of the world's most respected newsletter on privatization, *Privatization Watch*, and editor of the widely read *Annual Privatization Report*, which examines trends and chronicles the experiences of local, state, and federal governments in bringing competition to public services.

Adrian Moore, Ph.D. is vice president of research at Reason Foundation, where he oversees all of Reason's policy research and conducts his own research on topics such as privatization, government and regulatory reform, air quality, transportation and urban growth, prisons, and utilities. In 2002, Moore was awarded a World Outsourcing Achievement Award by Pricewaterhouse-Coopers and Michael F. Corbett & Associates Ltd. for his work showing governments how to use public-private partnerships and the private sector to save taxpayer money and improve the efficiency of their agencies.

Table of Contents

About The Heartland Institute

The Heartland Institute is a national nonprofit research and education organization. Founded in Chicago, Illinois in 1984, Heartland's mission is to discover, develop, and promote free-market solutions to social and economic problems. Its activities are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Why do we need 10 principles of privatization?

Privatization means shifting some or all aspects of service delivery from government to private-sector providers. It is a strategy to lower the costs of government and achieve higher performance and better outcomes for tax dollars spent.

A Widely Used Tool

Policymakers in many jurisdictions in the U.S. and around the world use privatization to better the lives of citizens by producing higher-quality services at lower costs, delivering greater choice, and ultimately providing more efficient and effective government (Savas 2000, 2005).

In recent decades, privatization has gone from a concept viewed as radical and ideologically based to a popular and well-proven public management tool. Thousands of national, state, and local government agencies in the United States have successfully privatized scores of services (ICMA 2009). Researchers have documented the successful privatization of airports (Walsh 2007), electric and telecommunications utilities (Newbery 2001), prisons (Larason Schneider 2000), schools (Lieberman 1989), transportation (Roth 2006), and many other services (Gilroy 2009).

Why Privatize?

As this is written in 2010, a recession is causing fiscal trauma in many states. The 50 states face a combined budget gap of approximately $200 billion (McNichol and Johnson 2010). Many local governments are in desperate straits due in part to declining property tax revenues. “Creative budgeting” is no longer sufficient to hide the need to cut spending.

Government managers and concerned citizens can use privatization to achieve a number of other goals:

- *Cost Savings:* A Reason Foundation review of more than 100 privatization studies found savings ranging from 20 percent to 50 percent (Hilke 1993).

- *Access to Expertise:* Contracting gives governments access to expertise they do not have in-house on an as-needed basis. It is cheaper to retain architects, engineers, and lawyers on an as-needed basis than to hire them as full-time employees.

- *Better Quality:* Competition brings out the best in competitors, whether it is in sports or in the business of providing public services. Bidders have incentives to offer the best possible combination of price and service quality to beat their rivals.

- *Improved Risk Management:* Contractors, rather than the government, are responsible for cost overruns, strikes, delays, and other risks (Lehrer and Murray 2007).

- *Innovation:* Competition to win and retain contracts spurs the discovery of new, cutting-edge solutions. Without competition, even top-notch employees may stop looking for ways to improve how they meet customers' needs.

- *Meeting Peak Demand:* The cost of providing a public service can be raised considerably by the capital and manpower needed to satisfy demand at peak periods, even though those peaks may last only for a few hours a day, a few days a week, or a few months a year. Contracting allows governments to obtain additional help when it is needed so that services are uninterrupted for residents.

- *Timeliness:* "Time is money" if you are a contractor footing the bill, or if your contract with the city or state includes penalties for delays. Contractors can recruit additional workers or provide performance bonuses to meet or beat deadlines, options that often are unavailable to in-house staff.

If badly executed, privatization like any other policy can fail. Taxpayers are no better off, and may be worse off, if a service is moved from a government agency to an incompetent or inefficient private business. But we have the experiences of governments in the United States and around the world to learn from. The 10 principles of privatization that follow capture the best practices that have emerged from those experiences.

Recommended readings: Leonard Gilroy, "Local Government Privatization 101," *Policy Brief* No. 89, Reason Foundation, March 16, 2010, http://reason.org/news/show/local-government-privatization-101; Leonard Gilroy, editor, *Annual Privatization Report 2009*, Reason Foundation, August 2009, http://www.reason.org/apr2009; E.S. Savas, *Privatization and Public-Private Partnerships (*New York, NY: Chatham House Publishers, 2000).

1. Identify Privatization Opportunities

Scores of public services have been successfully privatized by thousands of governments around the world.

Former New York Gov. Mario Cuomo once said, “It is not a government’s obligation to provide services, but to see that they are provided” (Tolchin 1985). Privatization can be applied to most things government does without interfering with its legitimate obligations.

What Can Be Privatized?

The following is a partial list of services that governments in the United States and around the world have privatized successfully:

Accounting
Airports and air traffic control
Animal shelter operations and management
Bridge repair and maintenance
Building financing, operations, and maintenance
Correctional facilities
Daycare facilities
Engineering
Financial planning
Golf courses
Graphic design and printing
Human resources administration
Information technology infrastructure and network services
Legal services
Library services
Mental health services and facilities
Park operations and maintenance
Parking lots and parking meters
Planning and permitting
Risk management (claims processing, loss prevention)
Road maintenance
School construction, buses, cafeteria, driver’s education
Stadium and convention center management
Street cleaning and snow removal
Swimming pools
Tollroads
Zoo operations and maintenance

Privatization is widely used by local governments. According to the International City-County Management Association (ICMA), local governments on average contract out 17 percent of all services to for-profit businesses and 16 percent to other government entities. Nonprofit organizations (such as community organizations, animal welfare groups, and churches) deliver 5 percent of public services; franchises, subsidies, and volunteers collectively account for less than 2 percent of service delivery (ICMA 2009).

How to privatize

There are many ways to privatize public services. The four most common methods, listed in order by how much responsibility to oversee or subsidize the service the government entity typically retains (from most to least), are:

- *Contracting out:* Governments contract with private-sector service providers, either for-profit or nonprofit, to deliver public services for a fee.

- *Franchises:* Governments award private firms exclusive rights to provide public services or operate public assets, usually in return for annual lease payments or a one-time, up-front payment and subject to meeting performance expectations outlined by the government agency. This is also sometimes called leasing or concessions.

- *Vouchers:* Governments give consumers vouchers or certificates that can be redeemed for a specific service provided by a participating private business or nonprofit. Vouchers are used in several states to expand school choice (Walberg 2010).

- *Service Shedding or Divestiture:* Governments shed responsibility for providing a service, activity, or asset entirely, often through outright sales. Local governments routinely sell off aging or underutilized land, buildings, and equipment, returning them to private commerce where they may be more productively used.

The Yellow Pages Test

Government managers should regularly review all the services and activities they engage in and classify them as either “inherently governmental” – those that should be performed only by public employees – or “commercial” – those that can be obtained from private businesses or nonprofits. Former Indianapolis mayor (now chief deputy for operations of New York City) Stephen Goldsmith calls this the "Yellow Pages test," because if a service can be found in the Yellow Pages of a phone book, then government ought to buy it rather than produce it (Goldsmith 1999).

The Yellow Pages test helps government concentrate on delivering "inherently governmental" services, such as public safety and judicial systems, while contracting with businesses and nonprofit organizations to produce other services. This has the added benefits of ending taxpayer-subsidized competition with private businesses, freeing up resources for agencies to complete their missions, and saving taxpayers money.

Leaders as diverse as Florida's former Republican Governor Jeb Bush, Pennsylvania's current Democratic Gov. Ed Rendell, and Chicago's Democratic Mayor Richard Daley have embraced versions of the Yellow Pages test with great success. Bush alone achieved more than $550 million in direct savings and avoided more than $1 billion in future taxpayer costs (Gilroy 2010b).

Federal agencies are required by law to implement the Yellow Pages test. The Federal Activities Inventory Reform (FAIR) Act requires each federal agency to submit a list of activities to the Office of Management and Budget classifying federal workers into two broad categories: inherently governmental and commercial. As a result of the FAIR Act, agencies have identified more than 800,000 federal employees engaged in commercial activities—such as data collection, administrative support and payroll services—that could be provided by the private sector (Walker 2002).

The Yellow Pages test asks, Is it really the best use of taxpayer dollars to hire and manage public employees to cut grass, change oil in cars and trucks, sweep the streets, and clean government buildings, when existing businesses already perform these tasks well and almost always less expensively than government?

Government will always cost money; it is not designed to turn a profit. Focusing resources on delivering the services government alone can and should deliver helps it achieve its highest goals while creating opportunities for entrepreneurs and businesses to provide services at lower cost to taxpayers.

Recommended readings: Stephen Goldsmith, "The Yellow Pages Test," *Nevada Journal*, Vol. 7, No. 5, May 1999, http://nj.npri.org/nj99/05/govnt.htm; E.S. Savas, *Privatization In The City: Successes, Failures, Lessons* (Washington, DC: CQ Press, 2005).

2. Prepare a Business Case Evaluation

> The business case evaluation serves as a roadmap for how a project should be implemented and managed.

Competition and consumer choice in the marketplace force business managers to think very carefully about the potential costs and benefits of major resource allocations. This discipline leads companies to routinely prepare business case evaluations – analyses of the goals, costs, benefits, and impacts associated with potential sourcing options – to help managers make the right choices.

Surprisingly, this type of common-sense analysis is rare in the public sector. Requiring that business case evaluations be written and frequently revisited gives agencies, policymakers, and citizen watchdogs an opportunity to ask questions that get to the heart of the matter: What public services do we really need? Of those we really need, which must the government produce, and which could be produced by private businesses? What does the in-house option really cost? Could we achieve better performance and value through privatization?

The business case evaluation serves as a roadmap for how a project should be implemented and managed. It should be a living document that travels with the initiative through the political and management processes and is continuously updated as new data become available or as conditions change.

Key elements of a business case evaluation include:

- *Benchmarking:* Document the capital and operating costs of the service as it is currently delivered by the government. This benchmark data can be used to evaluate privatization proposals and, if adopted, their success or failure over time.

- *Rationale and justification:* State the reasons why privatization is being considered. Why is the status quo undesirable? Is it because the cost is too high? Is the quality too low? Have needs and opportunities changed, making government delivery obsolete or unnecessary? What alternatives were considered? Why were they dismissed? Why can’t the function be improved internally?

- *Assumptions and methodology:* List and define any assumptions associated with policy, legislation, agency direction, and market conditions that are germane to the privatization decision. Explain the methodology used to make cost comparisons and quality evaluations.

- *Success factors:* How will public administrators be able to distinguish success from failure? Success factors should be measurable and tangible and include minimum performance metrics that should be included in the final contract.

- *Transition management:* Describe how the transition in service delivery will be managed. Will a new management structure need to be created? How will stakeholders be brought into the planning process and issues related to employee transition and training and customer awareness be addressed?

- *Recommendation:* Present the privatization proposal in sufficient detail to allow comparison with the benchmark data. Identify fiscal impacts (savings, cost avoidance, income from sale of assets, and new expenses), performance standards and outcomes, new management structures, a time-line for implementation, length of contracts, and term before re-competition or renewal.

At this point, the business case evaluation could conclude that the project should not be outsourced or privatized after all. Future managers and watchdogs should be able to review past business case evaluations and decide if circumstances have changed or relevant information was overlooked and privatization should be reconsidered.

Private companies routinely perform business case evaluations before embarking on new outsourcing endeavors. Governments should do the same thing, and citizen watchdogs can help. The business case evaluation offers policymakers and administrators a powerful tool to conduct due diligence on privatization proposals.

Recommended readings: Leonard Gilroy, ed., *Annual Privatization Report 2009*, Reason Foundation, August 2009, http://www.reason.org/apr2009; World Bank, *The PPD Handbook: A Toolkit for Business Environment Reformers,* 2006, last viewed June 3, 2010, http://rru.worldbank.org/Documents/Toolkits/PPD_Handbook.pdf.

3. Create a Council on Efficient Government

A single independent decision-making body should manage privatization and government efficiency initiatives.

Global experience with privatization shows the value of having a single independent decision-making body to manage privatization and government efficiency initiatives. Writing in 2005, Richard D. Young identified 14 such councils overseeing statewide privatization initiatives (Young 2005). At least six councils are currently active:

Arizona	Commission on Privatization and Efficiency
Florida	Council on Efficient Government
New Jersey	Privatization Task Force
Texas	Council on Competitive Government
Utah	Privatization Policy Board
Virginia	Commonwealth Competition Council

Florida's Council on Efficient Government is an excellent model for other states (Gilroy 2010c). Developed in 2004, it was a key component of a strategy that realized more than $550 million in cost savings through more than 130 privatization and competition initiatives. In 2009 alone, the Council evaluated 23 new business cases for potential agency outsourcing projects with a cumulative value of more than $225 million, identifying more than $31 million in projected savings to the state (Florida Council on Efficient Government 2010).

A Council on Efficient Government should be given the responsibility and authority to:

- Develop a standardized, enterprise-wide process for identifying and implementing competitive sourcing;

- Assist agencies in developing a business case evaluation for any proposed privatization initiative – before procurement – that states the rationale for the initiative such as cost savings, service quality improvements, and changing antiquated business practices;

- Develop rules instituting performance-based contracting and business case development as requirements for state procurement;

- Disseminate lessons learned and best practices across state government;

- Conduct an annual or biannual inventory of all functions and activities performed by state government, distinguishing between inherently governmental and commercial activities;

- Create a uniform cost accounting model to facilitate "apples-to-apples" cost comparisons between public- and private-sector service provision; and

- Review and take action on complaints regarding inappropriate government competition with the private sector.

A Council on Efficient Government can facilitate regular and comprehensive reviews of state government activities with an eye toward right-sizing government through competition and privatization. At the same time, successful privatization requires a high standard of due diligence in contracting, which in turn requires a staff of experts committed to the goal of greater value to taxpayers and empowered to make decisions.

Experience in Florida, Utah, and Virginia also suggests that councils on efficient government increase the public's confidence in outsourcing and help reduce perceptions of impropriety, a common concern with privatization initiatives.

Recommended readings: Henry Garrigo, "Look Before You Leap Into Privatization: Florida's Council on Efficient Government Sets a New Standard in Transparency, Due Diligence in Privatization and Contracting Decisions," interview in Leonard Gilroy (editor), *Innovators in Action 2009*, Reason Foundation, January 2010, http://reason.org/news/show/innovators-in-action-2009; Florida Council on Efficient Government, *Annual Report 2009*, http://dms.myflorida.com/index.php/content/download/63973/274570/version/1/file/Annual+Report+2009.pdf.

4. Choose Contractors on Best Value, Not Lowest Price

Rather than selecting a provider based on low cost alone, governments should choose the best combination of cost, quality, and other considerations.

Government procurement processes in the United States tend to be oriented towards "low-bid" selections in which the bidder offering the lowest bid automatically wins. Such policies were put in place primarily to prevent corruption. While this approach may make sense when buying office supplies and other simple and inexpensive goods and services, it is inadequate for outsourcing more complex services.

Best practices for government procurement and service contracting are steadily moving toward "best-value" techniques. Rather than selecting a private partner based on low cost alone, governments should choose the best combination of cost, quality, and other considerations. Such criteria may include process reinvention, financing plans, total project life-cycle costs, risk transfer, expertise and experience, and technological innovation. The more complex the service, the more important it is that a best-value selection criterion be used.

The Federal Acquisition Regulations were amended in 1996 (FAR 2.101) to allow best-value source selections in outsourcing. Federal Acquisition Regulations define best value as "the expected outcome of an acquisition . . . providing the greatest overall benefit in response to the requirement." The American Bar Association's revised Model Procurement Code also incorporates "best value" procurement as the standard.

Successful best-value contracting requires three things:

- Early determination of key parameters such as completion date, security requirements, and mobilization;
- Translation of key project outcomes into performance and output measures; and
- Development of evaluation criteria quantified either in dollars or by objective measures of technical excellence, management and financial capability, prior experience and performance,

optional features offered, completion date, and risk to government.

Opening up the bid process to non-price considerations does not open the door to cronyism and other types of corruption so long as the policy is accompanied by measures ensuring accountability and transparency. Such measures can be set forth in the business case evaluation (see Principle 2) and required or enforced by the Council on Efficient Government (see Principle 3).

Some "best value" procurement processes give preferential weight to local or in-state providers. Politicians may come under pressure from constituents and campaign donors to keep outsourced work "local," but this is almost never a valid consideration. Keeping the price of a good or service low and its quality high always should trump *who* is producing the service or *where* they might be located. Bias against out-of-state or international providers limits competition, drives up costs, and precludes the true "best value" option from being properly considered.

National and international firms are increasingly bidding to provide public services at the state and local levels, bringing valuable expertise, access to capital, and often economies of scale to the task at hand. Out-of-state and international firms tend to hire the bulk of their project-level staff locally, so regardless of who wins a competition, local workers stand to benefit. Preferential treatment of local or in-state providers, therefore, should be avoided.

Recommended readings: Edward Markus, "Low bid alternatives," *American City & County*, August 1, 1997, http://americancityandcounty.com/mag/government_low_bid_alternatives/; Adrian Moore and Geoffrey Segal, "Weighing the Watchmen: Evaluating the Costs and Benefits of Outsourcing Correctional Services—Part 1: Employing a Best Value Approach to Procurement," January 2002, Reason Foundation, http://reason.org/news/show/weighing-the-watchmen-evaluati.

5. Use Performance-Based Contracting

> Performance-based contracting means focusing on *outputs* rather than *inputs* when choosing whether to privatize a service and in deciding which proposal to accept.

The use of best-value sourcing, as described in Principle 4, works hand in hand with performance-based contracting, which means focusing on *outputs* rather than *inputs* when choosing whether to privatize a service and which proposal should be accepted.

Government managers often think of their own programs in terms of the management and budget restraints they face: procedures, processes, wages to be paid, cost of materials and supplies, and the amount or type of equipment needed. When they think about outsourcing a service, they may frame the contract in those same terms, specifying how much manpower and equipment must be allocated to do the job. But forcing contractors to emulate in-house procedures eliminates many of the reasons to privatize.

Performance-based contracts specify outcomes and results rather than inputs. Performance-based contracting systems typically have three key components:

- *Identify the real objectives:* The U.S. Air Force used to require a janitorial service to strip and rewax floors once a week. Then it realized that it didn't matter how often the floors were stripped and waxed so long as they are kept clean, free of scuff marks, and have a glossy finish. When the Air Force modified its statement of work in the contract, the contractor was able to achieve the real objective in a more cost-effective way, which led to a 50 percent savings for the Air Force (OMB 1998). Similarly, state departments of transportation in Florida and Virginia switched to performance-based contracts for statewide highway maintenance and reported savings ranging from 6 percent to 20 percent (Segal and Montague 2004).

- *Quantify the required outputs:* Once the objective is identified, it becomes possible for the manager to focus on how success or failure can be objectively measured. The Indiana Toll Road lease, for example, is governed by a detailed 263-page concession agreement designed to protect the public's interests (Segal 2006). The contract requires the concessionaire to clear dead animals in the roadway within eight hours and to fill potholes within 24 hours. Many of the standards in the contract exceed the standards applied to the roads under the control of the Indiana Department of Transportation.

- *Financial incentives and penalties:* Keeping employees accountable and productive requires close and effective personnel management. Outsourcing a service to a private contractor means the government sheds that management role and in its place uses incentives and penalties to ensure the contractor produces the required outcomes. The concession agreement in the Indiana Toll Road lease, for example, sets the conditions for the state to cancel the contract and resume operations of the road should the contractor fail to perform as required. Other contracts specify payments that correspond with reaching certain performance thresholds such as productivity, costs, and timeliness.

Performance-based contracts often make payments and contract extension or renewal dependent on the contractor achieving certain performance targets. This shifts the risk of failure, delay, or price overruns from taxpayers to the provider. Contracts should be written to hold providers accountable for failure as well as success, which means avoiding taxpayer bail-outs or guarantees and applying real penalties for failure to meet performance goals.

Using performance-based contracts can be challenging. Officials must choose services suitable to performance-based contracts and devise ways to tie payment to performance and performance to the results the public expects of the agency. Performance contracting can be done well or poorly. The key to using performance-based contracting to serve the public good is the practical matter of understanding what has worked and what has not.

Recommended readings: Adrian Moore and Wade Hudson, "The Evolution of Privatization Practices and Strategies," in Robin Johnson and Norman Walzer, eds., *Local Government Innovation: Issues and Trends in Privatization and Managed Competition* (Westport, CT: Quorum Books, 2000); Robert D. Behn and Peter A. Kant, "Strategies for Avoiding the Pitfalls of Performance Contracting," *Public Productivity and Management Review*, Vol. 22, No. 4 (1999), pp.470-89.

6. Effective Monitoring and Oversight

> Effective monitoring pays for itself by improving the quality, transparency, and accountability of services.

Once a privatization proposal has been selected and put into effect, the role of the public sector shifts from planning to monitoring and oversight. Except in cases involving the outright sale of an asset or shedding responsibility for delivering a service (see Principle 9), the public entity should never sign a contract and simply walk away.

Importance of Monitoring

Strong reporting, evaluation, and auditing components must be put in place to monitor the providers' performance. Effective monitoring pays for itself by improving the quality, transparency, and accountability of services.

While monitoring and oversight systems are becoming more refined, governments still have a ways to go. According to New York University economics professor Jonas Prager, "Public sector decision makers have yet to learn from the private sector the significance of managing outsourcing. ... Efficient monitoring, though costly, pays for itself by preventing overcharges and poor quality performance in the first place, by recouping inappropriate outlays, and by disallowing payment for inadequate performance" (Prager 1994, p. 182).

Government managers should think about how they will monitor providers *before* they issue a request for proposal or sign the contract. "The design of the deal can make an enormous difference in the future success of monitoring the contractor," according to Tom Olsen, former director of enterprise development for the City of Indianapolis. "Strategic thinking on monitoring needs to begin at the time a deal is structured, not after" (quoted by Eggers 1997, p. 22).

A well-designed monitoring plan, sometimes called a Quality Assurance Plan (QAP), defines precisely what a government must do to guarantee that the contractor's performance meets the contract performance standards. The monitoring plan should include specific reporting requirements on quantified outputs, regular meetings with minutes, complaint procedures, and access to contractor's records on request. The plan should focus on monitoring and evaluating the major outputs of the contract so monitors don't have to waste too much time and resources on mundane and routine tasks that aren't central to the contract.

The Right People

Effective privatization requires having the right people with the right training in positions to oversee the letting and execution of contracts. As contracting grows, the management of contracts becomes a more important part of how agencies accomplish their goals. The Council on Efficient Government (see Principle 3) should help agencies and departments develop and train their staff.

Different services require different types and levels of monitoring. For highly visible services that directly affect citizens, such as snow removal and garbage pickup, poor service will be exposed through citizen complaints. For highly complex or technical services, it may make sense to hire a third party to monitor the contractor. Where the consequences of even minor problems are large – aircraft maintenance, for example – high-cost and high-control preventive monitoring techniques may be necessary.

Public Employee Transition

There are typically very few layoffs in association with privatization. Instead, the bulk of public employees are hired by the contractor (at least on a provisional basis), re-assigned to another government position, or take early retirement. Regardless, it is important that management communicate early and often with employees and unions regarding privatization initiatives and develop a plan to manage public employee transitions.

Employee transition plans often focus on developing job placement policies for affected employees, such as requiring that each affected employee be interviewed and considered for job placement within the vendor company, severance compensation, and early retirement incentive packages. Officials also should consider developing re-employment and retraining assistance plans for employees not retained or employed by the contractor and offer Critical Employee Retention salary increases to retain those individuals identified as critical to successful transitions.

Recommended readings: William D. Eggers, *Performance Based Contracting: Designing State of the Art Contract Administration and Monitoring Systems*, May 1997, Reason Foundation, http://reason.org/news/show/performance-based-contracting; Jonas Prager, "Contracting Out Government Services: Lessons from the Private Sector," *Public Administration Review,* March/April 1994, Vol. 54, No. 2.

7. Bundle Services for Better Value

Service bundling across divisions and departments can drive down costs.

Public administrators may find greater economies of scale, cost savings, and value for money by bundling several – or even all – of the services delivered by a department or subdivision into a single outsourcing initiative, rather than treat individual services or functions separately.

Administrative Support

Because many governments and private companies outsource payroll, information technology, mail, risk management, and other support functions, there are robust and competitive markets of providers for these services. Service bundling across divisions and departments can drive down costs by eliminating redundancy and expanding the pool of potential providers.

Bundling can occur among cities and counties, among departments of state government, and even among states. In January 2009, Minnesota Gov. Tim Pawlenty and Wisconsin Gov. Jim Doyle each signed executive orders calling for department heads to identify activities, programs, and services on which the two states could cooperate to save costs (Pawlenty 2009).

Contract Cities

Since 2005, five cities serving more than 200,000 residents incorporated in metropolitan Atlanta, Georgia as "contract cities." These newly incorporated cities contract with private businesses to deliver nearly all of their non-safety-related public services, dramatically reducing costs and improving services along the way (Gilroy 2009b).

Sandy Springs, Georgia was the first of the contract cities (Gilroy 2010b). Fed up with high taxes, poor service delivery and a perceived lack of local land use control, residents voted to incorporate as an independent city. Instead of creating a new municipal bureaucracy, the city opted to contract out for nearly all government services except police and fire services, which are required to be provided by public-sector entities under the state constitution.

The city's successful launch was facilitated by a $32 million contract with CH2M-Hill OMI, an international firm (with an unusual name!) that oversees and manages day-to-day municipal operations. The contract value was just above half what the city traditionally was charged in taxes by Fulton County, saving the new city's citizens millions of dollars a year.

Sandy Springs maintains ownership of assets and budget control by setting priorities and service levels. The contractor is responsible for staffing and all operations and services. According to Sandy Springs Mayor Eva Galambos, the city's relationship with the contractor "has been exemplary. We are thrilled with the way the contractors are performing. The speed with which public works problems are addressed is remarkable" (Gilroy 2010b).

On a smaller scale, Centennial, Colorado privatized all of its public works functions in 2008. Similarly, Bonita Springs, Florida privatized all of its community development services (planning, zoning, permitting, inspections, and code enforcement) that same year. Pembroke Pines, Florida privatized its entire building and planning department in June 2009.

Facility Maintenance in Georgia

Georgia's Department of Juvenile Justice began outsourcing facility maintenance at 30 of its 35 facilities in 2001, marking the first successful state correctional system maintenance outsourcing to a private firm (Gilroy, Summers, Randazzo, and Kenny, 2010). The partnership was structured to provide long-term, performance-based maintenance without increasing the budget.

For the first six months of the contract, corrective maintenance work orders outnumbered preventive maintenance work orders as long-standing maintenance needs were addressed. After two years, preventive maintenance work orders were almost double the corrective work orders, but the *cost* of preventive maintenance remained at 2000 labor costs (before maintenance was outsourced).

Recognizing the success of this approach, Georgia officials initiated a similar large-scale outsourcing contract for the management and maintenance of numerous other secure-site facilities.

Recommended readings: Oliver Porter, "Public-Private Partnerships for Local Governments: The Sandy Springs Model," interview in Leonard Gilroy (editor), *Innovators in Action 2009*, Reason Foundation, January 2010, http://reason.org/news/show/innovators-in-action-2009; Leonard C. Gilroy, Adam B. Summers, Anthony Randazzo and Harris Kenny, *Public-Private Partnerships for Corrections in California: Bridging the Gap Between Crisis and Reform*, Reason Foundation, April 2010, http://reason.org/files/private_prisons_california.pdf.

8. Prepare a Real Property Inventory

> A government that knows what it owns and what it is worth gets more out of its assets and stops wasting unused ones.

How much land and other property does your local, county, or state government own? It is an important question that taxpayers should ask. Nearly half of state and local governments in the United States do not have the property and asset inventories needed to answer this question. Many of those that do are not putting that information to use by productively managing what they own.

How to Prepare an RPI

A real property inventory (RPI) is a written record of real property assets, which typically are immovable property such as office buildings, warehouses, heavy equipment, and bridges. Governments also can track additional property, such as vehicles, in a comprehensive inventory.

The cost of establishing an RPI is not trivial, but it reaps significant benefits. A government that knows what it owns, what it is worth, and if it is using all that it owns, is in a better position to get the most out of its assets and to stop wasting unused ones. A good RPI identifies the property and its location, condition, value, best use, and lease information, if any.

Geographic information systems (GIS) are increasingly used by governments to identify their land and asset holdings, map parcels, and build digital databases in order to create an RPI. In a GIS survey, aerial photography, property deeds, lists of property history, and historical information are collected to complete the inventory process.

Using an RPI

After developing an inventory, officials can use Computerized Maintenance Management System (CMMS) software, such as ARCHIBUS (archibus.com), to reallocate resources to their best possible use. This increases fiscal responsibility, as state agencies can determine if there are two or more offices in proximity to each other that could be combined. This financial management also helps the budgeting process by finding assets to sell, increasing the revenue stream, and potentially decreasing lease and maintenance costs through space consolidation.

The process of creating an RPI can suggest additional ways to save money. While using a GIS auditing process to map its real property in the late 1990s, for example, the state of Wyoming found approximately 250,000 parcels that were not listed on tax rolls. Similarly, the Cincinnati Metropolitan Sewer District used GIS to find parcels with sewer connections that were not being billed. The district generated thousands of dollars in missing revenue, more than enough to pay for its GIS unit.

Case Study: Georgia

Using the state's Building, Land & Lease Inventory of Property (BLLIP), Georgia officials identified several properties that were not being put to their full use (Gilroy 2010b). In one case, three state agencies agreed to co-locate in a single building to offer "One Stop Shopping" for their clients. This project resulted in maintenance and security cost savings totaling $150,000 annually, an additional 18,000 square feet of office space, $22 million in new revenue to the state by selling surplus property, and $1.1 million saved in 2006 through renegotiation and consolidation of leases that will project into a total savings of $20.5 million through 2012.

BLLIP also identified two properties in close proximity to each other that could be consolidated, saving Georgia $102 million in a 10-year time-frame. The fiscal benefits Georgia attained did not come from passive management but intentional pursuit of efficiency.

Recommended readings: NY Office of the State Comptroller, *Capital Planning and Budgeting: A Tutorial for Local Government Officials, Conducting a Capital Assets Inventory,* n.d., http://www.osc.state.ny.us/localgov/training/modules/capplan/inventory.htm; Fernando Fernholz and Rosemary Fernholz, *A Toolkit for Municipal Asset Management,* submitted to the Municipal Finance Task Force by RTI International, March 2007, http://www.mftf.org/resources/index.cfm?fuseaction=throwpub&id=168; John Palatiello, *What's in the Government's Attic?,* Reason Foundation, December 2004, http://reason.org/news/show/whats-in-the-governments-attic.

9. Divest Non-Core Government Assets

> The experience of state and local governments shows the huge potential of asset divestiture.

In the business world, financially stressed firms often find it good practice to divest non-core, non-essential assets. Divisions or subsidiaries that are poorly run by a large conglomerate often receive a new lease on life under new, leaner management. The one-time windfall from the sale permits the seller to pay down debt or obtain capital for other needed investments without having to raise prices or engage in new borrowing.

The same practices can be used by governments facing budgetary challenges. Asset sales (the outright sale of government land or assets) and asset leases (long-term leases of public assets to private-sector investor-operators) are no longer a new or radical proposition:

- More than 100 airports have been sold or privatized throughout the world, including Buenos Aires, Frankfurt, Johannesburg, London, Madrid, Melbourne, Paris, and Rome.

- Water supply and distribution systems have been privatized in many countries, including Argentina, Great Britain, France and, to a lesser extent, the United States.

- Electric and gas utilities have been privatized in a number of countries.

- Toll roads and private highways have been built in dozens of Asian, European, and Latin American countries. Since 2005, government-run toll roads have been privatized in Colorado (Northwest Parkway), Illinois (Chicago Skyway), Indiana (Indiana Toll Road), and Virginia (Pocahontas Parkway).

- Indianapolis, Las Vegas, Los Angeles, Pittsburgh, and other cities are considering leasing parking assets after witnessing Chicago's groundbreaking $1.15 billion lease of its downtown parking meter system in 2009 and its previous $563 million lease of four downtown parking garages.

The recent experience of state and local governments demonstrates the huge potential of asset divestiture initiatives. For example, the Arizona Land Department generated $51.2 million in June 2003 through the sale of two parcels of land, even though the properties had been appraised for only $27.9 million. Orange County, California raised more than $300 million through asset sales and sale-leasebacks over the course of 18 months to help recover from the county's collapse into bankruptcy in 1995.

In New York, the Empire State Development Corporation generated hundreds of millions of dollars in revenues through sales and leasebacks of state-owned properties including the New York Coliseum, state mental health campuses, parking lots, armories, and state-owned golf courses. In one of its first sales, New York divested a state-owned golf course for more than $3 million.

The initial windfall to government is generally the most dramatic financial impact of privatizing an infrastructure facility, but these initiatives also can generate new ongoing revenue streams. Most state and municipal enterprises are exempt from all taxation, so converting an airport or highway or water system into an investor-owned business converts it also into a tax-paying business. Airports, for example, are often the largest single land use in a city or county, yet they are generally not part of the property tax base.

In the case of asset leases, public administrators not only realize the benefits of upfront payments, but also professional asset management, greater operating efficiency, lower operating and maintenance costs, better customer service, less political patronage, access to equity markets for capital, shareholders who will hold management accountable, and many other benefits.

Agreements to sell or lease assets should make clear that the government entity will not be liable for debts or liabilities if the new owner is unsuccessful. The promise, even implicit, that government will bail-out the private company can undermine incentives to be efficient and thus the rationale for privatization.

Recommended readings: Adrian Moore, Geoffrey Segal, and John McCormally, "Infrastructure Outsourcing: Leveraging Concrete, Steel, and Asphalt with Public-Private Partnerships," *Policy Study* No. 272, Reason Foundation, September 2000, http://reason.org/news/show/127623.html; Gene Saffold, "Chicago's Parking Meter Lease: A Win-Win-Win for Motorists, Taxpayers and the City," interview in Leonard Gilroy (editor), *Innovators in Action 2009,* Reason Foundation, January 2010, http://reason.org/news/show/innovators-in-action-2009.

10. Make the Case to the Public

Policymakers should lay out the pros and cons to the public to ensure informed debate and to rally support for the decision.

People rightly want to know how privatization might affect their everyday lives. Policymakers should lay out the pros and cons to the public right away to ensure a full debate and to rally public support behind the right decisions. Some key steps in making the case to the public include:

- Commit early on to an open and transparent process;
- Invite the news media, bloggers, and taxpayer advocates;
- Know who the possible private-sector partners are;
- Develop a communications strategy;
- Involve public employees and other interested parties who might be predisposed to oppose privatization as early as possible; and
- Be ready to compromise.

The introduction and initial discussions of privatization will set the tone and define the terms of debate for the rest of the process. Naming a blue-ribbon task force of citizens and public- and private- sector representatives to study the options and issue a report is often a good way to collect and present factual information and set possible time-lines without politicizing the issue.

Meetings of the task force should be public and potential critics should be invited and treated well. Questions that ought to be anticipated include: Why can't the government provide the services as efficiently as the private sector? Why not a two-year contract instead of a 10-year deal? Will the government lose control over the services? Who will citizens call if the service is not provided properly?

A communications strategy should include public meetings that have formal notices, agenda, and minutes; a schedule of meetings with stakeholders, editorial boards, bloggers, and civic and business leaders; presentations to government entities and local service organizations; preparation and submission of letters to the editor and editorials; participation in online discussions, and availability of spokespersons to reporters, bloggers, and talk radio show hosts.

All these elements must be organized and coordinated early in the process and should continue after a proposal has been accepted and implemented. The purpose for planning the campaign is not to "orchestrate public opinion" or "control the message," but to avoid simple mistakes that unintentionally offend key stakeholders or lead to erroneous claims or promises being made.

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 moving to private employment can be scaled back to a management contract involving private management while the employees stay employed with the public entity. It is wise for proponents to consider these strategies during their initial discussions.

Ultimately a clear communications and public relations strategy is crucial to getting buy-in for a privatization initiative. Credible community leaders, the media, and active citizens have to understand the initiative and its expected outcomes. This helps to avert failure of privatization by building support up front and getting clarity on expectations. It also helps to tailor the privatization to the things people really care about, making it more likely the outcome will align with what citizens want.

Recommended readings: Daniele Calabrese, "Strategic Communication for Privatization, Public-Private Partnerships, and Private Participation in Infrastructure Projects," World Bank, 2007, http://siteresources.worldbank.org/EXTDEVCOMMENG/Resources/StrategicCommunicationforPrivatizationPublicPrivatePartnershipsandPrivateParticipationinInfrastructureProjects.pdf; Robin A. Johnson, *How to Navigate the Politics of Privatization*, Reason Foundation, July 2002, http://reason.org/news/show/how-to-navigate-the-politics-o; Cecilia Cabañero-Verzosa and Paul Mitchell, *Communicating Economic Reform*, World Bank, 2002, http://siteresources.worldbank.org/EXTDEVCOMMENG/Resources/carnegie3.pdf.

References

Behn, Robert D. and Peter A. Kant, 1999, “Strategies for Avoiding the Pitfalls of Performance Contracting,” *Public Productivity and Management Review*, Vol. 22, No. 4, pp. 470-89.

Cabañero-Verzosa, Cecilia and Paul Mitchell, 2002, “Communicating Economic Reform,” World Bank, http://siteresources.worldbank.org/EXTDEVCOMMENG/Resources/carnegie3.pdf

Calabrese, Daniele, 2007, “Strategic Communication for Privatization, Public-Private Partnerships, and Private Participation in Infrastructure Projects,” World Bank, http://siteresources.worldbank.org/EXTDEVCOMMENG/Resources/StrategicCommunicationforPrivatizationPublicPrivatePartnershipsandPrivateParticipationinInfrastructureProjects.pdf.

Eggers, William D., 1997, “Performance Based Contracting: Designing State of the Art Contract Administration and Monitoring Systems,” Reason Foundation, May, http://reason.org/news/show/performance-based-contracting.

Fernholz, Fernando and Rosemary Fernholz, 2007, “A Toolkit for Municipal Asset Management,” submitted to the Municipal Finance Task Force by RTI International, March, http://www.mftf.org/resources/index.cfm?fuseaction=throwpub&id=168.

Florida Council on Efficient Government, 2010, *Annual Report 2009*, http://dms.myflorida.com/index.php/content/download/63973/274570/version/1/file/Annual+Report+2009.pdf.

Garrigo, Henry, 2010, “Look Before You Leap Into Privatization: Florida’s Council on Efficient Government Sets a New Standard in Transparency, Due Diligence in Privatization and Contracting Decisions,” interview in Leonard Gilroy (editor), *Innovators in Action 2009*, Reason Foundation, January, http://reason.org/news/show/ innovators -in-action-2009.

Gilroy, Leonard, 2010a, “Local Government Privatization 101,” *Policy Brief* No. 89, Reason Foundation, March, http://reason.org/local-government-privatization-101.

Gilroy, Leonard, 2010b, “What Hoosiers Can Learn from Sandy Springs, Georgia,” *Indiana Policy Review*, Winter, Vol. 20, No. 1, pp. 23-26.

Gilroy, Leonard, 2010c, “State Competitive Government Commission: A Tool for ‘Right-Sizing’ Kansas Government,” testimony to the Kansas House Appropriations Committee,” January 27, http://reason.org/news/show/state-competitive-government-c.

Gilroy, Leonard, 2009, editor, *Annual Privatization Report 2009*, Reason Foundation, August, http://www.reason.org/apr2009.

Gilroy, Leonard C., and Adam B. Summers, Anthony Randazzo and Harris Kenny, 2010, *Public-Private Partnerships for Corrections in California: Bridging the Gap Between Crisis and Reform*, Reason Foundation, April, http://reason.org/files/private_prisons_california.pdf.

Goldsmith, Stephen, 1999, "The Yellow Pages Test," *Nevada Journal*, Vol. 7, No. 5, Nevada Policy Research Institute, May, http://nj.npri.org/nj99/05/govnt.htm.

Hilke, John, 1993, "Cost Savings from Privatization: A Compilation of Findings," Reason Foundation, March, http://reason.org/news /show/cost-savings-from-privatizatio.

ICMA, 2009, "Profile of Local Government Service Delivery Choices, 2007," http://icma.org/en/results/surveying/survey_research/survey_ results/.

Johnson, Robin A., 2002, *How to Navigate the Politics of Privatization*, Reason Foundation, July, http://reason.org/news/show/how-to-navigate-the-politics-o.

Larason Schneider, Anne, 2000, "Public-Private Partnerships in the U.S. Prison System," in Pauline Vaillancourt Rosenau, editor, *Public Private Policy Partnerships*, Cambridge, MA: The MIT Press.

Lehrer, Eli and Iain Murray, 2007, "The Continuing Value of Privatization," *CEI On Point*, Washington, DC: Competitive Enterprise Institute, October 25.

Lieberman, Myron, 1989, *Privatization and Educational Choice*, New York, NY: St. Martin's Press.

Markus, Edward, 1997, "Low Bid Alternatives," *American City & County*, August 1, http://americancityandcounty.com/mag/government_low_bid_ alternatives/.

McNichol, Elizabeth and Nicholas Johnson, 2010, "Recession Continues to Batter State Budgets; State Responses Could Slow Recovery," Center on Budget and Policy Priorities, May 27, http://www.cbpp. org/files/9-8-08sfp.pdf.

Moore, Adrian, and Geoffrey Segal, 2002, "Weighing the Watchmen: Evaluating the Costs and Benefits of Outsourcing Correctional Services—Part 1: Employing a Best Value Approach to Procurement," Reason Foundation, January, http://reason.org/ news/show/weighing -the-watchmen-evaluati.

Moore, Adrian, Geoffrey Segal and John McCormally, 2000, "Infrastructure Outsourcing: Leveraging Concrete, Steel, and Asphalt with Public-Private Partnerships," *Policy Study* No. 272, Reason Foundation, September, http://reason.org/news/show/127623.html.

Moore, Adrian and Wade Hudson, 2000, "The Evolution of Privatization Practices and Strategies," in Robin Johnson and Norman Walzer, eds., *Local Government Innovation: Issues and Trends in Privatization and Managed Competition,* Westport, CT: Quorum Books.

Newbery, David M., 2001, *Privatization, Restructuring, and Regulation of Network Utilities*, Cambridge, MA: The MIT Press.

NY Office of the State Comptroller, n.d., "Capital Planning and Budgeting: A Tutorial for Local Government Officials, Conducting a Capital Assets Inventory," last viewed June 3, 2010, http://www.osc.state.ny.us/localgov/training/modules/capplan/inventory.htm.

Office of Management and Budget (OMB), 1998, Office of Federal Procurement Policy, "A Guide to Best Practices for Performance-Based Service Contracting," October, https://www.acquisition.gov/bestpractices/bestppbsc.html

Palatiello, John, 2004, *What's in the Government's Attic?* Reason Foundation, December, http://reason.org/news/show/whats-in-the-governments-attic.

Pawlenty, Tim, 2009, "Minnesota and Wisconsin Governors Sign Groundbreaking Executive Orders to Explore Shared State Services," Office of the Governor, news release, January 13, http://www.governor.state.mn.us/mediacenter/pressreleases/2009/PROD009296.html.

Porter, Oliver, 2010, "Public-Private Partnerships for Local Governments: The Sandy Springs Model," interview in Leonard Gilroy (editor), *Innovators in Action 2009,* Reason Foundation, January, http://reason.org/news/show/innovators-in-action-2009.

Prager, Jonas, 1994, "Contracting Out Government Services: Lessons from the Private Sector," *Public Administration Review*, March/April, Vol. 54, No. 2.

Roth, Gabriel, 2006, editor, *Street Smart: Competition, Entrepreneurship, and the Future of Roads*, San Francisco, CA: Independent Institute.

Saffold, Gene, 2010, "Chicago's Parking Meter Lease: A Win-Win-Win for Motorists, Taxpayers and the City," interview in Leonard Gilroy (editor), *Innovators in Action 2009*, Reason Foundation, January, http://reason.org/news/show/innovators-in-action-2009.

Savas, E.S., 2000, *Privatization and Public-Private Partnerships,* New York, NY: Chatham House Publishers.

Savas, E.S., 2005, *Privatization In The City: Successes, Failures, Lessons,* Washington, DC: CQ Press.

Segal, Geoffrey, Adam Summers, Leonard Gilroy and W. Erik Bruvold, 2007, *Streamlining San Diego: Achieving Taxpayer Savings and Government Reforms Through Managed Competition,* Reason Foundation and San Diego Institute for Policy Research, September, http://reason.org/news/show/streamlining-san-diego.html.

Segal, Geoffrey, 2006, "Bottom-Line on Indiana Toll Road Deal," *Indiana Policy Review,* July 10, http://reason.org/news/show/bottom-line-on-indiana-toll-ro.

Segal, Geoffrey and Eric Montague, 2004, "Competitive Contracting for Highway Maintenance: Lessons Learned from National Experience," Washington Policy Center, January, http://www.washingtonpolicy.org/Centers/transportation/policybrief/04 _segal_competitivecontracting.html.

Tolchin, Martin, 1985, "More Cities Paying Industry to Provide Public Services," *New York Times,* May 28.

Walberg, Herbert, 2010, *Advancing Student Achievement*, Stanford, CA: Hoover Institution.

Walker, David M., 2002, "Improving the Sourcing Decisions of the Federal Government," testimony before the Subcommittee on Military Readiness, Committee on Armed Services, House of Representatives, United States General Accounting Office, June 26, http://www.gao.gov/new.items/d02866t.pdf.

Walsh, Tom, 2007, "Global Experience in Privatizing Airports," *Asian Airlines & Aerospace*, July, http://www.leighfisher.com/pdfs/publications/Global_Experience_Privatizing_Airports.pdf.

World Bank, 2006, *The PPD Handbook: A Toolkit for Business Environment Reformers*, http://rru.worldbank.org/Documents/Toolkits/PPD_Handbook.pdf.

Young, Richard D., 2005, "On Privatization – Competitive Sourcing in State Government," Columbia, SC: USC, Institute for Public Service and Policy Research, May, http://www.ipspr.sc.edu/ejournal/ejmay05/Privatization.pdf.

LEGISLATIVE PRINCIPLES SERIES

NUMBER 7

One in a series of brief guides to the most important public policy issues of the day, written especially for elected officials and other opinion leaders.

Ten Principles *of* Privatization

By Leonard Gilroy and Adrian Moore

Reason

The Heartland Institute

Everything you need to know about one of the hottest public policy issues facing legislators and civic and business leaders today.

Use the ideas and data in this booklet for:

- Answering questions from constituents;
- Formulating position papers and talking points;
- Preparing speeches and testimony;
- Writing op-eds, letters to the editor, and commentaries; and
- A tool for further research

Privatization – the act of moving an asset or responsibility for delivering a public service from the public sector to the private sector – is a valuable tool for policymakers seeking to balance budgets without raising taxes. What services can be privatized? How should it be done? Are there ways to protect taxpayers from the risk of failed privatizations?

This booklet, the seventh in a series from The Heartland Institute, provides policymakers and civic and business leaders a highly condensed and authoritative yet easy-to-read guide to the debate. It presents the 10 most important principles of privatization, explaining each principle in plain yet precise language, as well as an extensive bibliography for further research.

The Heartland Institute
19 South LaSalle Street #903
Chicago, IL 60603
phone 312/377-4000
fax 312/377-5000
www.heartland.org

Reason Foundation
3415 S. Sepulveda Blvd. #400
Los Angeles, CA 90034
phone 310/391-2245
fax 310/391-4395
www.reason.org