

THE ANALYSIS OF RE-MUNICIPALIZATION TRENDS IN THE PROVISION OF LOCAL ECONOMIC PUBLIC SERVICES

Veronika Petkovšek

*Senior Lecturer at Faculty of Public Administration, University of Ljubljana
veronika.petkovsek@fu.uni-lj.si*

Nevenka Hrovatin

*Full Professor at School of Economics and Business, University of Ljubljana
nevenka.hrovatin@ef.uni-lj.si*

Primož Pevcin

*Associate Professor at Faculty of Public Administration, University of Ljubljana
primoz.pevcin@fu.uni-lj.si*

ABSTRACT

The paper investigates the experiences with the re-municipalization trend in Slovenia, which was identified after the adoption of the Public-Private Partnership Act (PPPA) in 2006. Under the new legislation, the reorganization process of public enterprises in Slovenia accured, which led to the changes in their ownership structure. The aim of our research is to identify the outcome of the reorganization process and to identify the experience of re-municipalisation of local public utilities, as the research topic has not yet been the subject of extensive research in Slovenia. The special focus is given on the services related to the water and wastewater management. Besides, research intends to identify the motives for the reorganization process, as well as the advantages and disadvantages of the reorganization process. Methodologically, the paper is based on the primary data collection and analysis through a self-prepared, detailed, structured on-line questionnaire sent to all Slovenian municipalities. The responses were collected in the period 2018–2020. The results show that new legislation contributed to the increased public ownership in local public services provision in the area of water and wastewater management by roughly 10%, as the majority of public enterprises were already fully municipally owned, even before the reorganization process. The results also reveal that the most important motives for increasing full public ownership are management problems in a mixed-ownership enterprise, simpler regulation of the service provider, greater control over the service provider, more opportunities to influence business activities, and greater rationality and efficiency of business activities. The research results also show that the reorganization process brought largely advantages. The biggest advantages are better organization of work, improving the quality of utility provision and that municipality is able to monitor the business activities of the enterprise under the decree. The reorganization process lead municipalities into re-municipalization, meaning that full municipal ownership and control has increased.

Keywords: *private-public partnership, re-municipalization, local economic public services, water and wastewater management*

JEL classification: *H44, L33, K23*

1. INTRODUCTION

The EU and national governments have emphasized and strengthened local-level service provision, especially through environmental protection and renewable energy policies and measures. Dissatisfaction with the outcomes of privatization has led to a reappraisal of the state and of the public sector in the role of rectifying and remedying the shortcomings and failures connected with the market and private sector (Wollmann, 2018, p. 421). During the twentieth century, the trend toward privatization has turned to reverse privatization or re-municipalisation, which is seen as municipalities take the provision of local public services back into their own hands (Gradus and Budding, 2018, pp. 2–3; Gradus, Schoute and Budding, 2019, p. 1; McDonald, 2019, p. 61; Wollmann, 2018, pp. 426). These shifts over time show that not only privatization and contracting out are important phenomena, but also that re-municipalisation has become increasingly important (Gradus and Budding, 2018, p. 2).

Re-municipalisation is observed in numerous countries, but there is still a need for further research in the area to better understand the phenomenon, the motivating factors behind this trend, and its advantages and disadvantages. Therefore, our paper investigates the experiences with the re-municipalization trend in Slovenia, which was identified after the adoption of the Public-Private Partnership Act (PPPA) in 2006. Under the new legislation, the reorganization process of public enterprises in Slovenia accured, which led to the changes in their ownership structure. The special focus of our research is given to the reorganization process of public enterprises in the area of water and wastewater management in Slovenia. The aim of our research is to identify the final outcome of the reorganization process and in this context to identify the experience of re-municipalisation of local public utilities in the field of water and wastewater management in Slovenia, the most important motives for the increase of public ownership and the most important advantages and disadvantages of the reorganization process. The research topic has not yet been the subject of extensive research in Slovenia. The final outcome of the reorganization process of existing public enterprises is not entirely evident, especially to what extent the municipality buyout was implemented, and what motives guided municipalities in buying up own shares in the utility, which was a necessary condition under the reorganization of existing public enterprises into public enterprises with full municipal ownership.

The paper is structured as follows: the second section presents the literature review on remunicipalization trends, where, on the one hand, the differences between the privatization and re-municipalization of local public services are observed, and on the other hand, the drivers of re-municipalization are presented. The third section gives an insight into the legal amendments in reorganization of public enterprises and re-municipalization trend in Slovenia. The fourth section presents the methodology and data for the research conducted. The fifth section gives an insight into the empirical results, followed by Conclusion.

2. RE-MUNICIPALIZATION TREND IN LOCAL PUBLIC SERVICES PROVISION

2.1. Privatization vs. re-municipalization of local public services

Private provision is a long-standing practice in the US and Europe, as many municipal services began with private delivery (Gradus, Schoute and Budding, 2019, p. 1). This trend has strengthened both the market position and the share of private-sector providers (Wollmann, 2018, p. 421). Supporters of privatization see private provision as the best way to achieve more efficient management of resources and better quality of service, as private providers may be better able to obtain resources that can be invested in service improvement (González-Gómez, García-Rubio and González-Martínez, 2014, pp. 3–4). The involvement of the private sector is expected to facilitate investment and enhance the efficiency of operations (Nissan, Hall, Lobina

and de la Motte, 2004, p. 306). It is also believed that privatization reduces the cost of public service delivery, as competition can have a positive effect on cost savings. However, ownership is not the key factor. Tendering as a factor is more important for privatization, as it is cheaper than in-house production (Soukopová, Klimovský and Ochrana, 2017, pp. 151–152). Besides efficiency and quality, in many cases there are also pragmatic reasons to privatize municipal services. One of them is certainly the relief of the financial burden on the municipal budget (González-Gómez, García-Rubio and González-Martínez, 2014, p. 5).

In line with EU legislation, a certain degree of competitiveness should exist in public utilities. Many authorities have tried to introduce policies that enhance competitiveness in public utilities, but the question has always been raised whether providing public utilities through public or private providers leads to greater efficiency. The trend to privatize public enterprises also leaves the question of efficiency the private sector open. Although EU directives do not explicitly dictate the privatization of public enterprises, they nevertheless seek to liberalize public services, which of course signifies a greater role for the private sector and a change in the ownership of public enterprises (Aulich, 2011, p. 250; Bognetti and Obermann, 2012; Greiling and Grüb, 2014, p. 209; Lane, 2002, p. 60). This trend has influenced the transformation of existing traditional public enterprises across Western Europe at various times, and produced various forms of institutional frameworks of the transformed public enterprises. Most existing public enterprises were transformed into joint-stock companies, which today represents the basic form of a public enterprise, with the share of public ownership ranging from minority to total ownership (Lane, 2002, pp. 60–61).

Today, three decades after the first wave of privatization, intense debate over the positive and negative effects of private participation in local public services continues. Opponents of privatization defend public management as the best way of assuring universal access to public services and preventing abuse by private companies of their dominant position in a natural monopoly (González-Gómez, García-Rubio and González-Martínez, 2014, pp. 1–3). Also, providing, commissioning, and organizing public services should remain as close as possible to the needs of the users (Wollmann, 2018, p. 421–422). Therefore, alternatives such as inter-municipal cooperation, re-municipalisation, and municipality-owned firms began to expand at the beginning of the century (Gradus, Schoute and Budding, 2019, p. 1).

Private and public management face many challenges and problems, like lack of resources, inadequate cooperation among municipalities, inefficient administrative structures, an absence of transparency, low rates of citizen participation etc. And, neither privatization nor a reversion to public management appear as solutions to these problems and challenges (González-Gómez, García-Rubio and González-Martínez, 2014, p. 2). The re-emergence of public ownership is also explained as a strategy to deal with pressing social, economic, and ecological problems. Public ownership boasts benefits for local communities, such as lower costs for consumers, better access for underserved populations, providing social services etc. Further, public ownership can support economic development, provide jobs, and enhance local control and participation in economic decision-making (Hanna, 2019, p. 45–46). Even balance sheets favour public provision when taking into account the transaction costs of outsourcing services. There are also financial gains to be had for local authorities when operating public services themselves instead of outsourcing them to private providers (Wollmann, 2018, p. 421). However, there is no guarantee they will prove more efficient and cost-effective than private provision. (Hanna, 2019, p. 46) Even public enterprises with full public ownership have seen extensive commercialization. Market principles, especially efficiency, have led to reductions in staff and investment in many public enterprises (Beveridge, Hüesker and Naumann 2014, p. 69).

2.2. Drivers of re-municipalization

Re-municipalisation is described in different terms: de-privatization, reclaiming public services, taking services back into public hands, and in-sourcing (McDonald, 2019, p. 61). With re-municipalisation, municipalities strive to achieve greater municipal democracy and autonomy. Public ownership can have benefits for local communities, such as lower costs for consumers, more access for underserved populations, providing social services etc. Further, public ownership can support economic development, provide jobs, and enhance local control and participation in economic decision-making (Berlo, Wagner and Heenen, 2017, p. 1; Hanna, 2019, p. 45–46).

The literature review on re-municipalisation as trend provides insight into the various driving factors behind re-municipalisation. Usually, the process of re-municipalisation is intentional and is effected by ending the contract with a private provider prematurely or by not renewing the arrangement after it expires. Such re-municipalisation is often a consequence of dissatisfaction with a private provider, the outcomes of privatization, and with failures in private contracting. Many authors (Bel, 2020; Busshardt, 2014; Clifton, Warner, Gradus and Bel, 2019; McDonald, 2018; Lindholst, 2019; Ulmer and Gerlak, 2019; Valdovinos, 2012) point to disappointment with privatization as the main driving factor for re-municipalisation. Bel (2020), Valdovinos (2012), Nissan, Hall, Lobina and de la Motte (2004) show that corruption is one of the chief failures cited under private management, followed by overpricing, rising contractual and transaction costs, and financial failures (Bel, 2020; Clifton, Warner, Gradus and Bel, 2019; Busshardt, 2014; Ulmer and Gerlak, 2019; Valdovinos, 2012) which are other important reasons behind the failure of private provision, together with deteriorating quality of service, public mistrust of private providers, and operative failures (Clifton, Warner, Gradus and Bel, 2019; Lindholst, 2019; Valdovinos, 2012, Ulmer and Gerlak, 2019).

However, sometimes municipalities are forced to municipalise, even though policymakers would prefer to retain the private service arrangement. This is often the result of the high cost of monitoring, short-term contracts, diminished efficiency gains or, on the other hand, due to an insufficient number of private-sector bidders for a contract. Private firms may also be unwilling to bid on what they see as unprofitable contracts, or may end contracts early (McDonald, 2019, p. 62). However, sometimes the high cost of monitoring and regulating private contracts drives municipalities to re-municipalize, even though they may be satisfied with the quality of the private service. This usually happens with large, long-term concessions and with small, short-term contracts, where in both cases sophisticated and expensive regulatory management is required. Municipalities must also contend with costly teams of lawyers and bureaucrats required for contracting out, which reduces or reverses potential efficiency gains. Naturally, re-municipalisation is often opposed by private providers, who may employ various strategies to maintain their position and to delay the process of re-municipalisation (Berlo, Wagner and Heenen, 2017, p. 1; McDonald, 2019, p. 62).

Some authors also find re-municipalisation blurs political intervention (McDonald, 2019), expresses alternative political thinking, and transforms and socially empowers politics (Cumbers and Becker, 2018) in order to favour or strengthen local politics (Berlo, Wagner and Heenen, 2017). On the other hand, re-municipalisation is also seen as an opportunity to enhance municipal and citizen influence and re-politicize urban utilities, which contributes to post-neoliberal urban governance (Becker, Beveridge and Naumann, 2015); or as an opportunity to make policy in line with or beyond the norms of neo-liberal urban governance (Beveridge, Hüesker and Naumann, 2014). Further on, Albalade and Bel (2020) conclude that politicians do not favour private service delivery and the chance to reform services as do bureaucrats, and Gradus and Budding (2018) found that corporatization is usually not particularly political. Due to the corporatization component in the re-municipalisation scenario, Voorn, Van Genugten

and Van Thiel (2020) conclude that re-municipalisation is not an ideologically-oriented trend, as cost savings are far more important factor than political ideology.

Sometimes, re-municipalisation appears as a strategy to overcome pressing economic, social, and ecological problems; however, it cannot guarantee a more sustainable economic and political system (Hanna, 2019), even though it does gain from the benefits of local government (Wollman, 2018). Further, empirical evidence from Warner and Hefetz (2020) show that non-unionised municipalities experience more re-municipalisation than unionized municipalities, which more often opt for new contracts with private providers. Friedländer, Röber and Schaefer (2021) indicate that exercising an appropriate level of influence over the provision of services is the biggest challenge when public government does not opt for in-house provision. Gradus, Schoute and Budding (2019) also found some support for certain economic conditions (unemployment) and ideological factors on the municipal level, namely social democratic forces in charge, resisting change in market forces, and privatisation.

Municipalities have proceeded towards re-municipalisation in two ways: by repurchasing shares that were previously sold to private companies, and by insourcing services that were previously outsourced. When the concession expires, municipalities decide for re-municipalisation as an opportunity to bring services back in-house without the transaction costs associated with the termination of a contract. When the concession has not yet expired, difficulties with the outgoing private provider may arise in connection possible compensation. Often, very high compensation may be required, which is a strong deterrent to early termination of the contract (Beveridge, Hüesker and Naumann, 2014, p. 68; Hall, Lobina and Terhorst, 2013, p. 206; Wollmann, 2018, p. 422).

The negotiation process surrounding compensation is one of the key elements a municipality has to consider when opting for re-municipalisation. Beyond the negotiation process, user involvement is also a key element. User involvement is essential, as it is a key factor in the process, and municipalities guarantee democratic and efficient public services. It is also fundamental to evaluate the private provider's performance and the benefits and risks of returning to public provision – especially when considering the current situation in public service in terms of investment needs and the cost of guaranteeing efficient performance. However, the re-municipalisation process can vary according to the local context, the condition of public service, the involvement of the local government, the duration of the contract, the degree of private participation etc. (Valdovinos, 2012, pp. 115–116).

Most of the studies on re-municipalisation in Europe come to us from Germany, France, and Spain (Voorn, Van Genugten and Van Thiel, 2020). However, the US is also an example of re-municipalisation as highly common practice (McDonald, 2018, 2019). Similarly, we also see evidence of re-municipalisation in the Netherlands (Gradus and Budding, 2018; Gradus, Schoute and Budding, 2019) and Denmark (Lindholst, 2019). The trend of re-municipalisation has accelerated greatly since 2010 (McDonald, 2018) and has largely developed in the water and energy sector, as well as in waste disposal (Busshardt, 2014; Voorn, Van Genugten and Van Thiel, 2020). Even though re-municipalisation is highly common in only a few countries, it is nonetheless a global phenomenon (McDonald, 2018). Yet, it is less common in Eastern Europe, especially in post-socialist countries, but we do nevertheless find examples there as well. Changes in ownership from private back to public, and the tendency toward re-municipalisation of local public services is also observed in Slovenia. Therefore, we examine the trend and experiences of re-municipalization in provision of local public services Slovenia, which is presented in the following sections.

3. LEGAL CHANGES IN PROVISION OF LOCAL PUBLIC SERVICES IN SLOVENIA

In Slovenia, a form of local public service provision is prescribed by a municipality, by decree, to ensure its implementation within the framework of a functionally and spatially complete supply system. The municipal decree regulates the conditions for the provision and use of public goods; sources of funding and the manner of their formation; and the rights and obligations of users and the position of infrastructure in the public service (Grafenauer, 2009, p. 213).

In Slovenia, public enterprise represent the most common form of local public services provision. In order to enable and encourage mutual help and cooperation between entities from the public and the private sectors, Slovenia adopted the Public-Private Partnership Act in 2006 (PPPA, Official Gazette of RS, no. 127/06). The implementation of the Act in 2007 brought about important changes in the transformation of existing public enterprises, which were required to make the appropriate changes in their organizational status within the specified period, or their founders had to consider adapting their status to the new legislative conditions (Brezovnik, 2009, p. 180; Trpin, 2007, pp. 5–6).

The PPPA defines the legal status of public enterprises. The new regulation aims to differentiate between »true« public enterprises that shall remain exclusively publicly owned to perform public service activities, and other public enterprises that shall be transformed into commercial companies. Two options were envisaged for the transformation of public enterprises with private equity stakes. One option was that a public enterprise could be transformed into a commercial company in accordance with the Companies Act. The other option offered that public enterprise status could be retained and the private equity stakes would in a way be nullified (Kocbek, 2011, p. 86). Public enterprises where private investors had shares needed to be transformed into commercial companies, and public enterprises that wanted to remain public had to transfer the private ownership part to the State or the local community. The decision had to be taken by the founder of the enterprise within three years from the adoption of the Act, i.e., by March 2010. Under the new regulation, a public enterprise may only be an enterprise that is wholly owned by the state or local government.

Table 1: Institutional changes of public enterprises after the PPPA

Public enterprise	Before PPPA	After PPPA
Legal status	No own status (Services of General Economic Interest Act); a part of legal regime of commercial public services	Commercial company (Companies Act) or Public enterprise
Capital	Possible shared capital (public and private)	Public enterprise: only public capital (state or local government)
Ownership	Majority public	Public enterprise: 100% public
Founder	The State, local government, public-private partnership	The State, local government

(Source: own work)

Table 1 presents the changes that the PPPA brought to the institutional framework of public enterprises in Slovenia. Before the reorganization process, public enterprise did not have its own legal status, but was part of a legal regime of commercial public services, and could be founded in one of the forms of commercial companies. After adoption of the PPPA, a public enterprise had a clear definition of its legal status: it could either be transformed into a commercial company or remain a public enterprise. Despite that, Brezovnik (2008) argues that

the legal status of public enterprises is still disputed due to missing evidence on the final outcome of reorganization. The majority of public enterprises operate like commercial companies, and on the one hand behave like private law companies, while on the other hand they have public law status. Significant changes were also made in the ownership structure of the public enterprise. Previously, a public enterprise should have had majority public ownership, and therefore also shared capital investments were possible. Under the new regime, only public ownership is required, meaning only public capital investments are possible, either from the State or local government. In view of this definition, the founder of a public enterprise under the new regime may only be the State or a local government.

4. ANALYSIS OF RE-MUNICIPALIZATION TREND IN SLOVENIA

The research topic documents Slovenian experiences in the field of local public services provision, which came about in the period 2007–2009 as the result of the adoption of the PPPA. The research looks at the characteristics of trends in re-municipalisation in the context of the reorganization of public enterprises into fully publicly owned enterprises. The aim of our research is to assess the outcome of the reorganization process, to find out what motives guided municipalities in buying up ownership, which was a necessary condition for the reorganization of existing public enterprises into public enterprises with full municipal ownership. In addition, the advantages and disadvantages of reorganization are analysed.

4.1. Research design and research sample

An empirical investigation was performed using primary data collection through self-prepared, structured and detailed online questionnaire. The study intended to explore the experiences of the reorganization process for local public utility providers and in this context to identify the experiences with re-municipalization in the field of water and wastewater management. The questionnaire was addressed to all 212 Slovenian municipalities, as the majority of public utilities in Slovenia in the field of water and wastewater are managed locally, on the municipal level. To be more specific, the questionnaire was sent by email to all directors of municipal administrations. The questionnaire is segmented to allow respondents to answer only questions relevant to them specifically. In so doing, the questionnaire automatically guides the respondents through the relevant questions. Completing the questionnaire takes some 30–45 minutes. The responses were collected in the period 2018–2020. The collection time of two years did not affect the authenticity and comparability of the data among the respondents, as specific focus was placed on the collection of answers related to past events.

The questionnaire covers 5 thematic parts: (1) the basic data of the respondent, (2) the management of public utilities in the area of drinking water supply and wastewater treatment, (3) the ownership structure of the public utility before the adoption of the new legislation, (4) the changes resulting from the reorganization of existing public enterprises and compliance with the new act, and (5) the pricing of the utilities. However, this paper covers only parts or questions related to re-municipalisation and motives behind it. The questionnaire uses a combination of open-ended questions, multiple-choice answers, and a Likert scale of 1–5. The questionnaire consists of 105 questions. As it is quite extensive it resulted the relatively large volume of incomplete responses. But the respondents who completed the questionnaires in full or in large part were able to provide valuable and relevant information.

Table 2: Research population

Municipalities	Number	Share of total population (%)
Research population total	212	100
Total no of responses	42	19.8
No of (almost) completed surveys	28	13.2
No of incomplete surveys	14	6.6

(Source: own work)

The total population included 212 Slovenian municipalities, where the response rate was slightly less than 20% (42 municipalities responded). Table 2 shows that only 28 municipalities fully or almost fully completed the survey. The actual response rate (fully and almost fully completed surveys) is 13.2%. However, this input should be considered in a sufficient manner to extrapolate the field experiences. In the results analysis we utilize also the data obtained from the surveys not fully completed, therefore the total number of responses differs between the presented results.

4.2. Results and discussion

As already mentioned in section 3, the PPPA demanded reorganization of existing public enterprises with private equity stakes. On one hand, the status of public enterprise can be retained with the transfer of the private ownership part to municipalities, and on the other hand the public enterprise can be transformed into a commercial company in accordance with the Companies Act.

Table 3: Retention of or transformation into full public ownership after PPPA

Retention/transformation	Share of municipalities (%)
Retention of full municipal ownership	67.78
Transformation into full municipal ownership	9.69
	N=30

(Source: own work)

Table 3 shows that most of existing public enterprises have retained full public ownership. Meaning that almost 70% of public enterprises in the area of water and wastewater management were already fully municipally owned, even before PPPA. And, a little less than 10% of public enterprises have transformed into full public ownership. The retention of and transformation of public enterprises into full municipal ownership confirms the presence of trend towards re-municipalisation in local government in Slovenia, and the shift back from private to public provision. Therefore, the implementation of PPPA contributed to an increase in public ownership in local public utilities provision. Mixed public enterprises that retained mixed ownership after the new legislation (transformation into a commercial company) took such decision due to the municipality's inability to provide funds to purchase shares and because neither owners nor employees were sufficiently interested in such. The motives which guided municipalities to buy up privately held shares or to retain full municipal ownership are presented in the following Table 4.

Table 4: Motivating factors behind full municipal ownership of a public enterprise

Motivating factor	Weighted average
Bad experience with a private provider with shares in utility	2.63
Simpler regulation of the provider	3.91
Greater control over the provider	4.02
More opportunities to influence the business	3.77
Greater rationality and efficiency of business	3.7
Use of in-house orders	3.34
Easier to obtain EU funds	2.84
Avoid public tenders for concessions	2.93
Avoid employee dismissal	2.52
	N=15

Note: A Likert scale 1–5 was used: 1 – I totally disagree, 2 – I disagree, 3 – I neither agree nor disagree, 4 – I agree, 5 – I totally agree.

(Source: own work)

The most important motives detected by municipalities are management problems in a mixed-ownership enterprise, simpler regulation of the service provider, greater control over the service provider, more opportunities to influence the business activities, and more rational and efficient business activities. We found similar motives or drivers of re-municipalization in our literature review. The most frequently cited motive is dissatisfaction with the private provision or provider, poor private management, overpricing, increased contractual and transaction costs, financial failures, deteriorating quality of service, public mistrust, operative failures etc. As these are classical reasons for re-municipalisation, we can again argue that legal amendments (in the form of the PPPA) have served to promote the trend towards re-municipalisation in Slovenia.

Table 5: Advantages of reorganization process

Advantage	Weighted average
Better organization of work	3.75
Developing expertise and improving the quality of utility provision	3.75
Municipality monitors the business of the enterprise according to the decree	3.58
Easier to obtain European funds	3.58
Better use of labour and capital	3.5
Lower labour costs	3.5
Better cooperation between the enterprise and the local community	3.5
Institutional, corporate, and governmental rights are prescribed by municipal decree	3.42
Better job performance	3.36
Lower costs for utility provision / Lower transaction costs	3.33
Lower costs for utility provision due to joint provision of utility (bundled services)	3.25
Total profit from a public enterprise is transferred to the budget and devoted to investment in infrastructure	3.17
Municipality has full control over the performance of public utility providers	3.08
Acquisition of additional municipal financial sources	2.92
	N=12

Note: A Likert scale 1–5 was used: 1 – I totally disagree, 2 – I disagree, 3 – I neither agree nor disagree, 4 – I agree, 5 – I totally agree.

(Source: own work)

The respondent municipalities also expressed the advantages and disadvantages of the reorganization process under the PPPA. As seen from Table 5, municipalities see the biggest advantage of the reorganization process in better organization of work and in developing expertise and improving the quality of utility provision, followed by the municipality monitors the business of the enterprise according to the decree and easier to obtain European funds. We can see that the high cost of monitoring and regulating private contracts often drives municipalities to re-municipalise. And that is highlighted also in the literature review. Municipalities may be forced to re-municipalise, especially in the face of the high cost of monitoring, short-term contracts, deteriorating efficiency, insufficient private-sector bidders for a contract.

Table 6: Disadvantages of reorganization process

Disadvantage	Weighted average
Arrangement of a concession relationship requires regulations from many legal acts	2.5
Higher price of public utility	2.44
Regulatory price policy	2.44
Municipality's lack of experience in providing control over the concession in terms of maintaining quality of service for all users, maintaining and growing the value of the property for the municipality at justified prices for services	2.4
Municipality has no control over the concessionaire through founding and corporate rights	2.3
Higher transaction costs due to public tenders for concessions	2
Higher transaction costs for the municipality in controlling the concessionaire	2
Lower quality of public utility	1.9
	N=12

Note: A Likert scale 1–5 was used: 1 – I totally disagree, 2 – I disagree, 3 – I neither agree nor disagree, 4 – I agree, 5 – I totally agree.

(Source: own work)

On the other hand, disadvantages are also seen but are not particularly significant, as the weighted average only moves around the 2-mark, as seen from Table 6. This may indicate that municipalities, as owners of public enterprises, see more advantages in the reorganization process. We can point to the arrangement of a concession relationship requires regulations from many legal acts as the biggest issue, followed by higher price of public utility and regulatory price policy.

Our results, presented in this paper, especially regarding the motives, advantages and disadvantages of the reorganization process or of the re-municipalisation trend in Slovenia are very similar to those found in the literature review on re-municipalisation (in the section 2.2). Our results identify classical reasons for re-municipalisation (management problems, regulation of the service provider, control over the service provider, influence over business activities, and rationality and efficiency of business activities) and therefore confirm the fact that reorganization process of public enterprises promoted the trend of re-municipalisation in Slovenia. Similarly, detected advantages of the reorganization process (e.g. municipality can

monitor the business activities of the enterprise under the decree, municipality has full control over the performance of public utility providers) can also be identified in the literature as drivers of re-municipalisation due to high cost of monitoring and regulating private contracts. Disadvantages (e.g. higher price of service, regulatory price policy), on the other hand, can be connected to literature which opposes to re-municipalisation and support privatization, as privatization should bring cost savings, better quality of services, better investment opportunities, etc.

Regardless of mentioned motives, advantages and disadvantages, each municipality has the responsibility as well as the challenge to choose the most appropriate way to serve and fulfil the needs of the local population. In this direction, the results provide useful information for municipalities (as well as for local public utility providers), for organising the delivery of local public utility services in the most efficient way. The results also provide an insight into a unique empirical example of re-municipalisation on the national level. Our research serves as a good basis for further investigation of the field studied, into the field of water and wastewater management as well as other public utility services.

5. CONCLUSION

Public-Private Partnership Act dictated the reorganization of public enterprises such that they retained or transformed into full public enterprises or transformed into commercial companies. Re-municipalisation, as a more recent trend in local public services provision, is also taken into consideration, with a focus on the analysis of the driving factors behind re-municipalisation.

As we have seen in our analysis of the research results, the majority of surveyed public enterprises retained their status as public enterprises (full municipal ownership). Municipalities that bought up private shares became full owners of these public enterprises. The share of such transformed public enterprises is rather small (around 10%), as the majority of existing public enterprises already had 100% municipal ownership before the reorganization process. Full municipal ownership has increased due to the PPPA, and has served to promote re-municipalisation in local government in Slovenia, and the shift back from private to public provision. Classical theoretical reasons for re-municipalisation are seen in our research results, and appear in the context of motivating factors behind full municipal ownership. The reasons identified herein consist in management problems, regulation of the service provider, control over the service provider, influencing the business activities, and more rational and efficient business activities. Similarly, better cooperation between the enterprise and the local community, developing expertise and improving quality of services, better organization of work, better job performance, lower cost for service provision / lower transaction costs, and securing of additional municipal resources are identified as important advantages of the reorganization process for municipalities. By the same token, we have formed these conclusions on the basis of the opinions of respondent municipalities, so a certain degree of subjectivity must be taken into consideration.

The trend towards re-municipalisation presents an opportunity to better fulfil the needs of local communities and an opportunity for municipalities to cooperate mutually and exchange good/bad practices regarding the delivery of local public utility services, with an aim to improve the efficiency and effectiveness of the delivery.

REFERENCES

1. Albalade, D. and Bel, G. (2020), "Politicians, bureaucrats and the public-private choice in public service delivery: anybody there pushing for remunicipalization?", *Journal of Economic Policy Reform*, Early Access.
2. Aulich, C. (2011), "It's not ownership that matters: it's publicness", *Policy Studies*, Vol. 32 No.3, pp. 199-213.
3. Berlo, K., Wagner, O. and Heenen, M. (2017), "The Incumbents' Conservation Strategies in the German Energy Regime as an Impediment to Re-Municipalization—An Analysis Guided by the Multi-Level Perspective", *Sustainability*, Vol. 9 No.53, pp. 1-12.
4. Bel, G. (2020), "Public versus private water delivery, remunicipalization and water tariffs", *Utilities Policy* 62, 100982.
5. Beveridge, R., Hüesker, F. and Naumann, M. (2014), "From post-politics to a politics of possibility? Unravelling the privatization of the Berlin Water Company", *Geoforum*, 51, pp. 66-74.
6. Brezovnik, B. (2008), "*Izvajanje javnih služb in javno-zasebno partnerstvo*", Maribor: Lex Localis.
7. Bognetti, G. and Obermann, G. (2012), "Local Public Services in European Countries: Main Results of a Research Project by Ciriect International", *Annals of Public and Cooperative Economics*, Vol. 83 No. 4, pp. 485-503.
8. Brezovnik, B. (2009), "Aktualna vprašanja pravne ureditve javnega podjetja v Sloveniji", *Lex Localis - Revija za lokalno samoupravo*, Vol. 7 No. 2, pp. 177-195.
9. Busshardt, B. (2014), "*Analysing the Remunicipalisation of Public Services in OECD Countries*" (bachelor's thesis). München: Ludwig-Maximilians-Universität München.
10. Clifton, J., Warner, M.E., Gradus, R. and Bel, G. (2019), "Re-municipalization of public services: trend or hype? ", *Journal of Economic Policy Reform*, Vol. 24 No. 3, pp. 293-304.
11. Cumbers, A. and Becker, S. (2018), "Making sense of remunicipalisation: theoretical reflections on and political possibilities from Germany's *Rekommunalisierung* process", *Cambridge Journal of Regions, Economy and Society*, 11, pp. 503-517.
12. Friedländer B., Röber M., and Schaefer C. (2021), "Institutional Differentiation of Public Service Provision in Germany: Corporatisation, Privatisation and Re-Municipalisation". In S. Kuhlmann, I. Proeller, D. Schimanke & J. Ziekow (eds.). *Public Administration in Germany. Governance and Public Management*. Palgrave Macmillan, Cham.
13. González-Gómez, F., García-Rubio, M.A. and González-Martínez, J. (2014), "Beyond the public-private controversy in urban water management in Spain", *Utilities Policy*, 31, pp. 1-9.
14. Gradus, R. and Budding, T. (2018), "Political and Institutional Explanations for Increasing Re-municipalization", *Urban Affairs Review*, Vol. 0 No. 0, pp. 1-27.
15. Gradus, R., Schoute, M. and Budding, T. (2019), "Shifting modes of service delivery in Dutch local government", *Journal of Economic Policy Reform*, pp. 1-15.
16. Grafenauer, B. (2009), "Analiza organizacije izvajanja lokalnih gospodarskih javnih služb na primeru dveh slovenskih občin". *Lex Localis - Journal of Local Self-Government*, Vol. 7 No. 2, pp. 209-219.
17. Greiling, D. and Grüb, B. (2014), "Sustainability reporting in Austrian and German local public enterprises", *Journal of Economic Policy Reform*, Vol. 17 No. 3, pp. 209-223.
18. Hall, D., Lobina, E. and Terhorst, P. (2013), "Re-municipalisation in the early twenty-first century: water in France and energy in Germany", *International Review of Applied Economics*, Vol. 27 No. 2, pp.193-214.

19. Hanna, T.M. (2019), "Reclaiming Democratic Control: The Role of Public Ownership in Resisting Corporate Domination", *Journal of World-System Research*, Vol. 25 No. 1, pp. 42-48.
20. Kocbek, M. (2011), "Retaining Public Enterprise Status Through Own Shares", *Lex Localis - Journal of Local Self-Government*, Vol. 9 No. 1, pp. 85-101.
21. Lane, J.K. (2002), "Transformation and Future of Public Enterprises in Continental Western Europe", *Public Finance and Management*, Vol. 2 No. 1, pp. 56-80.
22. Lindholst, A.C. (2019), "Addressing public-value failure: remunicipalization as acts of public entrepreneurship", *Journal of Economic Policy Reform*, Vol. 24 No. 3, pp. 380-397.
23. McDonald, D.A. (2018), "Remunicipalization: The future of water services? ", *Geoforum*, 91, pp. 47-56.
24. McDonald, D.A. (2019), "Finding common(s) ground in the fight for water remunicipalizationre-municipalisation", *Community Development Journal*, Vol. 54 No. 1, pp. 59-7.
25. Nissan, E., Hall, D., Lobina, E. and de la Motte, R. (2004), "A Formalism for a Case Study in the Watertime Project: the City Water System in Grenoble, from Privatization to Remunicipalization", *Applied Artificial Intelligence*, Vol. 18 No. (3-4), pp. 305-366.
26. Soukopová, J., Klimovský, D. and Ochrana, F. (2017), "Key Factors for Public Utility Efficiency and Effectiveness: Waste Management Services in the Czech Republic", *Ekonomický časopis*, Vol. 65 No. 2, pp. 143-157.
27. Trpin, G. (2007), "Tržna dejavnost in preoblikovanje javnih zavodov", *Lex Localis - revija za lokalno samoupravo*, Vol. 5 No. 3, pp. 1-13.
28. Ulmer, R. and Gerlak, A.K. (2019), "The Remunicipalization of Water Services in the United States", *Environment: Science and Policy for Sustainable Development*, Vol. 61 No. 4, pp. 18-27.
29. Valdovinos, J. (2012), "The remunicipalization of Parisian water services: new challenges for local authorities and policy implications", *Water International*, Vol. 37 No. 2, pp. 107-120.
30. Voorn, B., Van Genugten, M.L. and Van Thiel, S. (2020), "Re-interpreting remunicipalization: finding equilibrium", *Journal of Economic Policy Reform*, Vol. 24 No. 3, pp. 305-318.
31. Wollmann, H. (2018), "Public and Personal Social Services in European Countries from Public/Municipal to Private—and Back to Municipal and “Third Sector” Provision", *International Public Management Journal*, Vol. 21 No. 3, pp. 413-431.
32. Warner, M.E. and Hefetz, A. (2020), "Contracting dynamics and unionisation: managing labour, contracts and markets", *Local Government Studies*, Vol. 46 No. 2, pp. 228-252.