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Facts
Motives
Examples

REMUNICIPALISATION in Europe

Remunicipalisation in Europe

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Authors:

The Austrian Association for Policy Consulting and Policy Development
Alexander Furtner, BA
Mag.a Susanne Halmer, BA
Selma Kaya, BA
Dipl.Ing. Laurentius Terzic
Liam Wülbeck

Guest author:
Mag. Ronald Scheucher
(Part 1 - Economic importance of the municipal sector)

Dear Reader!

A reliable supply of good drinking water, a safe energy supply, efficient disposal of wastewater and rubbish, timely and affordable public transport, a diverse range of affordable, publicly subsidised housing and free access to healthcare and social service provisions are all part of everyday life and well-being in Austria. In Austria, these services of general interest are mainly provided by the federal states, cities and municipal authorities, and we take them for granted.

The view beyond Austria‘s borders, however, shows a different picture. In the past four decades, provision of the many of these services of general interest has been privatised in Europe, starting from Great Britain. New private owners and operators were expected to create more market competition and thus greater supply and benefits for consumers were meant to come about. The sale of public service provision companies also brought financial relief for public budgets weakened by the dictates of austerity.

Already at the beginning of the millennium, however, it became apparent in many places that the hoped-for improvements did not reach up. Above all, price and rate increases but also lack of investment in the maintenance and improvement of infrastructure with, at the same time, high dividends for the new owners, aroused increasing popular displeasure. The result was a wave of city-municipal remunicipalisations of service provision sectors, which continues to this day.

This study was commissioned by the City of Vienna‘s Office for Services of General Interest and Municipal Economy in co-operation with the Austrian Association for Policy Consulting and Policy Development (ÖGPP). It documents important examples of the remunicipalisation of services within the European Union. However, it also proves the economic value of public infrastructures and investments both in terms of scientific theory and practical examples.

These findings are intended to contribute to the often one-sided discussion in this country about state investment, public spending and indebtedness. The too-little considered positive effects of public capital on economic growth and labour market development are highlighted as well as direct and indirect welfare effects. The examples show that the discussion about the role of the public sector is often under-differentiated, especially from an economic policy perspective in Austria. The positive role as creator of infrastructure, stabiliser in times of crisis and economic driver as client remains undermined, the state being reduced to „debt“ and bureaucratic burdens in an undifferentiated manner. Above all, this focus falls short when it comes to equitable and affordable access of people to high-quality services of general interest. The trend of remunicipalisation shows that Europe‘s municipalities are increasingly able and willing to take on these tasks.

Vienna, February 2019

Mag. Renate Brauner
Commissioner of the City of Vienna for
Services of General Interest and Municipal Economy

700

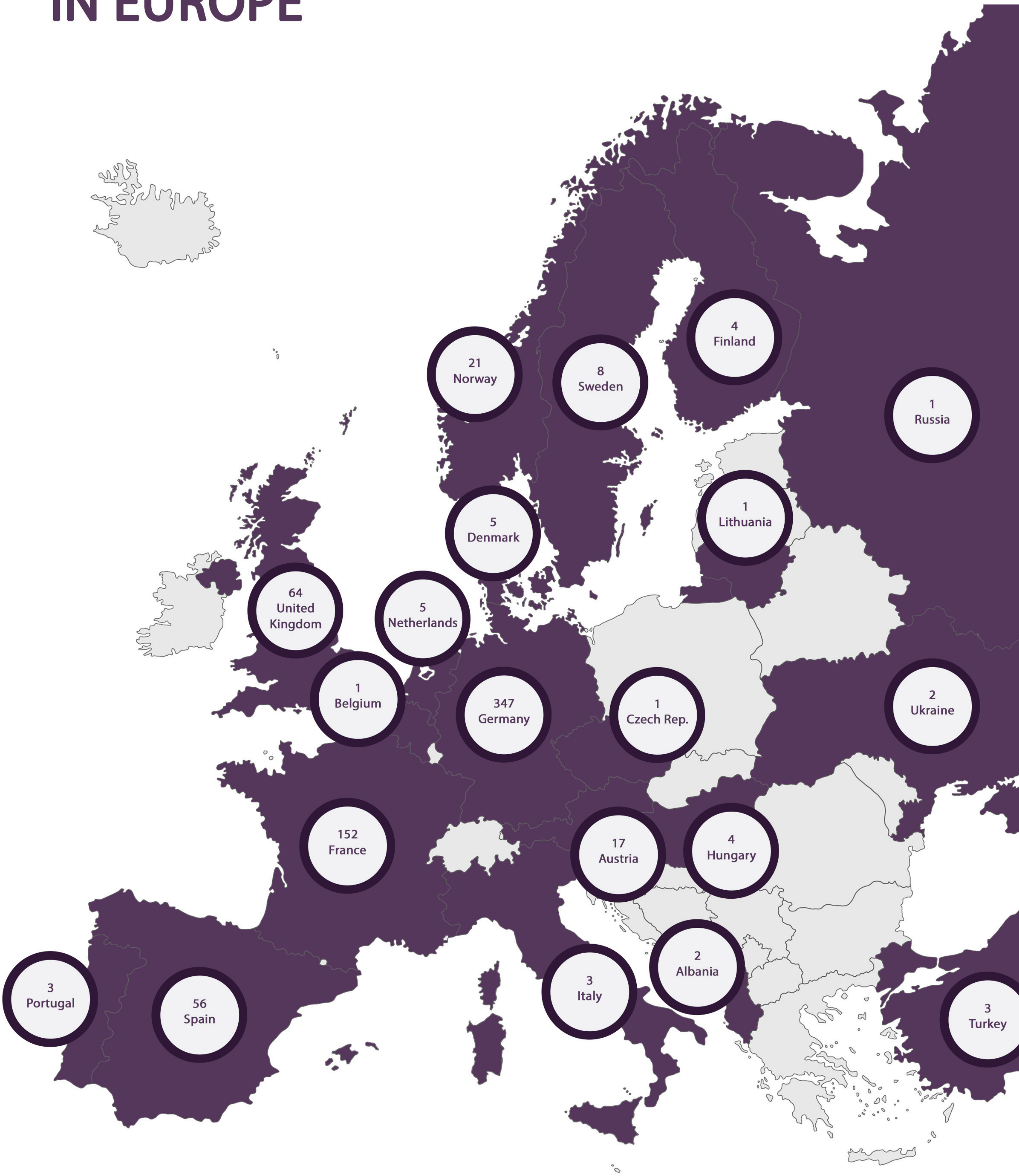
Remunicipalisation

20

Countries

INTRODUCTION

REMUNICIPALISATION IN EUROPE



„More private, less state" has been the economic dogma of recent decades. Since the 1980s, radical economic liberal theories of economists such as Milton Friedman and Friedrich von Hayek have become the economic mainstream. A „lean state" was promoted, which is not supposed to provide services on its own but to outsource them to private companies. These private companies could provide the services in a more innovative, efficient and cheaper manner. Even the tasks of services of general interest, such as water supply, energy supply and public transport could be better handled by private entities.

In Europe too, the idea of reducing national and local monopolies in the provision of public services and allowing private competitors to promote competition prevailed. From the end of the 1980s, the European Union adopted numerous liberalisation directives. These mainly connected to network-related service provision sectors (such as electricity, gas, or telephone). The process of liberalisation that was initiated had been uneven across sectors, at different points in time and to varying degrees.

Public ownership was privatised on a large scale at the national, regional state and municipality levels. Hardly any area of service of general interest was spared. Numerous companies in the energy, water, telecommunications, postal, public transport and other sectors were affected. This seemed to be a tempting transaction especially for municipalities and nations in difficult budget situations.

However, by no means all privatisations of public service provisions have fulfilled their promises. Hasty and poorly calculated sales were also the result, as well as higher prices for customers or poorer service provision quality. In many cases, there has been a loss of control over the public sector and expected cost savings have often not materialised.

These disappointments led to a change of sentiment in public opinion. An increasing number of citizens' initiatives are working against new privatisations, as seen with the Europe-wide right2water campaign in 2014, which opposed the privatisation of drinking water and assembled more than 1.8 million signatures across Europe.

(Municipal) policy is also increasingly responding to the growing pressure of media and civil society. More and more municipalities have taken the step back in the last 20 years and have remunicipalised previously privatised services. And definitely successfully.

(Re-)municipalisation is the purchase or re-purchase of an enterprise by municipalities (or enterprises in municipal ownership). The term may also refer to the acquisition or new acquisition of a service by municipalities. Also, re-nationalisations are subsumed under the concept of remunicipalisation.

In Europe to date, 700 cases of remunicipalisations in 20 different nations are known. The strongest trend back to the public sector is in the energy and water supply, but service provisions have also been remunicipalised in many other sectors. Most known cases are in Germany (347), France (152) and Great Britain (64). 17 remunicipalisations have been documented in Austria.[1]

The fact that the remunicipalisation of public services also makes economic sense is shown in Part 1, „Services of General Interest from an Economic Perspective". From a macro-economic, regional economic and micro-economic point of view, the value of public services of general interest (Austria as an example) is considered. The calculations show that the use of public capital is also a sensible approach in the economic life of 21st century. The provision of services by municipalities and units within their sphere of influence is considered to be economically efficient.

Part 2 looks at the motives and causes for remunicipalisations. The role of failed privatisations in the past is highlighted, as well as the pressure of citizen movements to ensure socially equitable and ecological services of general interest. Financial motives also play an important role, as outsourcing to private individuals often fails to bring the hoped-for cost savings to municipal authorities.

In Parts 3 to 6, case studies from energy supply, water supply, waste management and other service sectors will show how remunicipalisation can succeed, what the risks are and what opportunities it brings. No remunicipalisation runs in the same manner. Special features, motives and effects of individual remunicipalisations differ from case to case.

Part 7 deals with the situation in Austria. In comparison to most other European countries, there have been few privatisations of public service provisions in this country. Nevertheless, there are also examples in Austria of municipal authorities which, in the meantime, are rendering their own services in areas as diverse as childcare, theatres and funeral services.

How things will continue with services of general interest and what new challenges arise for municipalities and municipal utilities in the 21st century is then dealt with in Part 8.

In any case, a rethinking in Europe is again taking place towards delivering more „citizen value“ instead of „shareholder value“. The overview provided here is intended to shed light on the previous development of the remunicipalisation movement and thus make a contribution to the discussion on the future of services of general interest.

PART 1

ECONOMIC SIGNIFICANCE OF THE MUNICIPAL SECTOR

Summary

The call for public intervention is particularly high in times of crisis or times of declining productivity. Public money should then support market-driven systems and secure growth. Against the background of dramatic events, such as the global financial and banking crisis, which has demanded a great deal from national governments, it is forgotten that public capital is productive every day in every corner of our country, in every region, in every city, together with private capital.
An insight into the high impact of public infrastructure investment, at national, regional and local levels, shows why it now needs public involvement in the area of infrastructure. Public capital has a significant effect on the growth of our economy and employment. Local communities use local infrastructure and infrastructure-associated services to increase the productivity of factor markets and the competitiveness of the location. It is important that the public sector continues to invest as a "social entrepreneur" in the area of basic services for the population.
An input-output analysis shows the effects of spending by Austrian municipal authorities on economic aggregates and how expansive the public demand of the municipalities - in the short and medium term - is on the economic output, the value creation in the system, incomes and the employment situation. It shows that the municipal authority sector is a key player in the domestic economy and contributes significantly to growth and development. At the same time, significant differences in performance between Vienna and other Austrian municipal authorities can be demonstrated. They are primarily dependent on the priorities in the budget and the specific spending structure of the local municipal authorities.

The importance of public capital in the economic system

The importance of public involvement in the economy is often the subject of political debate in our country. Proponents and those sceptical of the national government‘s influence on the economy are meeting in a field filled with suspicion, accusation and exaggerated expectations. By contrast, if one follows the international scientific discussion or the strategic discourse on a supra-national level (EU Commission, IMF or World Bank), then the role of the state seems to have been further clarified. It is precisely this role and the associated significance for growth and development that we want to systematically approach through facts.

Public capital and infrastructure - a clarification of the terms

The political and scientific practice shows that the terms of public capital or infrastructure are often defined and used very differently. For this reason at this point – as a starting point for our discussion on the impact of public investment on the growth of national economies – it is necessary to now clarify the terminology and the concepts behind it.

Infrastructure is part of public capital, which can be understood as the sum of assets in public ownership; including classic components such as not only roads, the railway network, district heating systems, water pipes and sewers but also schools, hospitals or prisons. By infrastructure, however, only that part of public capital that directly interacts with private investment and private production factors in the economic process, that is, physical assets,[2] such as electricity networks, should be understood which (as a rule via the services connected to them) enter the production of virtually every single sector of the economy as provision of service in advance.[3] These characteris tics have also led to the frequent distinction between public core capital (physical infrastructure) and public residual capital in the scientific literature.[4]

How can infrastructure goods now be fundamentally characterised?[5] Firstly, they are not directly consumed as capital goods (apart from wear and tear) but as the services linked to them, which are productive in combination with other (private) production factors, for example, work. These services are also the ones in which the political decision-making process should ideally be aligned and which are economically interesting in the first place. Depending on the use of funds in the provision of the infrastructure, a distinction is made between capital-intensive and less capital-intensive services provisions.

Secondly, there are technical indivisibilities in the construction of this kind of capital goods. For example, once the dam (barrage) is built, the (technical) capacity (amount of water usable for power generation) is determined, a flexible expansion of the capacity or productivity (usually) is not possible. Also, assets of this type cannot be freely dimensioned (minimum size), which clearly differentiates production in the context of infrastructure from other (more flexible) production processes. An 80 metre-long bridge over a 100 metre-wide gorge will not be productive. However, unlike supply, demand for infrastructure-related services is gradually evolving, making matching demand and capacity over time extremely difficult.

Thirdly, infrastructure goods are generally very durable or have a long minimum service life (decades). This poses a major challenge to the (re-) financing regimes, especially in connection with the need to invest in the consistent preservation of asset performance.

Fourthly, infrastructure is associated with a particular place (localised) and thus a non-mobile good. It has a lasting influence on the spatial structure and patterns of economic activity and is therefore a central planning element in regional policy.

Fifth, services linked to infrastructure have characteristics that are often associated with market failures, that is, markets cannot or cannot efficiently provide goods of this type. Reasons for market failures include characterisation as a public good (especially as a non-pure public good), the existence of externalities (supply and demand side) or the phenomenon of decreasing average costs (which may favour larger units and lead to „natural“ monopolies, monopolies of this kind are, however - if effectively regulated - efficient or sustainable compared to alternative forms of market. As a rule, the need to intervene in public-sector interventions is also associated with the above-mentioned characteristics, firstly through the provision of the goods and services mentioned above and secondly through the establishment of an efficient regulatory regime. Sixthly, infrastructure services are used by households and enterprises. At the same time, welfare effects arise through direct use of benefits in the context of consumption and indirectly through the interaction with private factors of production within the framework of operational processes (impact on production value). Both sides must therefore be adequately taken into account in the framework of the political process.

Evidence of the association between public infrastructure and GDP

This characterisation already shows that we are dealing here with capital goods that potentially play a crucial role within economies. Moreover, in recent decades, much has been published about the impact of public capital or infrastructure on output and growth. Before that, however, until the 1980s, the term „infrastructure“ was still hardly a matter for discussion in economics literature. This would only change with new United Nations priorities and the attempt to explain declines in productivity in the US through the structure of the capital stock.[6]

This first „wave“ of analyses of the role and importance of infrastructure for economic development is characterised by a great heterogeneity of findings; the range of estimates of the economically decisive output elasticity of the public capital stock[7] ranges from negative to clearly positive values. For example, between 1983 and 2008[8] elasticities are found for empirical work between -1.7 and +2.04.[9] The reason for this is variations in the underlying conception of public capital, in the different ways of dealing with possible financing effects (distortions through tax financing and displacement private capital) but also in various methodological weaknesses of the studies.

After much political debate on both sides of the spectrum, however, a more concise assessment of the importance of public capital for economic development is emerging today. It should be noted that the hypothesis of a clearly positive relationship between the expansion of public infrastructure and economic growth (effective and potential output) can now be considered assured. The long-term effect is typically more pronounced in this context than the effect in the short term. For example, Bom/Ligthart (2014) estimates the respective output elasticities of public capital at an average of 0.122 and 0.083, respectively. Núnez/Serrano/Velazquez (2017) basically confirm these relations in their meta-analysis survey (including 145 studies on the subject). For the long term, average output elasticities of 0.16 are estimated, at 0.13, the short-term effect of the public capital stock is underneath this.

Influence of public capital in the short and long term

In the short term, demand-side effects, which can be quantified via the fiscal multiplier, are particularly evident. The multiplier describes the relation between fiscal momentum (expenditures) and allocatable output effect (GDP growth). The latter arises on the one hand with the production expansion of certain end products (for example, sewage treatment plant), but also – through technological relations – with production of the necessary service provisions in advance (for example, planning services, steel products, chemicals or computer hardware and software). It is also possible to take account of the income streams triggered by public investment and the subsequent production. The effects of an expansion of the public capital stock on aggregate demand do not in principle[10] differ from those of other public expenditures.

In the long term, public investment in infrastructure plays a crucial role, particularly in relation to the development of potential output (supply side aspect of an expansion of the public capital stock). The potential output represents the production value that can be (that is, theoretically) achieved at maximum with full utilisation of all resources. Additional resources increase the production capacity of the system and advance this limit outwards. In addition, infrastructure investments do not or do not sufficiently activate (private) utilised resources and ensure sustainable[11] growth of effective output (GDP). On the one hand, the existing output gap (difference between current output and the potential of the system) can be better managed and, on the other hand, space for future growth can be created.

Pre-conditions for the productivity of public capital

Several factors determine the impact of an expansion of the public capital stock in this context.[12] Firstly, the degree of efficiency of the national production system concerned, that is to say the extent of private productive factors not optimally used at the time of investment. In this context, the degree of complementarity between private inputs and established public infrastructure plays a decisive role (for example, in the case of private follow-up investments in logistics centres around the public construction of a freight yard). If it is low or if the ability to substitute between public and private infrastructure is high, it can lead to a crowding-out effect on private capital, with correspondingly lower growth as a consequence.

Secondly, the degree of efficiency of public investment. In particular, this relates to the quality of the selection and decision-making process and the consistency of planned public infrastructure projects with actual needs. Prud'Homme (2004) speaks in this connection of a relatively high average return on public investment in the area of 15% but the variance of profitability (dispersion of profitability values) in this case is correspondingly high. It can therefore be assumed that a significant proportion of the projects completed do not meet the expected rates of return; an important indication of the importance of efficient planning and decision-making processes in the public sector.

Thirdly, the type of financing of public investments. In principle, the public sector has two options for financing, such as the refinancing of expenditure through tax revenues (budget neutral) and, on the other hand, the raising of capital on the financial markets (debt financing). In the case of tax financing, distortions in the markets are to be taken into account, which may have negative feedback effects on growth, which is potentially triggered by the expansion of the public capital stock. The strength of the feedback or the effectively achievable growth depends on the direction of the impact of the tax (for example, consumer tax, income tax or wealth tax). Numerous examples from developed economies also show that higher growth rates can be achieved if the investments are financed through „external capital".

Fourthly, the size of the public capital stock. Their influence on the extent and trend of the growth effects is not clear. For example, there is no reliable link between infrastructure level and GDP per capita. However, it can be assumed that with the expansion of public capital, its marginal productivity will eventually decrease (non-linear relationship between capital stock and economic growth). The assumption of an optimal public capital stock (albeit different from system to system) is thus justified in principle. However, this, in turn, depends on the availability of private factors of production, especially assuming that public and private capital in production processes are potentially complementary inputs. So the question is, what evidence is there on the interaction between the two parts of the capital and how does the impact of public infrastructure investment on GDP growth develop (in the short and long term)?

Growth effects of public capital in international comparison

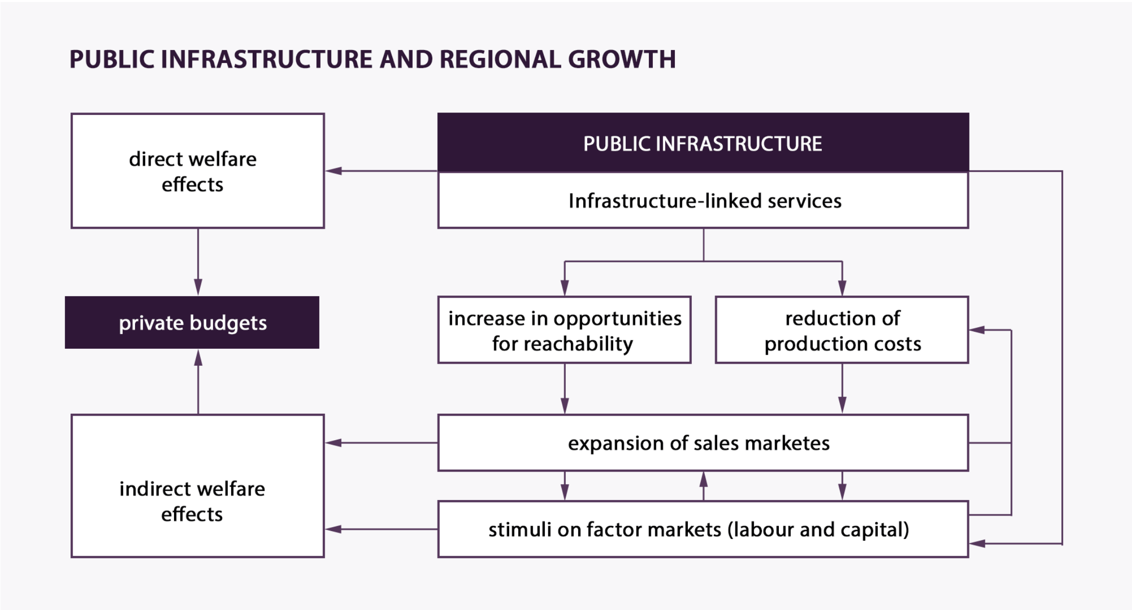
De Jong, Ferdinand, Funda (2018) describe the development of public capital stock in industrialised countries between 1960 and 2013 based on OECD data. For a good part of the countries over the past three decades, there has been a gradual decline in the share of capital stock in GDP, although the decline since 2000 is more pronounced. This applies especially to Japan and Ireland (very high starting values) but also to Central and Northern European countries such as Germany, Belgium, Finland and also Austria. The countries which have been hit especially hard by the financial or euro crisis, for example, Italy and Spain, have been following this trend significantly later (from 2010 onwards).[13]

However, the study also shows that public capital can actually be productive in most countries, as the long-term growth effects triggered by investment impulses appear to be positive (ibid, 5550). However, the statistics are statistically significant only for a few of the countries analysed. For many countries, there are also large differences shown in the short-term and long-term effects of an investment impetus; for some, even completely negative effects, for example, Spain. For Austria, however, the study provides arguments for the expansion of the public capital stock; the relationship between investment and GDP growth is consistently positive in the short and long term.

Among other things, the study examines the relationships between private and public capital. Basically, there are two possible constellations in this context: (a) Substitution in which private investments are virtually replaced by public (crowding-out), or (b) complementarity (see above), where public and private capital are jointly productive; Private investment in this case is triggered by the expansion of the public capital stock (crowding-in). While the De Jong study does not provide consistent results for this, the second case still applies to the majority of analysed countries. Public infrastructure investment generates short-term growth – on the demand side – through direct and indirect effects of public expenditure (involving the private sector) and increases the productive potential of the economy in the long term – on the supply side – including among other effects: that they raise the productivity of private factors of production to a new level.

In addition to the discussion of the empirical evidence of the link between the expansion of the public capital stock and any growth effects as well as the relationship between public and private capital in the economy, the main question is how public investment meets the demand and supply side effects in the market place, as outlined above. It is important to note that apart from more short-term multiplier effects[14] through public spending, they are infrastructure-based services (service provisions) that increase the productivity and efficiency (that is, the welfare level) of a system over the medium and long term and thereby generate sustainable growth impulses.

The role of public capital in regional development



In this context, the right spatial reference should be chosen in the economic discussion. Since most infrastructural goods are linked to services that spatially have a rather restricted sphere of activity,[15] we want to focus on aspects of infrastructure and infrastructure services in the local and regional setting, that is, in the area of municipalities or agglomerations. Above all, this is justified by the current demographic trends and the rapidly advancing urbanisation of the earth, which prompts a further significant increase in the importance of the municipalities. Already, 55% of the world's population live in urban areas,[16] from which around 80% of economic output (GDP) is provided.[17] 74% of the European population live in agglomerations, while this proportion is considerably lower in Austria at just under 60%.[18] In order for these areas to maintain their efficiency in (demographic and economic) development, we must now also consider a new quality and

quantity of public infrastructure. Welfare targets (maximisation of social benefits) are in the foreground in the selection of projects or in dealing with existing public capital.[19] They are achieved through growth at local and regional level.
The illustration gives an overview of the impact channels of public infrastructure investments and their associated services.

(1) Direct welfare effects through expansion of the public capital stock: In terms of value, these are generally (above all positive) effects that are difficult to distinguish (even if they are theoretically distinct) from new (and old) infrastructure investments or from the services associated with them. For example, water or sewage systems, electricity supply or public transport offer undoubtedly direct advantages (added benefits) for the respective potential consumers of the services, especially in high-density areas such as municipalities. As a rule, these corresponding impacts contribute to quality of life (and life expectancy), although they can also have a significant impact on immediate productivity, primarily labour, and thus have relevance for economic growth.

(2) Indirect welfare effects over long-term growth: Infrastructure investments or infrastructure-linked services have an impact on the enterprise‘s production costs (postponement of the production function) and subsequently on the expansion of the local or regional productive potential. For example, a newly built regional road link reduces transport distances (lower variable costs, including vehicle wear and fuel costs) and shorter transport times (can affect the scale of logistics units, including the size of warehouses[20]). Resulting lower unit costs are usually also expressed in lower prices,[21] which means that more consumers can participate in the market and/or find access to the products. Together with the dissolution of spatial barriers (increase of accessibility), as in the case of transport systems, an expansion of local and regional markets results. Higher sales figures require higher output; the immediate consequence is an increase in demand (structure and quantity) for private factors of production such as labour and capital. This in turn leads in the medium and long term to a qualitative and quantitative further development of the affected factor markets; they become more efficient (especially with respect to local or regional needs) and thereby increase the efficiency of urban space.

Moreno et al. (2015), for example, show that 17 autonomous municipalities (that is, regions) in Spain have the same influence as the expansion of the public capital stock has on local labour markets. The results of their empirical study for the years 1980 to 2007 show that the productivity of the local labour factor (on average) is determined to a large extent (62%) by public investment. The increasing productivity of the production factors has a recurring effect on the production costs and thus provokes multiplier effects. At the same time, however, it also puts pressure on the factor remuneration (for example, „wage“ increase). Factor markets are thus a central component of the dynamics of regional growth. The performance of these markets is closely tied to the spatial consolidation of economic activity, which in turn plays a key role in public infrastructure.

Growth mechanisms at local or regional level

The spatial compression of production or the localised horizontal and vertical networking of economic activities creates the conditions for economic systems to turn increasing economies of scale[22] into reality. The productivity of the system thus rises with an increasing degree of spatial concentration. Associated cost reductions (sinking unit costs) are often summarised in this context under the title „agglomeration economies“.

Agglomeration benefits arise from positive externalities of the spatial concentration process, which have an effect on the activities of the individual economic actors (companies and budgets).

The external effects are derived from the specific local or regional framework conditions, such as infrastructure supply, industrial structure or output level of the regional system. Traditionally, localisation and urbanisation advantages are differentiated in this context. Urbanisation benefits are closely related to the degree of development of the urban area concerned. They depend on the size of the agglomeration but are also decisively influenced by the diversity of economic activity and the localised (public) infrastructure.[23] Urbanisation benefits, through their impact on production and transaction costs, are the source of endogenous growth for each agglomeration.

The same applies to the second sub-group of agglomeration advantages, the localisation advantages, even if the emphasis here is on industry-specific aspects. This concerns once localised pools of industry-specific factors of production, which facilitate access to labour and capital (simple matching of supply and demand), closer coordination with those providing services in advance (division of labour and specialisation) or transfer of knowledge as a basis for innovation and dynamic efficiency. Here as well, infrastructure plays a crucial role as the backbone of intra-industrial activities and is instrumental in the sustainable economic growth of agglomerations. In practice, both phenomena merge in the concept of a modern diversified and industrialised city.[24]

Financing of infrastructure

The positive role of infrastructure in the formation of externalities and as a driver of growth in urban areas (and thus nationally) is well documented scientifically.[25] Nevertheless, the question is to be discussed as to how infrastructure is to come into the world, how it should be provided and financed as well as how it should be implemented. Prud'Homme gives an overview of the different options in this context.[26]

(a) Purely public provision of infrastructure: here, the public sector takes over the construction and operation of the facility. The usage is directly free for the citizen.
(b) Purely private provision of infrastructure: In this case, the construction and operation are taken over by private investors. The usage itself is subject to a charge, whereby the prices should meet the profitability expectations of the operators.
(c) Purely public provision with user charge: in contrast to option (a), a charge is levied here depending on the use or intensity of use. The project remains fully in public ownership during construction and operation.
(d) Subsidised private solution: the infrastructure in question is privately built and operated. However, the granted concession regulates the maximum usage fees. It may be necessary to publicly subsidise the operation in order to keep the project economically viable in the long term.
(e) Private solution on the basis of shadow prices: here the creation and the operation are again based on private initiative. The investment is financed by public payments, the amount of which depends on the usage (the number of users).

While private investors refinance construction and ongoing operation, regardless of the type of infrastructure, through user charges based on formulated profitability expectations, the usage-based billing of services in the public sector is primarily related to network infrastructures (for example, sewers, water pipes, electricity networks or roads). While some of these infrastructures or related services are marketable[27] and are, as rule, managed through outsourced privately owned companies, other sectors require (at least in part) public funding. It can now be applied via the budget (tax receipts) or outside the budget (borrowing).

Tax financing (budget financing) is usually associated with distortions or changes in economic incentives in the system, with the associated welfare losses and reduced growth opportunities.

Financing outside the budget, on the other hand, is viewed much more positively by economic research.[28] Ultimately, funding must be decided on the basis of the net welfare effect. Prud'Homme[29] models the financing effects of the options listed above and isolates the best possible solution to the infrastructure problem. Measured by the net welfare effects, the private solution, financed by public payments (shadow prices per user), scores best. Taking into account further effects in the area of public budgets, finally, the purely private solution moves to the top position. How then can it be that the recent history of private utility projects is characterised by financial difficulties and often by little sustainable commitment?

Private capital and infrastructure

Infrastructure differs significantly from other types of capital. This statement seems banal but is the central reason for the failure of many private investors and for a differentiated to negative economic assessment of private infrastructure projects. Three characteristics of infrastructure are particularly relevant in this context (especially network infrastructure):

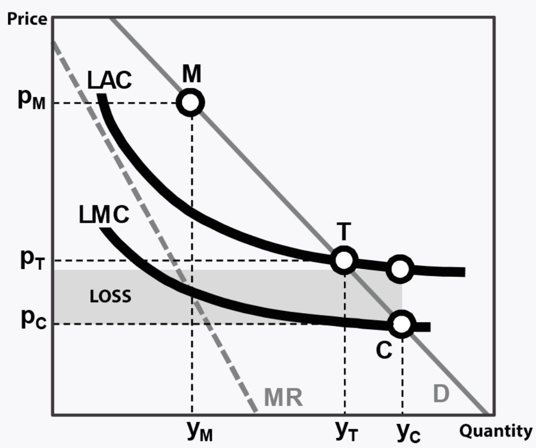
(1) High capital intensity, as a rule, and - associated with it - the high financing costs (pricing the high risk due to the long life of the projects and taking into account the opportunity cost of the investment).

(2) Refinancing restrictions through regulation of the relevant market (for example, water or district heating).

(3) The specific nature of the infrastructure-related service (public good).

Points (1) and (2) are closely related with each other, making it all the more remarkable that regulatory risk (ex-post) has not been accurately taken into account in many project financings. This is because network infrastructure is characterised by falling (in the long term) average costs (increasing economies of scale with increasing system size) during operation. This is now relevant in two ways: (a) Falling (long-term) average costs (LAC) go hand in hand with leading falling marginal costs (LMC). Since competing providers in price setting pc are based on the marginal cost, loss is inevitable in the business. The service is not provided. The supply can be guaranteed in this case only by public interventions (own provision or regulation including the option of subsidy). (b) Even if, despite the expected losses, several providers would appear on the market (for example, to force each other out of the market by using equity), it would also be economically inefficient in this cost constellation to leave the market in the meantime to several suppliers, which is why this constellation also referred to as „natural monopoly". Examples include the transmission and distribution networks in the electricity sector. Natural monopolies are regulated. The regulated price pT covers at least the long-term average costs (production costs including fixed yield). If the monopoly is not regulated, the supply will be more expensive (pM) and provided in comparatively less quantity (yM).

NATURAL MONOPOLY



Source: Zamagni (1987): 358

In practice, in cases of this kind, there is a provider (public or private) that services the market through regulated prices (and, as a rule, also regulated products). However, the regulation itself involves risks that have to be included in the investment decision by the prospective monopolist. Often the growth rates of the regulated rates are overestimated or the ability to achieve own profitability targets (including current investment needs[30]) are overestimated. In many cases, however, a strategic calculation („remittance profitability") is the cause of a failure of private utilities or an exit from the business (remunicipalisation). With their involvement in the infrastructure sector (many bound users), companies often want to quickly build up market power, which can be transferred to other markets via price bundling or cross-selling, where the penetration of own products is even lower (market foreclosure). The purchase of Thames Water by the German RWE is a good example of this. The enterprise was taken over – apart from the fact that it suited the German utility's portfolio at that time – above all for strategic reasons (customer base and entry into the lucrative market for soft drinks and the mineral water market), which was not possible in the short term. Unexpectedly high investment requirements have finally removed the project's earnings perspective.

Point (3) introduces another aspect of why the provision of infrastructure or its services by private actors should be viewed critically. Infrastructure goods (localised or network) change their economic characteristics with the degree of their utilisation. Under the capacity limit, they have certain characteristics of public goods. This is specifically the „non-rivalry" in usage, which means that the consumption of infrastructure-bound power (for example, crossing a valley using a bridge or electrical energy) does not affect the ability of others to use that service. However, unlike „pure" public goods (where the service in question is available as externality), access to infrastructure goods or related services may be restricted. This makes sense technically and economically even from a certain intensity of use, which is why one speaks in this context of „club goods".

The private operator comes into play here.[31] After the construction (or takeover) of the utility, it is the target of the private investor to refinance the costs of the benefit through user charges (rates). In this context, access to infrastructure is regulated by the operator (monopolist) in such a way as to maximise their revenue (based on the given demand constellations[32]) On the basis of this calculation, however, too little is offered for two reasons: (a) Although private investors are planning infrastructure capacities on the basis of the probable demand conditions, the risk of under-utilisation is high. If the use of spare capacities is prevented beyond the point that is optimal for the monopolist by setting rates, efficiency potentials (welfare effects) will not be obtained. (b) As a rule, (positive and negative) externalities are a concomitant of infrastructure projects. For example, in addition to the associated mobility offer, a tunnel can also reduce the burden on surrounding residential areas. These contributions to social benefits are usually not considered by private investors in the project evaluation (capacity planning) or in setting rates. This is ultimately reflected in a shortage of infrastructure services and available capacity which is too low.

All these arguments are now in favour of the public sector (on an ongoing basis) playing a significant role in the provision of infrastructure or related services. The specific form of the commitment has to be decided on the basis of financing, taking into account the risks of the investment, the external effects of the project and (in the case of budgeting) any opportunity costs. Private investors can help here to turn the infrastructure into reality at the right time and cost-effectively, but together with public regulation they must increasingly integrate public-sector objectives into project selection, capacity planning and the pricing of infrastructure services.

The importance of municipalities for growth and development - An input-output analysis of the municipal sector in Austria

This section looks at the impact of spending by Austrian municipal authorities on key macroeconomic aggregates, including output, and thus also on growth impacts that are potentially triggered by public-sector activities. In this context, we analyse the reactivity of (a) gross production value, (b) value creation, (c) income (here income from employment or employee benefits), and (d) employment (here full-time equivalents/FTEs). The industrial effect of municipal expenditures (short-term effect) and the inductive effect driven by new incomes within the economy (short- to medium-term effect) are calculated.

(1) Industrial effect: this is the impact that a demand stimulus (in our case, the expenditures of the municipal authorities) has on the productive sectors (industry, trade, trade or products and services), which are delimited in the overall national economic accounts. In the primary target sectors of demand, this directly triggers production (direct industrial effect), while the requirement to provide services in advance from these sectors increases production in upstream areas (indirect industrial effect). Thus, a public contract for the construction of a new tramway does not only stimulate the production capacity of the contracted construction enterprise, but also (via relationships providing services in advance) steel making, the iron working industry, the stone and earth sector, civil engineering offices and construction machinery services (for example, rental or repair).

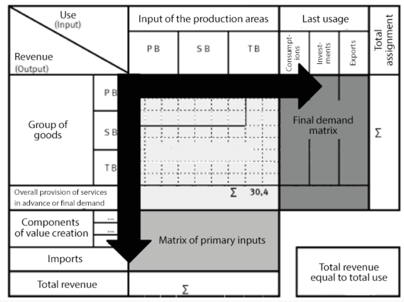
(2) Inductive effect: the expansion of production as part of the industrial effect generates income. However, this (depending on the consumption rate and the consumption structure) is itself the starting point for (new) demand stimuli, which make further expansion of production necessary. Over several feedback loops (rounds), in which production is also triggered again and again and thus new incomes arise, the economic output is ultimately raised significantly above the original industrial effect. To continue our example above: the construction of a tram line will generate income that, among other things, through the consumption of the staff employed in the project, initiates new production in other areas of the economy and thus also new incomes, for example, in the retail trade, in the health sector or in hotels and catering establishments. However, these productions are again integrated in a pre-performance matrix, so that the mechanics can work again from new.[33]

The period under consideration by our analysis is thus based on the period of impact of the municipal authority budgets and is therefore not limited to the budget year 2017 alone. In addition to the industrial and inductive effect, the leverage or multiplier (that is, the relationship between the public demand stimulus and the impact in the area of the economic aggregates) is also determined. The data base for the calculations are the overviews of municipal authority payments for the year 2017 (Statistics Austria 2018a). The estimate groups, according to which the municipal authority budgets are structured, were in this context transferred to a classification according to the ÖNACE (Austrian Statistical Classification of Economic Activities in the European Community) 2008 key, in order to enable a modelling of the demand effects on the basis of the current input-output tables of the domestic production system (Statistics Austria 2018b). The following adjustments were made: (a) The Financial Services Preliminary Group was only partially included in the analysis. Only the area „separate administration“ was taken into account here but not financial transactions, payments strengthening the finances, final technical posts or similar. The investments and expenditures of the municipal authorities were placed in an ÖNACE-enabled structure according to the underlying economic activities; In those cases where, inter-alia, due to the high level of aggregation, a clear award was not possible, a mix of relevant ÖNACE codes was used.

The framework of the calculations use a demand-oriented input-output model in an open and a partially closed version[34] to isolate the short- and medium-term effects of community spending. The framework of the impact of the present modelling is domestic production, which means, the import demand of the individual sectors is not taken into account in the calculations.

Methode: Input-Output-Analyse

Input-output analysis is a powerful analytical framework that maps forward and backward linkages between sectors of an economy. The starting point is national supply and use tables, which together form the tableau of inter-industrial transactions. In its extended form (by end demand and value creation), read horizontally (rows), the panel describes the distribution of output produced by sector i (i = 1 to n) among the individual demand components of the economy (for example, demand for provision of services in advance, consumer demand or exports); read vertically (columns), the provision of services in advance of other sectors into sector i and other non-industrial inputs (for example, labour or capital) necessary for sector i to produce its On the basis of detailed input/output tables, the path of an exogenous demand shock (for example, a budget stimulus) can be traced through the interconnections of the individual sectors providing services in advance (represented by coefficients) and its impacts on different economic aggregates (for production value, value creation or employment). In this context, so-called "multipliers" can be defined, which describe quantitatively the relation between, the initial demand stimulus and the triggered effect in the area of the analysed aggregates. In the context of the input / output analysis, the magnitude of the multipliers depends on several factors: (a) the extent of the interdependence of the sector in which the initial stimulus is made, (b) employment in the sectors concerned, and (c) outflows from the national system, for example, import shares in the field of the service provisions in advance.



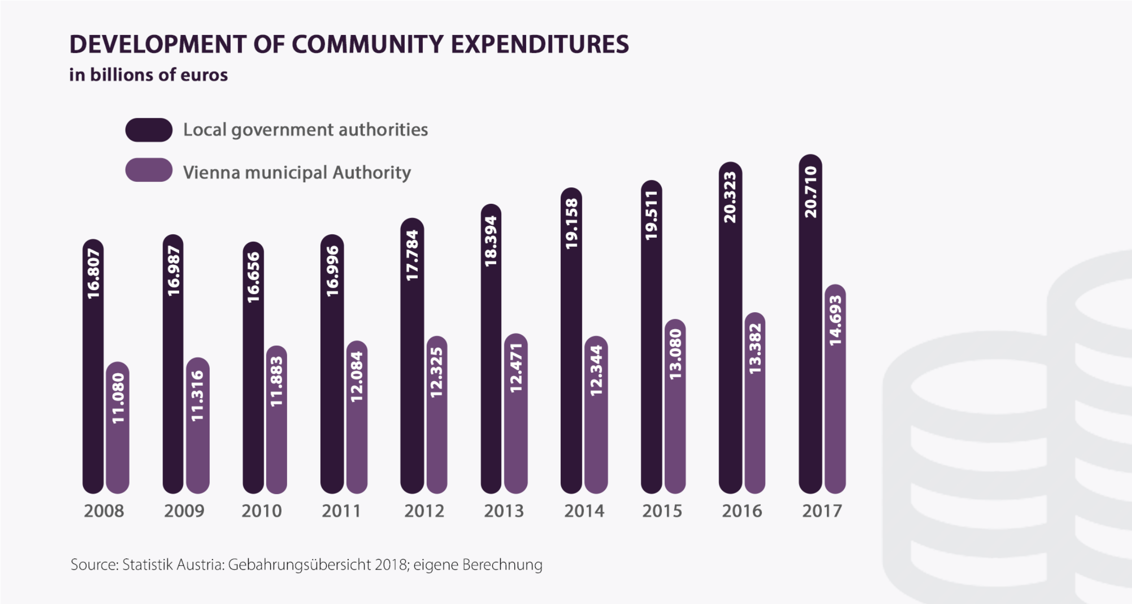
Source: Federal Statistical Office 2010

Municipal authority expenditures

#	Preliminary estimate groups (in million euros)	Local government authorities without Vienna	Vienna
0	Representative bodies and general administration	2.468,06	2.371,91
1	Public order and security	533,29	186,71
2	Teaching, education, sport and science	3.407,77	2.437,08
3	Art, culture and religious worship	673,76	317,46
4	Social welfare and subsistence support	2.418,40	2.747,75
5	Health	1.505,37	2.444,51
6	Road and hydraulic engineering, traffic	1.641,58	1.053,89
7	Economic promotion	295,18	93,44
8	Service provisions	5.910,18	824,12
9	Financial management	1.856,71	2.216,49

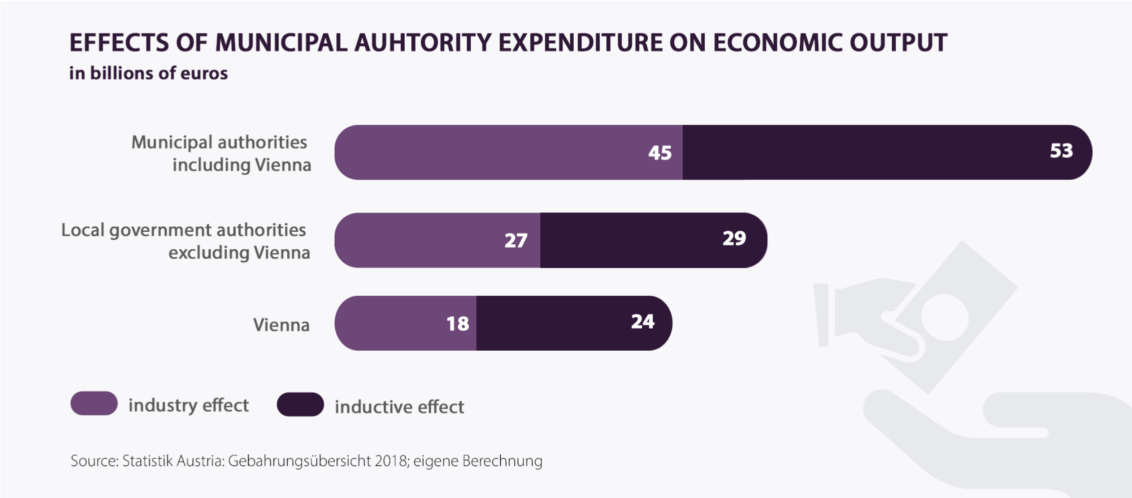
The table provides an overview of the data set used in the framework of the evaluation. The expenditures of the municipality authorities excluding Vienna and the expenditures of the Vienna Region are shown in the structure of a municipal budget for the year 2017. The individual preliminary estimate sections (90) are shown aggregated in preliminary estimate groups. It shows the focus of the municipalities in general but also the differences between the Vienna Municipal

Authority and smaller Austrian communities. For example, in the healthcare sector, where Vienna, in contrast to the rest of the municipal sector, places significantly more emphasis on its own hospitals (Preliminary Estimate Group 4) or also in the legal organisation of public-sector enterprises (Preliminary Estimate Group 8). The illustration of municipal authority expenditures over time provides an overview of the development of municipal authority expenditures between 2008 and 2017.



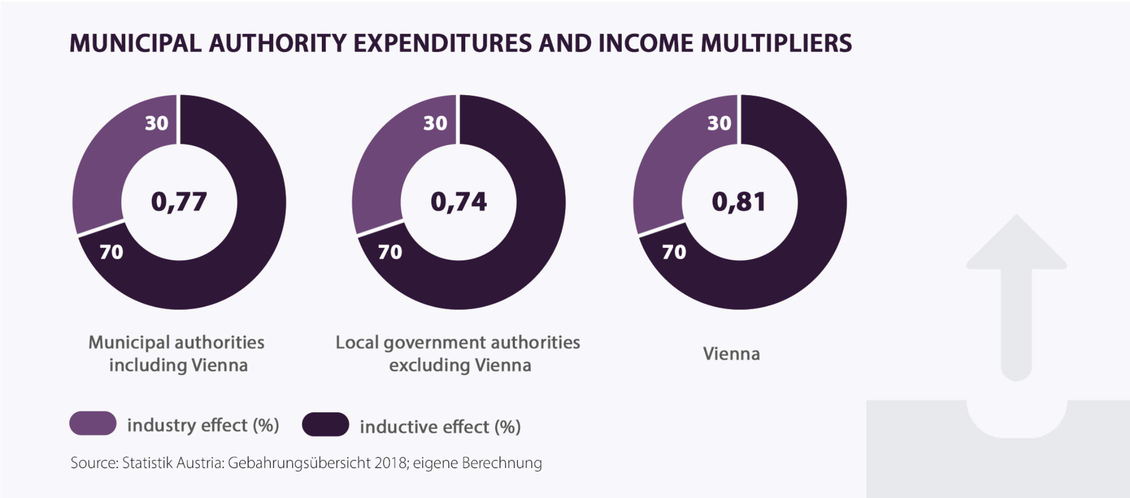
Assessments

Economic output (gross production value)



The demand stimulus, which emanates from the public expenditures in the area of the Austrian municipal authorities (including Vienna), around 29 billion euros, generates a gross production value of around 98 billion euros (Illustrations: Effects of municipal authority expenditures on the economic output, municipal authority expenditures and output multipliers). Of this, the industrial effect amounts account for about 45 billion euros or 46% of the total effect in the area of gross production value and the inductive effect (medium term) accounts for 53 billion euros (54%). At the same time, this means that municipal authorities have a leverage on their output structure and moving volumes of around 3.4 in terms of economic output (that is, the output multiplier of municipal authority spending). Each euro spent increases thereby the gross production value by 3.40 euros.

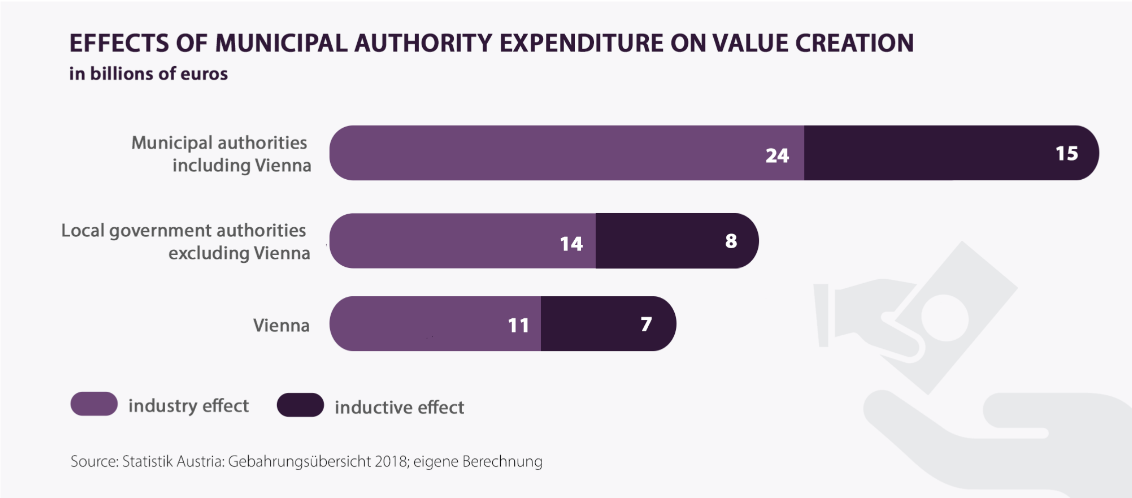
The expenditures of the municipal authorities apart from Vienna (around 17 billion euros) has a total effect on domestic output of almost 56 billion euros. The industrial effect (short-term) corresponds to more than 27 billion euros or 48% of the total effect; the inductive effect (medium term), in turn, accounts for about 29 billion euros or 52%. The multiplier at the municipal authority level (excluding Vienna) can be calculated as 3.35.



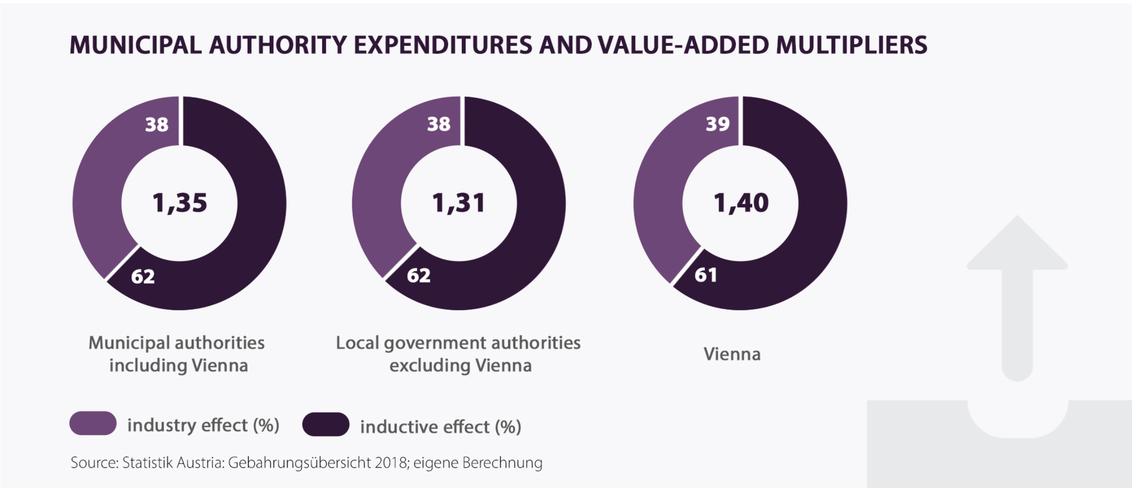
With a demand stimulus via the municipal authority expenditure of just 13 billion euros results for Vienna in a total effect (middle term) on the economic output of approximately 43 billion euro. The industrial effect reaches 18 billion euros or 43% of the total effect of the Vienna expenditure on the gross production value. The inductive effect of 24 billion euros or 57% of the total effect, is much stronger. This also applies in comparison to other local municipal authorities. Part of the explanation here are the sometimes-different priorities in the respective budgets (of course influenced by size differences between Vienna and other municipal authorities). For example, comparatively higher expenditures (measured in terms of share of the budget) in labour-intensive areas such as health, social work or education also lead to larger multiplier effects. Vienna also has the largest output multiplier of 3.38 in our comparison.

Value creation

Value creation is a key component of the gross production value and includes, among other things, the contributions (or remuneration) of the production factors of labour (employee compensation), land (rental and leasing) and capital (interest). The size of the aggregate is an indicator of the productivity of these factors. The original demand stimulus via the expenditures of all municipal authorities (29 billion euros) triggers a total effect in the area of the value creation of 39.5 billion euros. Of this, the industrial effect (short-term) accounts for more than 24 billion euros or 62%. The inductive effect is here significantly lower at around 15 billion (38%). The value creation multiplier of municipal authority expenditures in 2017 (including Vienna) amounts to 1.35 (Illustration: Effects of municipal authority expenditures on value creation, municipal authority expenditures and value creation multipliers).



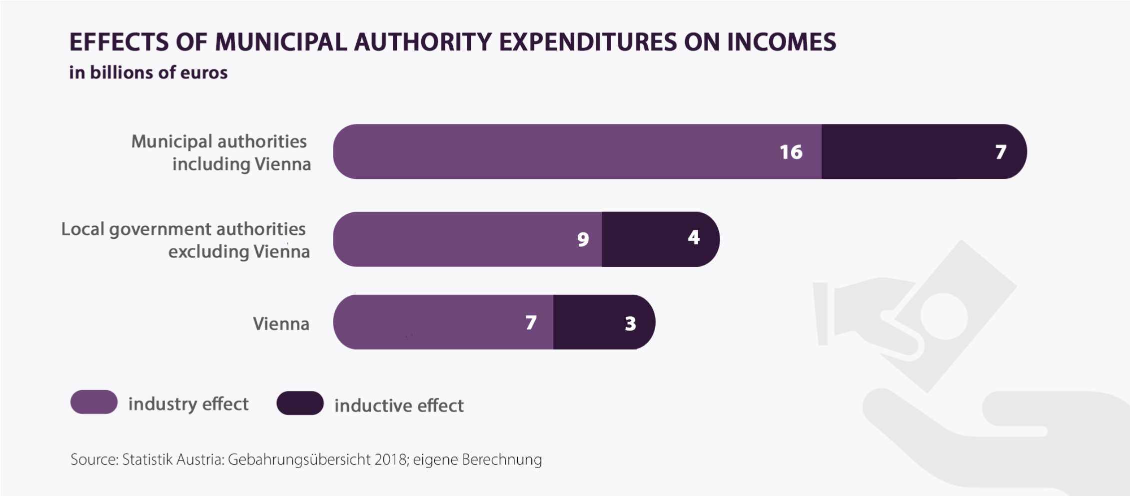
The expenditures of the municipal authorities without Vienna (around 17 billion euros) generate a total value creation effect of 22 billion euros. Almost two-thirds of the total effect, 62% or just under 14 billion euros, is in the short term (industrial effect). The inductive effect (medium term) is over 8 billion euros or 38%. The value creation multiplier of the municipal authorities excluding Vienna is 1.31.



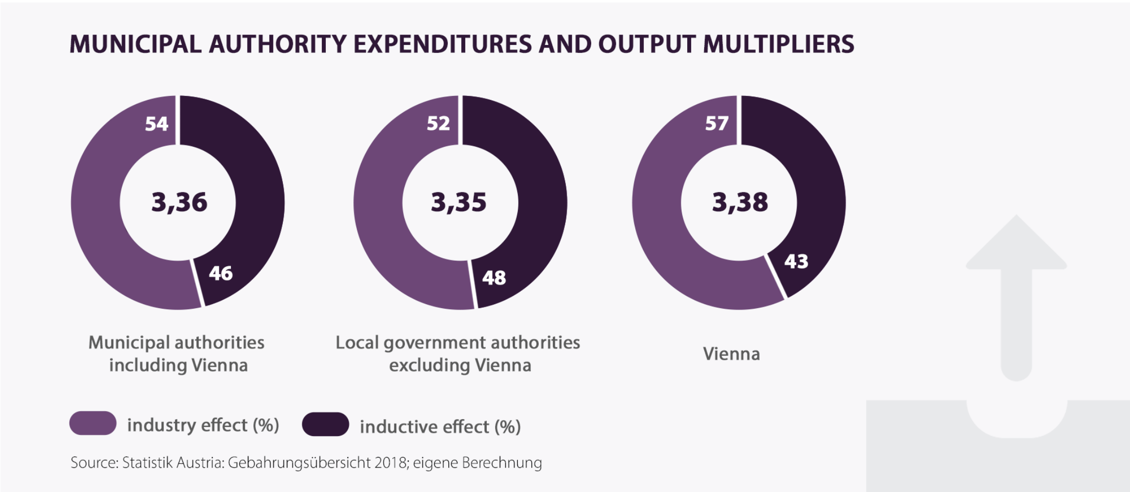
The demand stimulus via the Vienna municipal expenditures 2017 (around 13 billion euros) generates a total effect in the area of value creation of around 18 billion euros. The industrial effect (short term) is 11 billion euros or 61%, while the inductive effect (medium term) is around 7 billion euros (39% of the total effect). The value creation multiplier of the expenditures of the Vienna Municipal Authority amounts to 1.40 which is significantly higher when compared to other municipal authorities.

Incomes (employee compensation)

The expenditures of the municipal authorities also generate income (as part of value added) through the stimulation of economic output. On the basis of the municipal authority budgeting for 2017 (including Vienna), the total compensation of employees will be 22.5 billion euros. This effect is divided into a near-term industrial effect of nearly 16 billion (70%) and a medium-term inductive effect of almost 7 billion (30%). The multiplier effect in the area of incomes is 0.77, which means that every euro spent by the municipal authorities leads to 77 euro cents in compensation through the production triggered (Illustrations Effects of municipal authority expenditures on incomes, municipal authority expenditures and income multipliers).



The total effect of the expenditures of the municipal authorities excluding Vienna on the aggregate economic income is close to 23 billion euros. Of this, around 70% (or 16 billion euros) is accounted for by the short-term industrial effect and 30% (or around 7 billion euros) by the longer-term induction effect. The income multiplier of expenditure of Austrian municipal authorities (excluding Vienna) is thus significantly lower than in Vienna (see below), at 0.74.

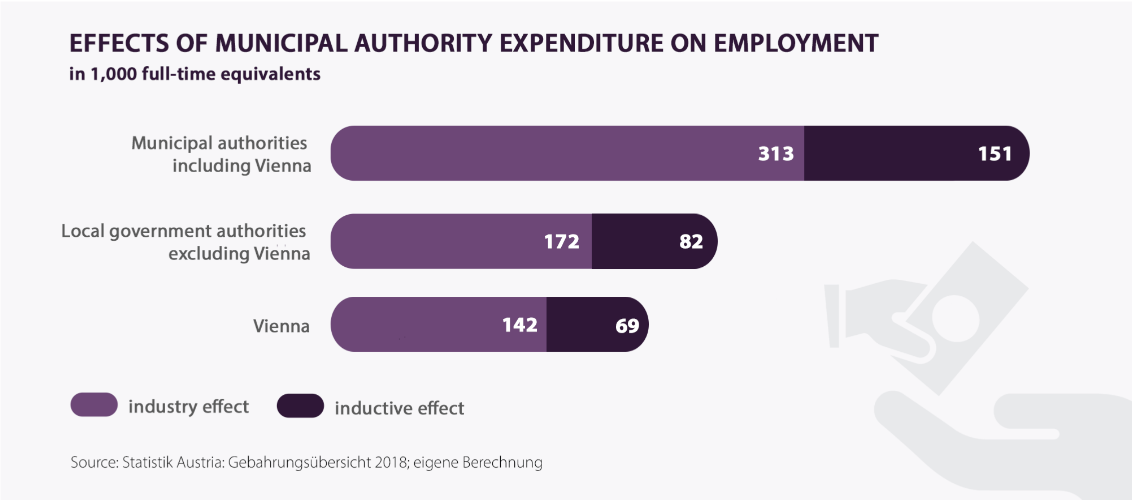


The total effect of the expenditure of the Vienna Municipal Authority in the area of the incomes is calculated at 10 billion euro. The short-term effect (industrial effect) accounts for around 7 billion euros or 70% and the longer-term inductive effect 3 billion euros or 30%. In the case of Vienna, this results in a multiplier effect on incomes of 0.81 (that is, every euro spent generates 80 euro cents of income via the industrial and inductive effect).

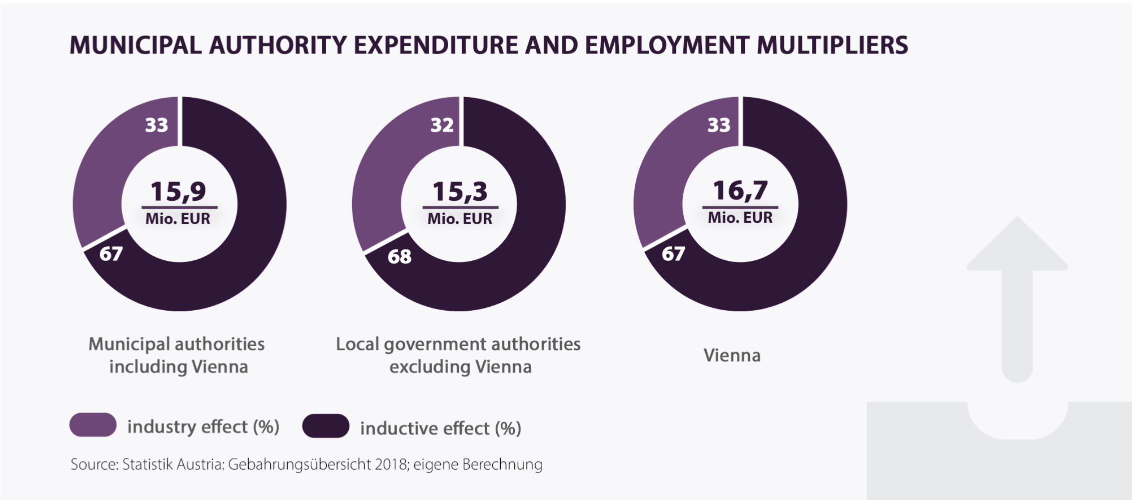
Employment (full-time equivalents)

The municipal expenditures not only have direct effects on the employment in the own area or in the range of the enterprises providing services in advance but develop their impacts via the feedback loops described above (production-income-consumption-production) in the entire economic system. In this context, the overall effect of municipal authority spending on employment should be measured using full-time equivalents. The classic metric „jobs“ does not seem to perform well in times of high non-traditional employment.

The expenditures of the Austrian municipal authorities in 2017 lead to a total employment effect of more than 460,000 full-time equivalents (FTE). Of this, around 310,000 FTE or 67% is accounted for by the short-term industrial effect and 150,000 FTE or 33%. by the longer-term inductive effect. In this context, the employment multiplier of municipal authority expenditures (including Vienna) is around 16 full-time equivalents per 1 million euros of municipal authority expenditures (Illustrations Effects of municipal authority expenditures on employment, municipal authority expenditures and employment multipliers).



The expenditures of the municipal authorities apart from Vienna (around 17 billion euros) generate a total employment effect of over 250,000 full-time equivalents. The share of the (short-term) industrial effect amounts to 68% or 172,000 FTEs. The longer-term inductive effect accounts for around 80,000 FTEs, which corresponds to a share of the total effect of 32%. Each million euros spent by the municipal authorities (on the basis of the existing expenditure structure) creates or secures employment in the amount of 15 full-time equivalents (employment multiplier).



The demand stimulus from the expenditure of the Vienna Municipal Authority (2017: around 13 billion euros) generates a total effect of around 210,000 full-time equivalents. In the short term (industrial effect) about 140,000 FTEs are secured or created (67%), in the middle term (inductive effect) there are an additional 69,000 FTEs (33%). The employment multiplier in the case of the Vienna Municipal Authority amounts to almost 17 FTE per million of public expenditure.

PART 2

MOTIVES FOR REMUNICIPALISATION

Summary

Remunicipalisations have different motives, which can roughly be classified as failure of private service providers, political-strategic motives as well as financial motives.

Privatisations in many cases resulted in rate increases for customers. Price increases make it particularly difficult for low-income groups within the population. At the same time, the list of cases where the quality has deteriorated after being taken over by a private enterprise is long. With the growth of privatisations, municipalities have experienced a drastic curtailment of political flexibility as fewer and fewer municipal matters can be settled by democratically elected bodies. Many political decision makers therefore strive to regain municipal influence options on carrying out of tasks. Own public enterprises make a significant contribution to achieving labour market, social or environmental targets.

Due to management-oriented administrative reforms, municipalities have in recent years also geared their actions more closely to overall economic concepts. It has been shown that they need not shy away from the comparison with private providers in terms of costs. A new sense of identity in the cities and municipal authorities has arisen from this.

Introduction

Despite the economic added value that public services generate through public service provision, a large number of municipalities have privatised the most diverse services in recent decades. The neo-liberal turn was ushered in by Margaret Thatcher, who made Britain the model of the lean state, which was to be limited to its core function. The European Union jumped on the bandwagon and drove liberalisation "with the aim and postulate to establish a common market [...] throughout Europe"[35]. "With an ever-broader interpretation of so-called fundamental economic freedoms, those areas of public services of general interest that are not subject to European competition law have become ever smaller."[36] The framework conditions thus enabled private companies to penetrate more and more areas of services of general interest. There was a real privatisation boom from the 1980s onwards.

The opportunities offered to the municipalities by privatisations seemed tempting. Budget holes could be plugged with a handover of a service to the private sector, handing over of necessary investments in the infrastructure to the private sector by outsourcing also being attempted. Customers should benefit from lower prices arising from competition of providers in a liberalised market.

There are privatisations that have been able to meet the expectations placed on them. Some public-private partnerships, where the public sector shares the provision of service delivery with private providers, also work well. However, there are also a variety of municipalities that are not satisfied with the performance of the private sector. In recent years, this has led to the new trend of remunicipalisation. More and more municipalities are buying back their sold property and themselves taking over the services of general interest again. The reasons why returns are different vary from the failure of the private service provider to political-strategic motives to financial motives.

Failure of private service providers

The increase in numbers of remunicipalisations is partly due to unfulfilled expectations in terms of quality and prices associated with privatisation decisions.[37]

Privatisations in many cases resulted in rate increases for customers. Price increases make it particularly difficult for low-income groups within the population and thereby contribute to an exacerbation of social imbalances.

Price increases do not automatically lead to better quality of service. The list of cases where quality has deteriorated after being acquired by a private enterprise is long. The services are either insufficiently provided or the infrastructure is neglected. Lack of investment and maintenance lead to drastic declines in quality. The „private service provider" is forced on the market to distribute the highest possible profits to their shareholders. The orientation is therefore not in the first instance towards the highest possible quality of performance and long-term investment strategies but on short-term profit opportunities, even if they may be to the detriment of the population."[38] This often presents a problem with the re-transfer to the public sector. The municipality then has to catch up on infrastructure investments that have not been made over the years and make them in the course of restructuring.

Political-strategic motives

Public welfare-oriented services of general interest

A central idea of services of general interest is the orientation towards public welfare. This idea states that services necessary for life should be available to all people at affordable prices. In addition, aspects such as supply and disposal security, sustainability, transparency and the maintenance of quality, environmental and social standards are to be taken into account.[39]

In recent years, a „return to overall concepts of public service of general interest"[40] has been observed and „citizen value" has increasingly replaced „shareholder value".[41] The business profit should not be the centre of attention in municipal service provision, but should be just one of several targets. This is insofar logical in that local politicians must fear that they will be punished in elections if the performance of municipal service provisions is inappropriate. By contrast, private companies are primarily obligated to their owners who expect monetary gains or dividends. Public interest-oriented targets more easily loose their importance under these pre-conditions.

Control authority

The municipalities have had the experience, „that in spite of a constitutional guarantee, municipal self-government is in fact being undermined by the fact that more and more public tasks are being outsourced step by step from the core administration."[42] With the increase in privatisations, municipalities have experienced a drastic reduction of political room for manoeuvre as fewer and fewer municipal matters can be decided by the democratically legitimated bodies.[43] Many policymakers therefore seek to „regain local governance options and influence on carrying out of tasks, including the associated control."[44] This is to ensure „more political influence (and of a more political nature) on the quality and security of service provision"[45].

City-owned operations offer a range of influence options, ranging from employment policy measures to the design of the energy transition. In addition, municipal enterprises have a direct influence on urban development. In privatisations, on the other hand, the municipality is forced to enter into agreements with private enterprises in order to be able to comply with political specifications and to guarantee them. Politically, municipalities remain responsible even in the event of privatisation.

Many municipalities that have already carried out or are aiming at remunicipalisation are particularly keen to strengthen the strategic position of the municipal economy, especially where liberalisation of the market has progressed to a great degree.[46] The past has shown that tax losses occur primarily in market-related, highly competitive sectors because „by introducing the market and competition, political action is replaced by economic action."[47] On the other hand, political intervention and control are easier for public goods and service provisions that are not subject to a strict market regime.

Labour market policy targets

The regional labour market policy objectives of job creation[48] and the strengthening of the regional labour market and the local economy can[49] be more easily introduced and implemented in municipal enterprises.[50]

In their own enterprises, municipal authorities can prevent precarious forms of employment and create regular, fairly paid, socially insured jobs. Similarly, disadvantaged groups (for example, immigrants or people with disabilities) can be integrated into the labour market.

Particularly for regions with a weak economic structure, municipalities as employers and contractors can also contribute to increasing the local economic power. Public enterprises are „increasingly seen as a tool to strengthen the regional labour market and the local economy by avoiding wage dumping."[51] Targeted contract awards to small and medium-sized companies in the region can be used to purposefully strengthen the local economy. „Remunicipalisation can thus become an engine of economic development (especially in rural areas) if local actors create the appropriate framework conditions."[52]

Environmental targets

In certain sectors, ecology and resource aspects play an important role in (re-)municipalisation processes. In many cases, this aspect was also very much addressed by citizens' initiatives. Environmental policy objectives can be implemented more directly by means of municipal operations, since the municipalities are not dependent on the good will of private providers. In addition, there are environmentally friendly synergies if the municipal service provision covers several areas.

Environmental considerations in the energy sector are particularly strong. In Germany, for example, intensive efforts have been made for many years to replace coal and nuclear power with renewable energies. The major private energy groups of companies appeared in this debate primarily as defenders of fossil and nuclear energy. As a result, they have attracted the displeasure of many citizens. (Re-)municipalisation has proven to be an option by turning away from energy companies and building a clean energy supply on a local or regional level. Many municipalities also do this and rely for their (re-)municipalised energy supply on hydro, wind, solar and biomass.[53] An environmentally-friendly energy supply under municipal administration can also make an important contribution to urban development: „Remunicipalised energy supply structures give municipalities the [...] opportunity to locally control the expansion of economically-relevant infrastructures and thus exert greater influence on their urban development. In this context, for example, the implementation of integrated climate protection concepts, the realisation of a sustainable energy supply or the designation of district heating priority areas play an important role."[54]

Another area where climate-friendly policies can be implemented through public service delivery is public transport. Municipal public transport companies can directly influence the supply and pricing of public transport, thus having a positive effect on the attractiveness of public transport and thus contributing to a reduction in CO2 emissions.

Citizens' initiatives

Privatisations often failed to meet the expectations placed on them. This is especially felt by the customers. Either because prices are rising or quality is falling. Both in the worst case. The scepticism of the population about further privatisations has therefore noticeably increased in recent years. Opinion surveys[55] from Germany and Austria confirm that the majority of citizens' experiences of privatisation are negatively assessed.

In return, people have much more confident in municipal service provisions when it comes to criteria such as reliability, safety, sustainability, community-centeredness, and promoting the region.[56] They also expect added value from the supplies by a municipal enterprise. In Germany, for example, „75 percent of all Germans prefer to be supplied by municipal enterprises rather than by purely private owners. Citizens expect more stable prices from municipalities, more security of supply, and that profits – insofar as they exist – will benefit public transport, day nurseries and swimming pools."[57]

In this respect, it is not surprising that in recent years, regional and supra-regional (citizen) initiatives have been set up in several countries to combat the sale of public property.[58] This was observed, for example, in several German cities and towns, where „very massive citizen protests, citizens' petitions and referendums have prevented privatisation measures."[59] In Italy (2011) and Thessaloniki (2014), planned water privatisations were prevented by referendums, with more than 95 per cent of voters voting in favour of water in public ownership in both cases.[60] In Vienna, too, in a referendum in 2013, over 87 percent opposed the privatisation of important public services. In addition, there are national and international initiatives such as „Right2Water", which demanded free access to water and sanitation for all EU citizens and a stop on the privatisation of the water supply. „Behind this broad support for the public sector is above all the demand for a public service of general interest organised according to social and public benefit criteria, which is not primarily subject to private profit-making."[61]

Commitment of the population is not only to be seen against privatisation, but also for (re-)municipalisation. Citizens' initiatives often put the re-transfer on the political agenda in the first place or support political endeavours in this regard. A prominent example is the popular initiative for the re-purchase of the Hamburg energy supply. It led to a popular referendum, which was just won by the supporters of the remunicipalisation.

Financial motives

„Orientation towards public welfare is in contradiction to the target of pure profit maximisation but not to economic thinking or seeking a profit."[62] By means of management-oriented administrative reforms, the municipalities have geared their actions more towards economic guidelines. Cost management shows that „their services are not generally more expensive than those of private providers."[63] This has also given rise to new self-confidence in the cities, towns and municipal authorities. They do not need to shy away from competing with private competitors and can trust themselves to „successfully set up their own operations both in terms of organisation and economics."[64]

Privatisation has proved to be financially detrimental to municipalities if they were intended to fill budget holes. The one-time effect, which has a positive effect on the municipal budget in the short term, leads to a long-term transaction loss. Municipalities are permanently losing revenue from lucrative business areas that are currently being operated for private interest.

Many municipal authorities are now convinced that private companies secure the lucrative business areas according to the „cherry picking theory" and leave the loss-making areas to the municipalities alone.[65] Private enterprise can decide for themselves which services of general interest they want to acquire. Their selection is made primarily according to the expected profits. The municipalities, on the other hand, have overall responsibility for society and public welfare. They must therefore cover all areas of services of general interest, including the unprofitable. However, if only the deficit areas remain, this will lead to a budgetary imbalance in the long term. This endangers the services of general interest. For municipalities that are already in this predicament, the (re)municipalisation of profitable areas of services of general interest can be interesting, since own electricity and gas suppliers can be important sources of income.[66]

Certain public services are natural monopolies, such as water supply. If a private enterprise acquires a monopoly, this usually entails an increase in prices for the customers. This led to cases where private companies could derive disproportionate profits. In addition, the private monopolist can orientate themselves qualitatively to minimum standards, since the customers have no possibility to change the operator.[67] In such a situation, (re-)municipalisation can be interesting not only for the budgets of the municipalities, but also for the customers.[68]

Finally, as municipalities' (financial) room to manoeuvre narrows, the fewer services of general interest initiatives they will have control of. Efficiency benefits and synergy effects can no longer be successfully exploited. This is because, as the result of outsourcing, „co-ordination and control of service provision [...] will be more complex and complicated, which poses problems especially for smaller municipalities."[69] Transaction costs associated with privatisations are often not considered.[70] Room for manoeuvre and co-operation between different areas are easier and more efficient if many services are combined under the roof of the municipality.[71] Thus, potential profitability and resulting budgetary savings can be turned into reality.[72]

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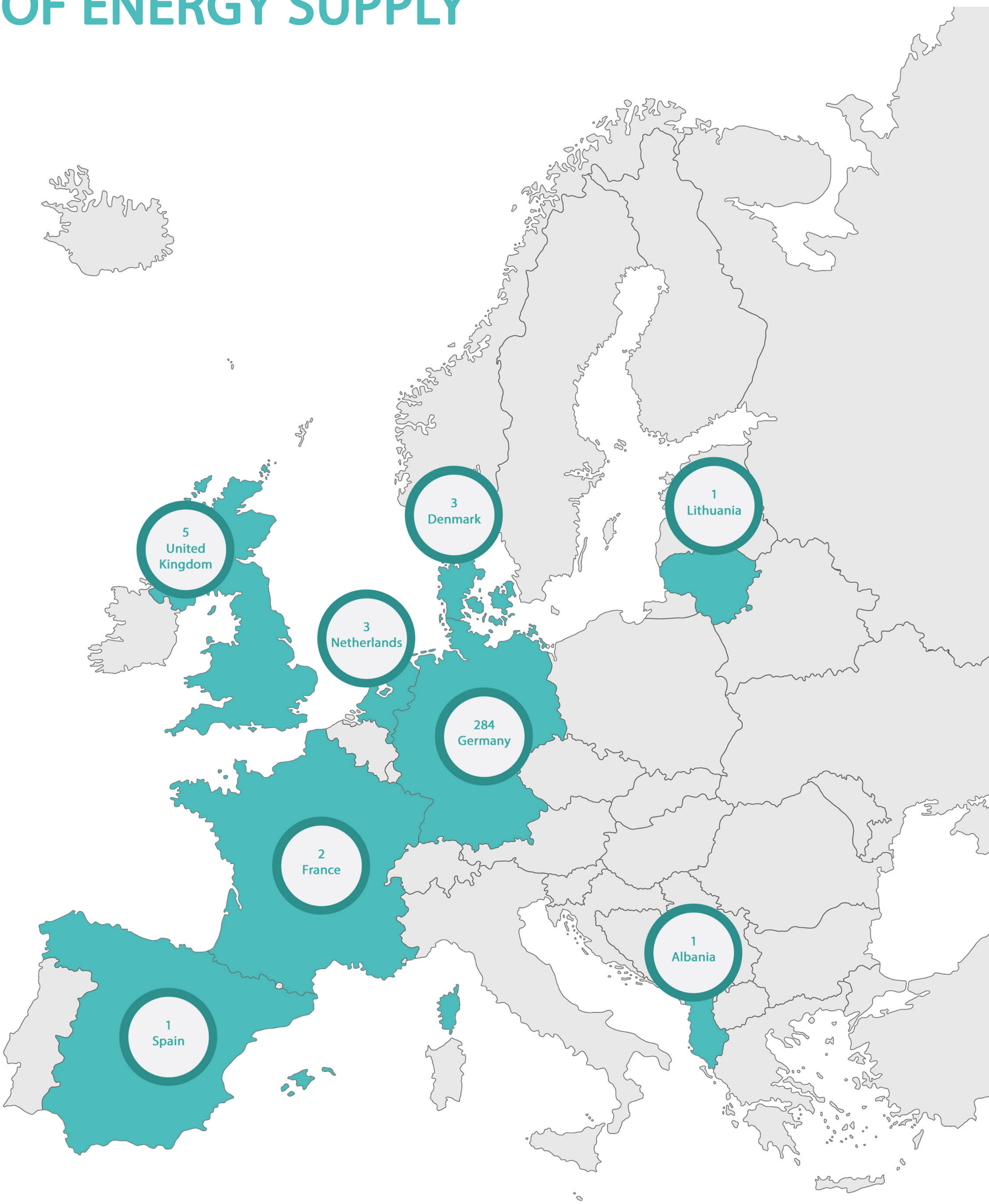
Remunicipalisation

7

Countries

PART 3

REMUNICIPALISATION OF ENERGY SUPPLY



Summary

298 cases of remunicipalisation in the European energy sector have been counted in the last twenty years. 284 of them took place in Germany: in no other country or sector can a comparable remunicipalisation wave be identified. This was helped by the expiration of numerous concession contracts that municipalities had concluded with private providers in the 1990s. The energy transition also played a decisive role. With new and re-municipalised municipal utilities, municipalities can generate energy through climate-friendly renewable energy. By means of small-scale wind power, hydroelectric power or solar plants, they ensure regional ecological transformation. Remunicipalisation took place in large cities such as Hamburg as well as in numerous small and medium-sized towns. Often through the influence of citizens' initiatives promoting public and clean energy.

In other European countries, only a few examples of remunicipalisation of electricity companies can be found up to today.

Liberalisation and privatisation in the energy sector

The energy supply has long been considered a natural monopoly of the public sector. In the wake of the neo-liberal transition, the European energy sector was hit by a wave of liberalisation and privatisation in the mid-1990s.

In 1996, the European Parliament and the European Council, acting on a proposal from the Commission, adopted the first Electricity Single Market directives under the Conservative Commission President, Jacques Santer and two years later the first Gas Single Market directive. In 2003, the Second Electricity and Gas Single Market Directive was also adopted, and, based on that, the Third Energy Package in 2009. In doing so, the European Commission wanted to „achieve a full opening of markets [...] while ensuring high standards of public services and maintaining universal service provision obligations."[73] The direct consequence of this is that today, especially the European electricity market is subject to strong competition in production, trade and distribution. However, the value creation stages of transport and distribution continue to be regulated as natural monopolies.

The liberalisation of the energy market promised efficiencies and economic benefits but most of them were not delivered. The market entry of new enterprises, which was supposed to stimulate competition, was prevented by high network charges of the (often private) network operators. Lack of competition has led to higher energy prices in most markets, especially for small consumers. For example, electricity in Germany is becoming „more expensive instead of cheaper (...). From about 15 cents per kilowatt hour in 2000, it has currently climbed to over 29 cents."[74] Moreover, that is not a consequence of the energy transition.

Advocates of liberalisation are said to have made it possible for new, green electricity providers to enter the market. The share of renewable energy has risen particularly sharply in those countries where liberalisation has enabled many new providers to establish themselves on the market.[75] On the other hand, there are also critical voices that fear that „liberalisation in the end will destroy the good intentions of the energy transition."[76] In Germany, a flagship country of the energy transition, one can already see „how the energy transition is changing from a fundamental democratic project to a project of the company giants."[77] Although green energy is supported by the Renewable Energy Act, the shutdown of coal and nuclear power plants is not ensured under the conditions of liberalisation. The marginal costs of coal or nuclear power are lower than for electricity from modern gas-fired power plants. Under economic pressure, the greener gas-fired power plants are now leaving the network instead of the dirty nuclear and coal-fired power plants during off-peak hours.[78]

In general, with increasing liberalisation and privatisation, politics also lost the ability to structure options in the energy sector. Higher-ranking economic and social targets threaten to fade into the background. There are „compromises on security, reliability and availability [...], accompanied by significant, hidden economic damage."[79] The economic losses are all the greater because the financial gains from the sale or the assignment of municipal enterprises were far lower than originally expected: „The contracts were often opaque and the financial relief for the municipal authorities seldom as great as was hoped."[80] In addition, municipalities are losing out on current energy revenues.

Big player in energy supply[81]

The wave of liberalisation and privatisation in the energy sector has created large, global company groupings that generate billions of euros in revenue.

The world's highest-turnover energy enterprise was most recently (2017) the Italian company group, ENEL, which had generated revenues of 86.7 billion US dollars. The German energy supply company, Uniper is in second place with a turnover of 83 billion US dollars. Among the top five are two French companies, EDF and ENGIE, with revenues of 78.5 and 73.3 billion dollars, respectively.

Remunicipalisation in the energy sector in Europe

298 cases of remunicipalisation in the European energy sector have been counted in the last twenty years.

284 of these took place in Germany.[82] In no other country or sector can a comparable remunicipalisation wave be ascertained.
According to the amendment to the Energy Industry Act (EnWG) in 1998, which resulted in the

repeal of the area monopolies, a large number of German municipalities have (partially) privatised their energy suppliers. In 2001, every second German city of more than 50,000 inhabitants at least privatised parts of their public utilities.[83] However, the privatisations did not bring the hoped-for success. Consumer prices have risen, benefiting only large private actors. A striking example of this development is the German electricity sector: „Consumer prices in Germany doubled between 2002 and 2008; During the same period, the energy companies Eon, Vattenfall, RWE and EnBW tripled their profits.“[84] Despite the more than 1,000 electricity providers in Germany, in 2012 these four companies held 80 percent of the German electricity market for themselves.
Only five years later, in 2017, a different picture has already emerged. In the course of the comprehensive remunicipalisation, the number of electricity providers has risen to more than 1,100 and the generation quota share of the four largest electricity providers (RWE, E.ON, EnBW and Vattenfall) has fallen from 80 to 67 percent of the total electricity generation volume.[85] A success of nationwide remunicipalisation, for whose development in Germany a special constellation of favourable factors was responsible.

1. Tradition of German municipal utilities.
Municipal utility service provisions in the energy, water and transport sectors have a long tradition in Germany. Known as „municipal utilities“ in the cities and towns, they enjoy a certain level of confidence from the population, whereby they are always seen as a valid alternative to the new private energy suppliers.[86]

2. Expiring concession contracts.
Concession contracts refer to contractual relationships between local authorities and supplier enterprises. They regulate the use of public roads, paths and squares for any activity of energy or water supply at the municipal level. Many of these concession contracts with private providers expired after the turn of the millennium, which proved to be particularly favourable for the comprehensive remunicipalisation of the German energy sector. This is because this offered the municipalities a new option to take the energy supply for the population back into their ownership. This was also taken seriously. After all, more than two-thirds of the 284 known cases of remunicipalisation in the energy sector are related to the expiry of concession contracts.[87]

3. The energy transition.
The big four energy companies RWE, E.ON, EnBW and Vattenfall have failed to switch to renewable energies. They continue to rely primarily on power generation from coal and gas as well as nuclear power. The energy transition was driven primarily by decentralised energy generation by smaller providers. Here, new and remunicipalised municipal utilities play an essential role. By means of small-scale wind, hydroelectric power or solar plants, they ensure a regional ecological transformation and economic independence. The German energy transition was made economically possible primarily through the feed-in tariff regulations of the Renewable Energy Act initiated by the red-green Federal Government in 1998. Indirectly, this promotion of the energy transition has also given a boost to the remunicipalisation movement.[88]

4. Initiative from politics and citizens.
In addition to favourable economic, legal and socio-ecological conditions - which doubtlessly prevailed because of the wide-ranging expiry of concession contracts, efforts in the wake of the energy transition and also low interest rates on municipal loans - what is needed above all is the will of local decision makers and often the commitment of the local population in order to promote remunicipalisation. An increasing number of municipalities, by providing energy and managing the electricity network, wanted to increase not only their impact on the energy sector but also public revenues.[89] Political influence losses appeared as a strong driver for remunicipalisation efforts. As

a result of the far-reaching privatisations, the municipalities not only lost their relatively stable income through their energy companies but also their influence on service quality, security of supply and driving the energy transition through the introduction of alternative energy systems. Citizens' initiatives also had a not inconsiderable influence on the development of the German energy sector. In fact, these initiatives were often decisive in carrying through remunicipalisations or preventing planned privatisations. A well-known example of this is the initiative in Hamburg to rebuild a public energy supply.

In the United Kingdom, there have also been five remunicipalisations in the energy sector in recent years.[90] Since the privatisation boom under Margaret Thatcher in the early 1990s, the entire electricity and gas supply has been dominated by private companies. While the international big players play a decisive role in the energy markets such as EdF, Iberdrola, RWE and E.ON in Great Britain, the importance of municipalities has declined sharply. Due to the continuing dissatisfaction of consumers with energy prices and the increasing demand for energy from sustainable sources, the municipalities have increased their commitment in recent years. Since then, some progressive energy policy projects have been developed in British cities.
In 2015, for example, Nottingham City Council decided to set up the new local energy supplier, Robin Hood Energy to provide financial relief to low-energy families. The enterprise offers low-energy households the lowest energy prices in the UK, an initiative that affects the entire region, whose average energy prices are now the lowest in the country. The City of Leeds followed the example of Nottingham and in 2016 launched a new municipal energy enterprise, White Rose Energy, which offers electricity in the Yorkshire region at affordable rates. In Bristol, too, Bristol Energy has established a new municipal supply enterprise that aims to provide low-cost energy and invest in renewable, sustainable power production.
While these are just the beginning of a potential remunicipalisation trend in the UK energy sector, these new municipal enterprises are now reaching over two million people.[91]

In other European countries, only a few examples of remunicipalisation of electricity companies can be found: three in the Netherlands, two in France and only one each in Denmark, Spain, Lithuania and Albania.[92]

Remunicipalisation examples from practice

Hamburg

KEY FACTS

- Vattenfall
- Hamburg Energie
- 2014-2019

- Remunicipalisation supported by broad citizens movement
- Successful referendum
- 100% eco-electricity, innovative renewable energy projects

With 1.8 million inhabitants, Hamburg is the second largest city in Germany. From the end of the 1990s, Hamburg was hit by a wave of privatisation. This also affected the Hamburgische Electricitäts-Werke (HEW)-Hamburg Electicity Utility. In 2002, the remaining shares still owned by the city were sold to the private enterprise, Vattenfall.[93]

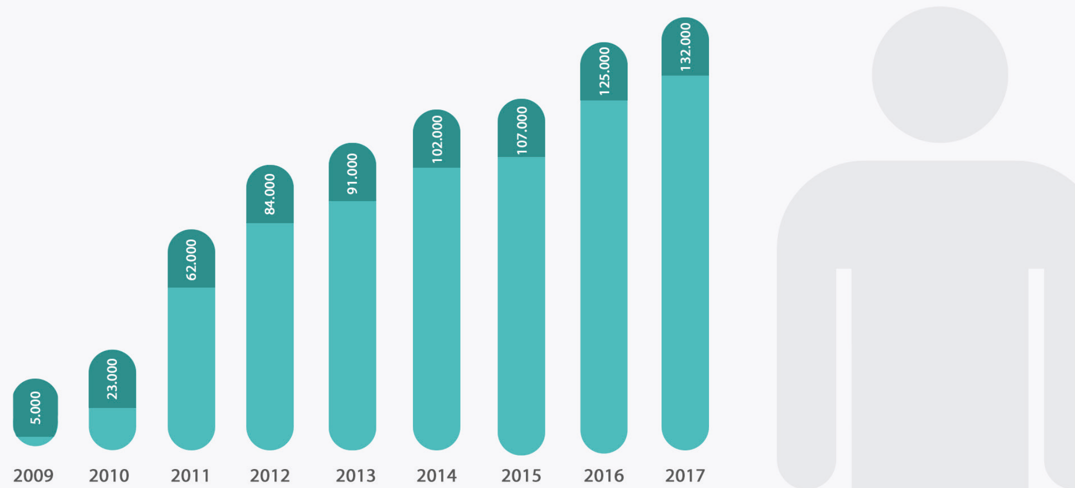
Energy prices for consumers increased as a result. Just a few years after the privatisation, the then mayor, Ole von Beust (Christian Democratic Union) criticised this decision: „We made a mistake with the privatisation. And we would like to turn back the clock on it."[94] This dissatisfaction culminated at the end of 2008 with a Senate decision to build a new municipal energy supplier. The municipal enterprise, Hamburg Wasser was commissioned to develop a concept for the production and marketing of environmentally friendly energy (electricity and gas). The enterprise was founded in 2009 by Hamburg Energie, a subsidiary of the Hamburg Water Utility.

In the „Founding Manifesto" of Hamburg Energie, the City of Hamburg commits itself to the remunicipalisation of energy production under the special aspect of environmental protection, ecological sustainability and social pricing. Energy production is subject to the sovereignty of the city. The focus of energy production is in wind energy but also investments are made in biomass, combined heat and power plants and photo-voltaic facilities. 100 percent of the electricity is generated from renewable energies.[95] In doing so, Hamburg, like many other German municipalities, has the opportunity to play an active role in shaping the energy transition, because the municipal action options for implementing local climate protection measures increase enormously via their own municipal utilities."[96] Hamburg Energie has launched various innovative projects in the area of renewable energy, which also consider aspects of citizen and enterprise participation.

An example is the Georgswerder Energy Hill. Hamburg Energie have erected wind turbines and photo-voltaic facilities on the former landfill site, which now supply 4,000 households with energy. At the same time, the Georgswerder Energy Hill has developed into a popular tourist destination, as it offers a view over Hamburg. Such projects not only serve as role models for the use of renewable energies; Hamburg Energie also depends on a wide range of energy delivery options to meet its electricity needs.

Hamburg Energie has meanwhile not only established itself as a sustainable energy supplier but also as an employer. Currently the enterprise has 75 employees. The basis for this is an ever-growing number of customers. In 2010, Hamburg Energie supplied 20,000 households with electricity and 3,500 with gas. Only two years later, in 2012, already 74,600 households were supplied with electricity and 9,700 households with gas. Hamburg Energie already had 132,000 customers in 2017, including not only private customers but also commercial customers. In the meantime, the enterprise has developed into the second largest energy provider in the Hanseatic city.[97]

CUSTOMERS HAMBURG ENERGIE



Source: Gelsenwasser: Unternehmen

In contrast to many other remunicipalisations in the energy sector, Hamburg Energie was a public utility company without its own supply network. This is because it was owned by the Swedish enterprise Vattenfall (electricity) and E.ON (gas). The initiative launched in 2010 „Our Hamburg - our network" campaigned for the remunicipalisation of the Hamburg networks. In 2012, the Hamburg Senate finally decided to re-purchase 25.1 percent of the networks. However, the Citizens' Initiative pushed for a complete re-purchase of the networks and won a referendum. On 22 September 2013, 50.9 percent of Hamburg citizens voted to re-purchase the energy networks.

This referendum resulted in a three-stage plan to re-purchase the energy networks of the Hanseatic city. The three stages relate to the remunicipalisation of the three pillars of energy supply: electricity, gas and district heating. Critics feared that the costs of re-purchase of the networks could place too much financial burden on the City of Hamburg. Although the cost of re-purchase would be a short-term burden on the municipal budget, the long-term view was positive. The network operator, Vattenfall was able to generate at least 48 million euros in profit (before taxes) in 2012.[98]

The first step of the plan was implemented at the beginning of 2014 with the re-purchase of the electricity network for a total of 495.5 million euros (this included the previously purchased 25.1 percent).[99] Since then, the electricity network has been 94.9 percent owned by Hamburger Energienetze GmbH and 5.1 percent by Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH.[100] After just one year, the remunicipalised enterprise was in the black. In 2015, it was possible to generate a profit of 6.4 million euros after taxes, in 2016 it was 11.4 million euros and in 2017, it was 21.6 million euros. Thus, more than just the cost recovery is guaranteed.[101]
The second step was implemented at the beginning of 2018 with the re-purchase of the gas network. E.ON sold its share for 275 million euros. Now the gas supply is once again in public ownership.[102]

This should follow the final phase of the referendum, the remunicipalisation of the district heating network. Recently, there were disagreements between the former operator, Vattenfall and the City of Hamburg. A minimum price of 825 million euros was set for the re-purchase but Vattenfall demanded 1.3 billion euros.[103] Details still need to be clarified but the plan for the full implementation of the referendum is still in place. At the beginning of 2019, the district heating network is to change ownership.

The City of Hamburg has completely taken the energy supply back into its ownership. After founding a new municipal energy enterprise, the City will soon be the owner of the networks again. Thus, the city is not only a guarantor of municipal services of general interest but can also profit economically from the path taken in the long term. Hamburg Energie has been reporting profits for many years and thereby generates „contribution margins for the public sector over the medium term."[104]

Vilnius

KEY FACTS

- Vilniaus Energija (Veolia)
- Vilniaus šilumos tinklai
- 2017
- High claim for damages against Veolia before international arbitration court
- Lowering of energy prices

The Lithuanian capital of Vilnius is the largest city in the country, at just under 580,000 inhabitants. In 2016, the City decided not to extend the 15-year concession contract with Vilnius Energija, a subsidiary of the global French energy provider, Veolia.

The main reason for this decision was the significant increase in energy prices for private households between 2012 and 2014. By manipulating the heating oil prices, Vilnius Energija also achieved a dishonest profit of 24.3 million euros. After the Lithuanian regulation authority noted this, public pressure on the city increased for affordable energy prices, financial transparency and fraud prevention. The pressure from civil society prompted Vilnius not to extend the contract with Vilniaus Energija and to remunicipalise the centralised district heating supply.[105]

Veolia sued the Lithuanian government on the basis of a bilateral investment treaty between France and Lithuania. The private enterprise accused the Lithuanian government of „bullying“ and „expropriation“ and took them before an international arbitration tribunal with the intention to open an arbitration procedure between investor and state (ISDS - Investor-State Dispute Settlement).[106] Lithuania also cut subsidies for the use of gas in the energy sector - according to Veolia, Vilniaus Energija had to shut down one of its power plants.[107] Veolia demanded damages amounting to 120 million euros. The Lithuanian government in turn sued Veolia at 130 million euros - the proceedings are still ongoing.[108]

The Lithuanian authorities nonetheless maintained their plans for the remunicipalisation of central district heating, which was completed in 2017.[109] The „National Commission for Energy Control and Prices“ of Lithuania ordered a repayment of the difference amount unlawfully demanded by Vilniaus Energija to the consumer. Already in December 2016, energy prices could be lowered again.[110]

The case of Vilnius exemplifies possible hurdles that may arise in the remunicipalisation of public services. Private investors try to stem the efforts of municipalities to return certain goods and service provisions to the public sector by threatening Investor-State Dispute Settlement proceedings. In the case of Vilnius, Veolia did not succeed in preventing remunicipalisation. However, it is still unclear whether Lithuania will be sentenced by the Arbitration Tribunal with a fine within the framework of the Investor-State Dispute Settlement proceedings which have been initiated. In such circumstances, remunicipalisation can be a tedious and potentially costly undertaking.[111]

Dresden

KEY FACTS

- EnBW
- Drewag
- 2010

- Profit of 80 million euro
- Electricity tariff is under the Saxony average
- Inter-municipal co-operation in preparation

The German City of Dresden in the federal state of Saxony with around 550,000 inhabitants privatised large parts of the municipal energy supplier, Drewag, at the end of the 1990s. 45 percent of the enterprise was then sold to private companies for 82 million euros. The largest share, 35% of Drewag, was secured by Energie Baden-Württemberg (EnBW) through its subsidiary Geso. The shares were re-purchased in 2010.

In 2007, EnBW had bought substantial shares in the Oldenburg energy company EWE. As a condition for this deal, the German Federal Cartel Office demanded from EnBW the sale of the South German energy supplier, Geso. Geso held not only 35 percent of the shares in Drewag but also 50.11 percent of Energie Sachsen Ost AG (ENSO) as well as holdings in various municipal utilities.[112] In the subsequent bidding process, the City of Dresden seized the opportunity to increase its stake in the municipal energy supplier. To this end, it bought the energy supplier, Geso for 836 million euros.[113] Although the purchase price of Geso was 10 times higher than the selling price of the Drewag shares, Dresden has also made itself a shareholder in other municipal utilities and supplier enterprises with this deal. With the purchase of Geso, which was incorporated into the municipal utility holding company, Technische Werke Dresden (TWD), the City of Dresden now again owns 90 percent of the energy supplier, Drewag. The remaining 10 percent stake in Drewag will continue to be held by Thüga.[114]

During the 12 years of privatisation, the co-owners have been able to gain around 203 million euros in profit shares. The city and the citizens alike are now benefiting from the purchase of the Geso and the associated remunicipalisation of Drewag. Drewag is in the black, in 2017 the profit being 80 million euros.[115] However, the services will still be offered at reasonable prices. The basic electricity tariff in 2018 will be below the Saxony average.[116]

The municipal energy industry in Saxony wants to establish itself even more in the coming years. To this end, there is a planned merger of Drewag with the municipal energy supplier, Enso. Enso is jointly owned by the City of Dresden and smaller Saxony-located municipalities.[117]

Solingen

KEY FACTS

- MVV Energie AG
- Stadtwerke Solingen
- 2012

- Share of renewable energies is over the German average
- Over 70% of the revenues of the Municipal Utility remains in the region
- Sponsoring of 80 local projects (culture and sport)

Solingen is a city without districts in North Rhine-Westphalia with almost 160,000 inhabitants. In 2001, the city decided to sell 49.9 percent of the Solingen Municipal Utility (SWS) for 125 million euros to MVV Energie AG.

MVV Energie AG, formerly Mannheimer Versorgungs- und Verkehrsgesellschaft mbH, is one of the leading energy supply companies in Germany. In March 1999, it became the first municipal supplier enterprise to be partially privatised by stock market flotation. The City of Mannheim is still majority shareholder with shares of 50.1 percent but other shares in MVV Energie AG are held by energy giants such as EnBW, Rheinenergie and Suez.

The expectations from privatisation were high: Solingen was to become the „bridgehead“ of energy supply in North Rhine-Westphalia.[118] Instead, 200 of the 750 jobs were lost,[119] MVV AG demanded „ever higher returns, tried to outsource the various business units from Solingen to Mannheim and to gain control of the network. Investments in the generation of decentralised sustainable energy have always been blocked by MVV AG.“[120]

Dissatisfaction with this development, as well as the rapidly changing energy market, led to the City Council‘s decision on 25 March 2010, to „put the 2001 decision to sell to the test with the result being open.“[121] The investigation process lasted around one year and came to the conclusion that the co-operation with the MVV should be put into a new form. The mayor was commissioned with the negotiations and the search for a new partner in case there was no agreement on renewal and further development. At the end of 2011, the mayor presented the City Council with the results of the negotiation and suggested that the co-operation be continued. „The majority of the City Council did not follow the proposal but instead mandated the administration to examine alternatives, in particular the (partial) re-purchase of the shares acquired by MVV and possible alternative co-operation/partnerships or a remunicipalisation of SWS.“[122]

After intensive discussions, the City Council finally decided in September 2012 to buy back the shares for 115 million euros. „Solingen‘s weak negotiation situation with a one-sided purchase initiative in a current contract without termination option has undoubtedly had an impact on prices.“[123] The action of the city council was supported by the citizens‘ initiative „Solingen belongs to us“, which also campaigned for the re-purchase of the shares. In contrast to many other cities Solingen had not used the profits from the sale at that time for debt repayment but had invested profitably. As a result, no debts had to be incurred for the unplanned re-purchase.

The Solingen Municipal Utility is today an economically successful enterprise that also assumes social and ecological responsibility for the region. The share of renewable energies today is well above the German average.[124] More than 70 percent of the city‘s revenue remains in the region.[125] The Solingen Municipal Utility supports more than 80 local projects in the fields of culture, sports and knowledge transfer every year through sponsoring.[126] Also, the Solingen Municipal Utility has been awarded the „Top Local Supplier“ prize by the sector observer, „energieverbraucherporta-energy consumer portal“ for its work. [127]

Springe

KEY FACTS

- E.ON
- Stadtwerke Springe GmbH (PPP-Modell)
- 2008

- No longer any nuclear energy. Construction of photo-voltaic systems. Construction of second bio-gas CHP plant
- Sponsoring and donations (sport, culture and social support)

Springe, a German town with about 29,000 inhabitants is located in the Hanover region of Lower Saxony. For decades, the power supply has been supplied by E.ON Avacon, a regional energy supplier in Lower Saxony and Saxony-Anhalt, which was the result of various mergers and has been part of the E.ON company grouping since 2005. The last concession contract of the Town of Springe with E.ON Avacon expired in 2006.[128]

In 2004, the Town of Springe began to consider alternatives to contract renewal. One of these was the transfer of the power supply to the company‘s own municipal utilities. The Springe Municpal Utility had been supplying the city for a long time with electricity, gas and water since its foundation in 1901. After the privatisation of the power supply, but finally in 1988, the water and gas supply fell into private ownership. The Municipal Utility then occupied itself with social housing construction as the only remaining task.[129] A law firm and an energy-commercial-technical consulting office examined whether the acquisition of the power supply by the municipal utility represented an economically realistic option. The result was a report in 2007, „that a network acquisition is recommended only together with a strategic partner.“[130] A bidding consortium comprising Stadtwerke Braunschweig (BS | ENERGY), Veolia Water and the Hameln Municipal Utility participated in a subsequent selection process in addition to E.ON Avacon. After reviewing the offers, the consultants recommended the operations management solution by the bidder consortium, which was agreed by the City Council in July 2008. The criteria that were particularly taken into account in the decision were „the municipal influence on investment activity, the commitment to climate protection, the commitment on the ground and the immediate (price) benefits for the citizens.“[131] The bidder consortium received a 49.5 percent share in Stadtwerke Springe GmbH, while the remaining 50.5 percent remained in the ownership of the town. In October 2008, sales of electricity and gas were commenced.

However, the network acquisition from E.ON Avacon was difficult. E.ON Avacon had also made an offer for operational management and refused after the defeat against the bidder consortium, to transfer the network to the municipal utility. The excessive lease payments to Avacon, however, burdened the financial situation of the municipal utility until October 2017, when an agreement was reached between Avacon AG and Stadtwerke Springe GmbH in an out-of-court settlement and the transfer of the electricity network to the municipal authority could be implemented.[132]

„The Springe Municipal Utility attaches great importance to the purchase of sustainably produced energy, which is produced in a resource-saving and highly efficient way.“[133] The share of nuclear energy was 18 percent until the remunicipalisation. In the meantime, this share has been replaced by electricity from renewable energy, so that since April 2011 only a nuclear power-free energy mix has been provided – and this without electricity price increase.[134] Projects initiated by municipal utilities seek to promote environmentally-friendly electricity production. The construction of a photo-voltaic facility at the school centre was one of the municipal utility's first projects, which was completed at the end of 2009. The plant generates electricity for 50 two-person households.[135] In addition, Springe also pushed ahead with electricity production from biomass. In 2011, two biogas combined heat and power plants were completed, which produce energy for around 3,000 households and bioheat for two local facilities.[136] The first electric filling station, where it is possible to refuel for free using Springe Natural Power, comes from the Springe Municipal Utility.[137]

The environmental commitment of the municipal utility since its reorganisation has already paid off. More and more customers have been won, since the end of 2012, the municipal utilities have been electricity and gas suppliers and thus provide most of the households in the city.[138] In addition to the expansion of the customer base, the business area of the Springe Municipal Utility has also expanded. In the meantime, they have taken over the wastewater billing and the operation of the street lighting as tasks.[139]

The municipal authorities are active beyond their actual field of activity and are involved in the community. „As municipal utilities, we consider ourselves part of the city and want to promote the community in Springe and the region. That is why we are involved as a sponsor and with donations across the whole of society, making an important contribution to urban life.“[140] Springe Municipal Utilities supports sports institutions and associations (for example, Springe Friends of Handball, Springe Football Museum) and culture (for example, Springe Music School), donate for social purposes (for example, insect hotel for the Sprine Nature Conservation League Springe, donation for Springe child protection association) and offers a free environmental education service for schools and kindergartens.[141]

Springe Municipal Utilities are an example of a functioning PPP model. „Experience has shown that remunicipalisation can ultimately be made economically efficient by involving an experienced partner and operations manager to carry out the functional activities. Partnership-based co-operation between municipal service providers can create synergy effects while maintaining local governance and flanking.“[142] However, other examples show the danger of PPP models. It is therefore necessary to check in advance whether this model really proves to be profitable for the municipality.

Daisendorf/Überlingen

KEY FACTS

- EnBW
- Stadtwerk am See
- 2014/15

- Synergies through inter-municipal collaboration
- Participation model for further municipalities
- Several awards for innovations

The two municipalities of Daisendorf (1,600 inhabitants) and Überlingen (23,000 inhabitants) are located in the German federal state of Baden-Wuerttemberg on the shores of Lake Constance.

In October 2012, two other municipalities on the shores of Lake Constance, the neighbouring cities of Überlingen and Friedrichshafen, founded the am See Municipal Utility through the merger of their municipal utilities. This was preceded by a one-year process, in which the municipal political life of both cities and the two previous companies were involved in order to find the most efficient of several co-operation variants. The aim was to make better use of synergies between both municipal utilities. Now, customers from both cities benefit from „three customer centres, local contacts, short distances for our technicians and advisers as well as responsibility for clubs and local initiatives.“[143]

The am See Municipal Utility, with around 300 employees, supplies more than 60,000 households in the area of Lake Constance with electricity, natural gas, heat and drinking water. Moreover, it operates the public city transport at Friedrichshafen, the Lake Constance-Oberschwaben Railway and the Lake Constance catamaran shipping line.[144]

Noteworthy is the shareholder structure of the am See Municipal Utility. Through am See Municipal Utility shareholding company, other municipalities in the area have the opportunity to enter the existing municipal utility as a shareholder. In particular, municipalities were considered that are too small for their own municipal utility. The first municipality, which participated in the am See Municipal Utility was, in 2013, the 2,700-inhabitant municipal authority of Frickingen.[145] In 2016, the 1,500-inhabitant municipal authority of Hagnau followed.[146] In the region, the am See Municipal Utility has quickly gained a reputation as a reliable service provider.

The am See Municipal Utility was also able to carry out two remunicipalisations of the electricity supply. In 2014, the municipal utility took over the network in Daisendorf from EnBW. The plan is to invest in the network to increase quality and security of supply.[147] In 2015, the am See Municipal Utility is also the electricity network operator for the entire Überlingen city area. Here, too, the electricity network concession was taken over from EnBW. Since then, all citizens of Überlingen have been provided with electricity, gas, water, heat and the Internet from a single source.[148]

The am See Municipal Utility has now achieved national recognition as a particularly innovative and ecological enterprise. For example, a local heating network was set up and the generation of electricity from wind power and photo-voltaics accelerated.[149] The am See Municipal Utility received the Red Dot Design Award and the German Design Award for its innovative digital annual report.[150] Most recently, it was nominated for the Municipal Authorities Award 2018 for the „Electro-mobility as a holistic approach for municipal enterprises“ project. The am See Municipal Authority is thus developing a „holistic approach to consulting, planning, implementation as well as the distribution and operation of e-mobility.“[151]

It is also financially beneficial for the am See Municipal Utility. Since its founding, surpluses have been generated each year that benefit the local municipalities.[152]

Nümbrecht

KEY FACTS

- RWE
- Gemeindewerk Nümbrecht
- 1998

- Creation of jobs in the region
- TÜV-certified naturally generated electricity for all households
- Support of local associations, fire stations and schools

In the German energy sector, not only large cities and towns have returned to public production in recent years, but this trend has also been taken up in small municipal authorities. For example, Bad Vilbel, Ahrenburg, Rüsselsheim, several municipal authorities on Lake Constance and also Nümbrecht have remunicipalised the energy supply.[153]

Nümbrecht is a town with about 17,000 inhabitants in the German state of North Rhine-Westphalia, about 40 km east of Cologne. The energy supply in Nümbrecht was provided until the mid-1990s by the private operator, RWE. Since the early 1980s, however, there has been the idea of network re-purchase, which was repeatedly propagated by municipal authority councillors. The old contracts, which brought little money to the municipal authority, were the main reason for dissatisfaction with the private operator. In the 1990s, the remunicipalisation of the electricity network was pushed ahead, as the concession contract with RWE came to an end. A long-standing legal dispute between the municipality and RWE broke out, as the latter did not want to give up the electricity network and demanded from Nümbrecht a purchase price of DM 13.8 million, which was too high for the municipality. Only when the Higher Regional Court Dusseldorf ordered on a second appeal in 1995 „by a preliminary injunction that the company grouping had to handover their electricity network to the municipal authority on an interim basis for the required 13.8 million marks. The parties were also required to agree on a new purchase price within ten years.“[154] So, finally, in 1996, they agreed on a purchase price of 11 million DM. However, to a degree the infrastructure was in a deteriorated state. The municipality therefore had to invest 2.5 million euros to modernise the electricity network.

The electricity network has been operated since 1 May 1998 by the Nümbrecht Municipal Utilities (GWN), which were founded in 1994.[155] These „are a local enterprise owned by the Nümbrecht Municipal Authority.“[156] This means that all financial profits as well as trade tax are returned to the municipal authority. „Profits that were otherwise incurred for a large company grouping can now be usefully used in the Nümbrecht Municipal Authority.“[157] In addition, „through municipal utilities, local government regains the power to decide on local energy supply“[158] which plays a particularly important role in times of energy transition. GWN have been committed to the expansion of renewable energy for years. „Already since 2008, all households in the Nümbrecht Municipal Authority have been supplied exclusively (and without a special rate) with TÜV-certified natural electricity.“[159] Since 2011, this has also been extended to commercial customers.

In 2015, the concession for the electricity network was again awarded to the Nümbrecht Municipal Utility. For the first time since 2016, they are concession holders throughout the municipal authority area. „Thus, the municipal authority‘s objective, already formulated in 1980, specifically unified power supply throughout Nümbrecht, was realised.“[160]

The Nümbrecht Municipal Utilities are now a multi-sector enterprise. In addition to supplying water, GWN have also been supplying their customers with gas since 2011, which was previously carried out by a private operator. In 2017, they also received the assignment to provide the entire community with broadband Internet. The work for construction of the fibre-optic network, co-financed by the Federal Government and the North Rhine Westphalia Region, began in 2017 and is expected to be completed by the end of 2019. 90 percent of the population in Nümbrecht have decided to join the new network.[161]

The concept of Nümbrecht Municipal Utilities is „strong roots in the region, personal service, the creation of jobs [...] and training places on site, along with consistent efforts to develop alternative and long-term, safe energy concepts.“[162] Personal service (as opposed to a RWE call center) compensates for them not being able to make the cheapest offer in the competition from low-cost providers. The managing director of GWN does not see this as the primary task: „We can become the partner of the citizens. This has to do with public welfare, not the electricity price.“[163]

The GWN are also involved in the social and cultural life of the municipal authority: „Meanwhile, the municipal utilities can [...] take on tasks for which there are no funds left available in the municipality.“[164] They thus provide a part of the Christmas lighting, „donate to clubs, the fire brigade and schools in Nümbrecht, support clubs with advice and labour at village festivals and the, like and have a [...] share in the Nümbrecht Music and Lights Festival.“[165]

The Nümbrecht Muncipal Utilities are a good example that even small municipalities can take their energy supply back into their ownership. The whole municipal authority benefits from this. GWN contribute thereby to „maintaining the quality of life in Nümbrecht.“[166] They promote employment in the municipal authorities, because „many services are awarded to independent third-party companies. This ‚outsourcing‘ benefits local companies and creates more jobs.“[167]

Wolfhagen

KEY FACTS

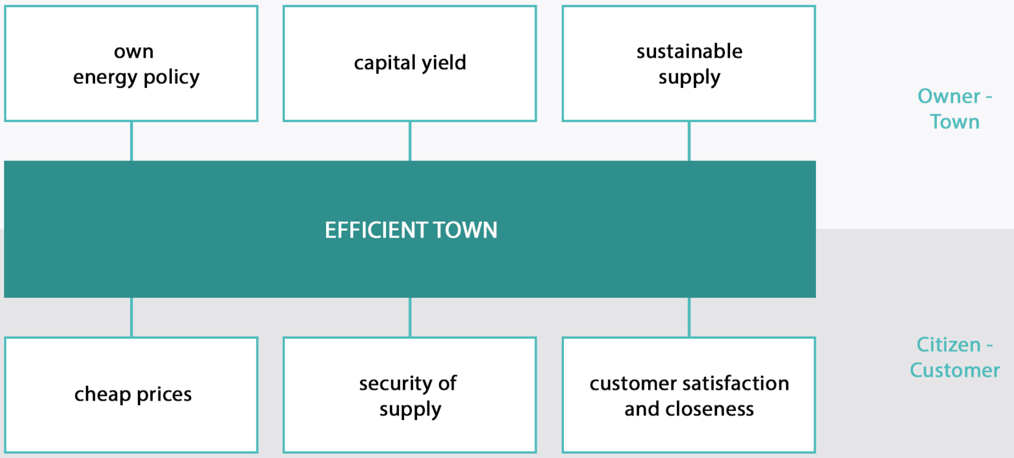
- E.ON
- Stadtwerke Wolfhagen
- 2006

- Longstanding purchase price negotiations with E.ON
- Citizens association will become involved in projects
- Local operations profit from investments

Wolfhagen is a small town in the north of the German region of Hesse with about 13,800 inhabitants. The town consists of a total of 13 neighbourhoods and the centre of town. The power supply comes from E.ON in eleven town districts,[168] it was supplied by the Wolfhagen Municipal Utility only in the city centre and two other parts of the town but this provided electricity to two-thirds of the inhabitants of Wolfhagen.[169] Stadtwerke Wolfhagen GmbH is wholly owned by the city of Wolfhagen. In addition to the power supply, the public utilities also supply the population with water.[170]

The concession contract with E.ON expired on 31 December 2004. Already in the run-up to the end of the contract, the re-transfer of the supply of the other eleven neighbourhoods to the municipal utilities was discussed in terms of policy. The risks were the incalculable purchase price as well as possibly lengthy negotiations. The efficiency potential for the municipal utilities argued against this. Finally, in 2002, the city council unanimously decided not to renew the contract with E.ON and to provide the power supply for the eleven districts from the Wolfhagen Municipal Utilities itself.[171] „This clear decision-making and unity gave the actors dealing with the matter in the administration and the municipal utilities the necessary security in the lengthy negotiations in order to steadfastly promote acquisition of the network.“[172] This was also necessary because negotiation of the purchase price was a difficult and protracted process that lasted from 2002 to 2006. E.ON‘s first claim was almost 100 percent higher than the final amount paid. Ultimately, in February 2006, more than a year after the end of the concession contract, the electricity network was acquired by the Wolfhagen Municipal Utilities.[173]

EFFICIENT MUNICIPAL UTILITY: TASK BALANCE OF THE WOLFHAGEN MUNICIPAL UTILITY



Source: Rühl (2011)

The Wolfhagen Municipal Utilities can perform their tasks more efficiently as a result of the remunicipalisation and at the same time pursue a balance between the concerns of the municipal utilities and the citizens. The diagram shows – also representative of other municipal utilities – the concept of an efficient municipal utility. The possession of the municipal utilities enables the implementation of energy policy targets at a governmental level. In Wolfhagen, the focus, in the first instance, is on ecological sustainability through the promotion of renewable energies. The earnings which now flow into the town treasury and not to a private enterprise, ultimately benefit the population. This is because the municipal utilities try to offer their customers electricity at low prices. Again and again, the advantage of municipal supply is also greater proximity to citizens and thus better customer service.

Wolfhagen is considered a prime example in the promotion of renewable energy. A central project for the local energy transition is, for example, the Wolfhagen solar park, which comprises around 42,000 solar modules. At present, electricity can be generated for approximately 3,000 3-person households. „Since clean solar power is driving climate-damaging electricity out of the electricity mix, about 5,700 tons of carbon dioxide are saved every year.“[174] The investment costs, which amounted to 6 million euros, pay off for the municipal utilities: „The auditor‘s report indicates that an average return on equity of 5 to 6% is to be expected.“[175] The solar park shows how municipal enterprises can increase regional value added. The project involved only regional players: „Regional enterprises [...] delivered highly efficient solar modules [...]. Local banks provided finance and many local businesses were commissioned with the construction.“[176] Particularly local businesses benefited from the investments. „As a result, the solar park will generate around 24.5 million euros in value creation in the region over a period of 20 years.“[177] At the same time, remunicipalisation „increased the number of local jobs“[178].

The wind farm was opened in 2014 with four large wind turbines. Since then, it has been possible to cover more than the total electricity consumption of Wolthagen with renewable energies. Many Wolfhagen citizens took part in the construction of the wind farm via a civil co-operative. They now benefit from the earnings together with the municipal utilities.[179]

Wolfhagen Municipal Utilities assess „the acquisition of the electricity networks [...] as a complete success.“[180] The network acquisition led to the targeted efficiency increases and the tasks could be bundled and implemented more cost-effectively. „As a result of the expansion of the network area, general expenses as well as expenses for the provision of on-call service, consumption billing and customer service can be transferred to a larger number of customers. This leads to efficiency improvements in the core area and to the reduction of the specific costs per customer and per kWh.“[181] The municipal utility also managed to increase their number of customers. In the meantime, many citizens of Wolfhagen have concluded an electricity supply contract with the public enterprise.[182] The liberalisation of the electricity market is also used by the Wolfhagen Municipal Utilities and it supplies electricity customers outside their municipal catchment area.

Remunicipalisation of German energy giants

„Municipal utilities celebrate a sensational comeback in the German energy market.“[183] At the turn of the millennium, „many state electricity providers were privatised after the entire energy sector was liberalised. Now municipalities are taking over the supply themselves, allying themselves against the sector giants, Eon and RWE – and themselves going on a purchasing tour.“[184] In recent years, German municipalities and municipal associations have remunicipalised two large energy supply companies: Steag and Thüga. In addition, the Baden-Württemberg Region bought back 45 percent of the shares in EnBW from the French energy giant, Électricité de France (EdF). These remunicipalisations, however, are not without controversy in terms of their results: indebted municipalities, which take hundreds of millions of euros for the purchase of energy companies, commitments abroad, which calls into question the mission of municipal services of general interest and questionable one-person decisions, have led to remunicipalisations being criticised by major German energy companies, as the following examples show.

Steag

KEY FACTS

- Evonik
- Sechs Stadtwerke
- 2011

- ✓ Municipal utilities can themselves produce more electricity again
- − Return expectations so far not met
- − Tension local services in the general interest vs. international business

Steag (originally Steinkohlen Elektrizitäts AG) is one of the largest German power generation companies and is based in Essen. Since 2002, the enterprise has been fully owned by the RAG company grouping (formerly Ruhrkohle AG). This had acquired the shares from the major German energy suppliers, E.ON and RWE. Steag was housed in the RAG subsidiary RAG Beteiligungs-AG, which was renamed Evonik Industries in 2007. As a business unit of Evonik Industries, Steag was renamed Evonik Steag.

In 2010, a bidding consortium of the Rhine-Ruhr region was formed by six municipal suppliers (Dortmund, Duisburg, Bochum, Essen, Oberhausen and Dinslaken) and acquired 51 percent of the shares in Evonik Steag from Evonik Industries for a purchase price of 649 million euros. The contract became effective in March 2011 and in June 2011, the name of Evonik was withdrawn. The deal was supported by the regional government of the Social Democratic Party and the Greens, which had to change the North Rhine-Westphalian municipal authority code to make the purchase possible.[185]

After the first tranche in 2011, the remaining 49 percent were acquired in September 2014 by the consortium of the six municipal utilities.[186] Since then, Evonik no longer owns any shares in Steag. However, RWE is indirectly involved. The publicly traded energy company grouping owns stakes in the Duisburg Municipal Utility, the Essen Municipal Utility and Energieversorgung Oberhausen through its subsidiary enterprise of innogy.[187] The Bochum, Dortmund and Dinslaken Municipal Utilities, on the other hand, are 100 per cent in municipal ownership.

The target behind the remunicipalisation was the weakness in the electricity production of the municipal utilities of the bidding consortium, which operates in an agglomeration with 5 million customers on the Rhine and Ruhr. With the purchase of Steag, the intent was to overcome the bottlenecks in electricity production.[188]

The purchase of Steag was often criticised publicly. The purchase price was regarded as a financial overload on the loss-making municipalities. The acquisition of a supplier that makes 60 percent of its sales abroad has little to do with local services in the general interest. Steag, which describes itself as an „internationally active enterprise“[189] operates not only several coal-fired power plants in Germany but also three in Colombia, Turkey and the Philippines.[190] The compatibility of the acquisition with the municipal code was doubted. In February 2015 – also in retrospect – the district government who had the responsibility approved the deal. However, this was only on the grounds that „a forced reversal of the purchase of Steag at the present time would be associated with significant losses for the municipal utility consortium and would cause lasting damage to these enterprises.“[191]

In addition to the criticism of the global expansion of the field of business, the energy company grouping could not fully meet the expectations of returns. This is because the municipalities‘ financial profit expectations were also initially linked with the Steag acquisition „Just one year after the acquisition, the electricity producer‘s profits collapsed – to just five million euros after taxes.“[192] The municipalities and Evonik were nevertheless paid dividends amounting to 120 million euros.[193] Business did not always go as desired in the following years. In 2016, Steag took a loss of 220 million euros, in 2017, they made a profit of 58 million euros.[194] The mayors of the participating municipalities therefore announced in 2018 that they would „start a process for sustainable financial provision.“[195] Already, a savings program is now necessary, due to which by 2020 up to 1,000 of the 6,100 jobs could disappear.[196] It is questionable whether these job cuts would not also have been carried out by a private owner.

Thüga

KEY FACTS

E.ON
Integra und Kom9
2009

- Consortium made up of around 100 municipal utilities
- Profits are returned for the benefit of the municipalities
- Participation in start-ups in the area of renewable energies

Thüga AG (Thüringer Gas AG) is a supplier enterprise based in Munich that serves the gas and electricity business sectors. Thüga AG supplies the German federal regions of Bavaria, Thuringia and Saxony in particular. Thüga AG was the subsidiary of one of the largest private energy suppliers in Europe - E.ON AG.[197] In addition to E.ON, many municipal enterprises also held shares in Thüga AG (for example, N-Energie Nürnberg and Maynova Frankfurt).[198] It thus represents a historically grown hybrid of public and private ownership.

The E.ON Group, however, came under increasing pressure from the European Commission, which had competition concerns about the Group's strong concentration of power.[199] For this reason, in 2009, E.ON sold its local municipal utility subsidiary, Thüga for 2.9 billion euros to two municipal consortia.[200] On the one hand, to KOM09 (a group of 45 regional municipal utilities, especially small municipalities), which acquired 38 percent of Thüga and, on the other hand, to Integra (an association of the Nuremberg Municipal Utility (N-ERGIE AG), the Frankfurt Municipal Utility (Mainova) and the Hannover Municipal Utility (enercity), which acquired 62 percent of Thüga.[201] In total, around 100 regional supplier enterprises have acquired shares in Thüga through the two local bidder consortiums of KOM09 and Integra.[202] With this, Thüga is once again completely in the hands of municipal companies. However, the E.ON company grouping did not put the entire subsidiary up for sale but in a targeted manner retained some parts of Thüga. For example, Berliner Gaswerke was acquired by E.ON AG itself through the use of pre-emptive rights.

Since 2009 Thüga Holding has been able to make profits from its municipal shareholdings every year and to invest a great deal in infrastructure and, in particular, in the generation of renewable energy. For this purpose, Thüga has invested heavily in onshore wind power in recent years and has also participated in several start-up enterprises.[203]

166

Remunicipalisation

12

Countries

PART 4

REMUNICIPALISATION OF WATER SUPPLY

Summary

Clean drinking water has been a human right since 2010. As a vital resource and non-substitutable good, water has a special position in the provision of services of general interest. This is also clear to local authorities, which is why the European water sector has never been hit by such a far-reaching wave of privatisation as the energy sector.

During the past two decades, there have been 166 remunicipalisations in the water sector in 12 European countries. Most of them (106) took place in France. Private water supply has been a tradition there since the 19th century. In recent decades, however, more and more municipalities have broken with this tradition. Rising water prices and poor water quality led to a rethink. Frequently supported by a strong civil society, remunicipalisation has been implemented both in the capital City of Paris and in small and medium-sized cities. The private share of water supply has fallen since 1970 from 82 to 61%.

In Spain, since 2010, 27 municipalities have re-municipalised their water supply. Here, too, the high level of civic engagement plays a crucial role. In the post-crisis years, a series of social movements have emerged that advocate egalitarian access to resources and inclusive local politics.

In Germany, water and wastewater supply are primarily in the hands of local authorities, which is why no broad remunicipalisation wave can be observed here. Nevertheless, there are now 17 case studies where the municipalities have re-transferred the water supply. The most prominent example is the remunicipalisation of Berlin's water supply.

Liberalisation and privatisation in the water sector

Water is a non-substitutable resource. The specific importance of good water prompted the United Nations General Assembly on 28 July 2010, to recognise „the right to clean and safe drinking and sanitation as a human right, indispensable for the full enjoyment of life and all human rights.“

However, as early as the mid-1990s, the EU Commission had postulated the liberalisation of the EU water sector as its target. At the dawn of the new millennium, while only five percent of the world‘s water supply was privately owned, „the expectation of rapid commercialisation of the water sector“[204] was high private companies hoped for rapid profits and the expansion of their business areas. They also succeeded at the beginning. This is because the cost intensity of the necessary infrastructure for water supply and sanitation often presented small municipal authorities with financial problems and thus the temptation of a privatisation was great.

However, there was no major wave of privatisation in water supply as had taken place in the energy sector. Social movements and political parties have become critical of privatisation, which has increasingly led to the prevention of privatisation or to remunicipalisation. Enterprises have changed their strategy as resistance builds and now they are leaning more towards public-private partnerships where „their business risks are minimised, as they are mostly in public ownership.“[205] The groups are also shifting their field of work and „investing more in the ‚second line‘, in technology and consulting, in wastewater treatment and seawater desalination, that is, in fields where they are exposed to less potential protest [...].“[206]

How the development in the water sector in Europe will continue is currently not predictable. At the moment, citizens‘ scepticism is countering the interests of private actors. A new facet could be added in a few years (decades) if climate change in many European countries no longer allows universal water supply. The EU should keep this in the back of their mind when it comes to further action.

Big player in water supply

The largest international water suppliers are from France, with the two groups of Veolia and Suez leading the market. Both are multi-sector companies and, in addition to the water industry, are also active in other sectors (such as the waste and energy industries as well as public transport). The French state also has indirect shareholdings in both companies.

The water branch of Veolia (Veolia Water) had worldwide revenues of 11.3 billion euros in 2015. 37.2 percent came from France and another 30.2 percent from other European countries. In total, this resulted in revenues of about 8 billion euros in Europe.[207] Suez's revenue in Europe in 2015 was around 4.7 billion.

In addition to French companies, there are also other major European water companies. These include the Spanish water enterprise of FCC or the two German companies of Gelenswasser and RWE.

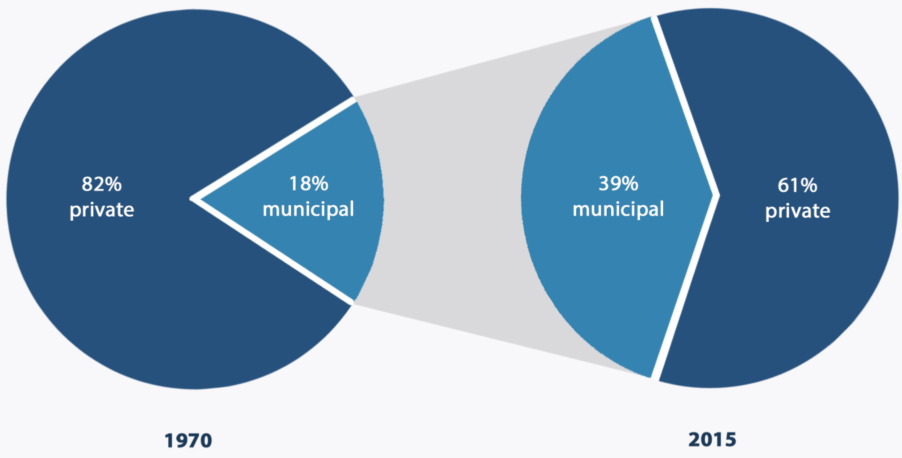
Remunicipalisations in the water sector in Europe

In the last two decades, there have been no fewer than 166 remunicipalisations in the water sector in Europe.[208]

Most of them (106) took place in France. Private water supply has a long tradition in France dating back to the 19th century and had „its origins in the lack of functional capability of the multitude of small and very small municipal authorities which is typical for France"[209]. This has favoured and promoted the emergence of large private water suppliers. Already in the second half of the 19th century, the predecessors of Veolia Environnement and Suez Environnement were founded, which have been enlarged into multi-utility enterprises.[210]

The water supply in France has the organisational form of delegated management, in which „the municipalities, in a variant of functional privatisation, remain the owners of the network but outsource the water supply to external service providers on the basis of temporary concession contracts."[211] After the concession has expired, the municipalities can take over their own supply again, „but they are confronted [with] the superior market power"[212] of the large groups. At least since the Capital city of Paris‘ remunicipalising of its water supply in 2010, a turnaround has been observed in France. Meanwhile, the share of the population „whose water supply is run by the municipalities themselves [...] has increased from 18% in 1970“[213] to 39% in 2015.[214]

FRANCE: SHARE OR PRIVATE WATER SUPPLY 1970 AND 2015



Source: Wollmann (2013): 43; AK Wien (2018): 135

In Spain, since 2010, 27 municipalities have remunicipalised their water supply. They are the result of a high civil society commitment. In the post-crisis years, a number of social movements have emerged that advocate egalitarian access to resources and an inclusive municipal political life These initiatives contributed to strengthening local politic life and subsequently to remunicipalisation. Especially in the region of Catalonia, this led to extensive changes in the water supply. For about half of the seven million inhabitants of the region, it will again be provided by the public sector over the next few years.

In Germany, no such „broad movement towards remunicipalisation“[215] can be observed in the water supply sector as there is in the energy sector. The decisive factor here is that the water supply and sewage removal is primarily in the hands of the municipalities anyway, so there is no need for return. Nevertheless, there are now 17 case studies where the municipalities have taken back the water supply.[216]
However, the share of private investments is growing in the German water supply. Especially in urban centres, services are often outsourced. Since over 70 percent of the German population lives in urban areas, private companies have a secure position in the German water supply sector.[217] The German water market is highly fragmented in international comparison. A small number of large service providers are faced with a large number of small businesses, mostly found in sparsely populated areas.[218] 40 percent of the population is provided by providers with private shareholdings. This is a difference to sewage disposal, where only 5 percent of the population is provided by the private sector.[219]

In Italy, there have been three remunicipalisations in the water sector in recent years.[220] The basis for this was laid down in an abrogative referendum[221] in June 2013 to abolish a law on privatisation. The law was passed by the Berlusconi government and included the obligation to tender services of general interest, including sewage and water, as well as the prohibition of in-house procurement. 54 percent of eligible voters voted, of whom 95 percent voted in favour of abolishing the law. „The vote has also prevented the Italian government from selling water services as part of the privatisation programme required under the EU rescue deal, and the constitutional court has ruled against subsequent attempts to reintroduce the rejected law. There are now new campaigns to remunicipalise water and reduce water prices.“[222] In response to the referendum, a new public water supplier was founded in Naples in 2012 with ABC Napoli. In its statutes, the enterprise refers to water as a public good and thus pays tribute to the referendum.[223]

In Hungary, the water supply was remunicipalised in four municipalities.[224] It was not until the second half of the 1990s that more privatisations took place in the Hungarian water sector. The reasons for this were the limited financial resources of the municipalities as well as the positive expectations, which were still associated with privatisation at that time.[225] Many privatisations from the 1990s have since been reversed. The seizure of power by Viktor Orbán in 2010 and his nationalist course of „illiberal democracy“ further reinforced this process. While individual cities initially purchased back their water supply, it was subsequently the government that initiated the rest of the remunicipalisation. While in other countries the focus is on strengthening the municipalities, here the enforcement of a new nationalist ideology is the driving force.

In addition to Budapest, the water supply of the fifth largest Hungarian city of Pecs was returned to its 157,000 inhabitants. This was decided by the local council in September 2009. Since 1993, the water supply has been carried out by Pecsi Vizmu, which was 48 percent owned by Suez and 52 percent by the municipality. High corporate profits combined with high water prices prompted the municipality to set up a new municipal water provider (Tettye Forrásház Zrt) and to return the services.[226]

Also in Kaposvár, a city with 68,000 inhabitants, in 2009 the expiring contract with Suez was no longer extended and the water supply remunicipalised.[227]

In the other European countries, only a few examples of remunicipalisation have so far been found: two in Ukraine and Turkey and one each in Sweden, Belgium, Portugal, Albania and Russia.[228]

Remunicipalisation examples from practice

Berlin

KEY FACTS

- RWE, Vivendi (Veolia) - teilprivatisiert
- Berliner Wasserbetriebe
- 2013

- Strong citizens' initiative
- From one of the most expensive to one of the cheapest rates in Germany

After the reunification, Berlin faced immense financial challenges, which were to be solved by privatising municipal services. In addition to the municipal energy suppliers and the Berlin Housing Association, the Berliner Wasserbetriebe - Berlin Water Operation (BWB) was also affected by the privatisation wave. The financial resources of the BWB were not sufficient for the maintenance of the functional operation (maintenance and repairs, etc.). However, this resource shortage did not result from a loss-making enterprise management of the BWB but rather from political decisions. The resulting shortage of equity was due to transactions in the equity of BWB within the budget of the city.[229] In addition to the city‘s debt reduction, a partial sale was also intended to finance the further expansion of the Berlin water supply and to gain a strategic partner with business management know-how.[230] That is why the Berliner Wasserbetriebe was partially privatised in 1999 under Mayor Eberhard Diepgen (Christian Democratic Union). A decision with consequences: „Several constitutional court proceedings, a successful referendum on the disclosure of the then confidential privatisation agreements, a parliamentary special committee, a procedure of the Federal Cartel Office because of price abuse and finally efforts for remunicipalisation mark the milestones of this [...] controversy over privatisation of Germany‘s largest water enterprise.“[231]

A complex juridical structure was designed for implementation of the partial privatisation. In retrospect, the holding model created for partial privatisation proved particularly problematic. The BWB had been organised a few years before the part privatisation a „public agency“ (AöR). However, this legal form does not allow private participation. Therefore, BWB was made into a privately organised holding company. 50.1 percent of the shares remained with the Berlin Region, the remaining 49.9 percent were sold in June 1999 for 1.63 billion euros (then 3.3 billion marks) to a consortium of RWE and Vivendi (later Veolia).

The price for the sale resulted from calculation principles for future water prices and the expected profits for private investors. In order to gain high revenue from the sale for the budget, the expected profits were set high – which, however, could only be achieved through high water prices. Parts of the agreements concluded at that time between RWE, Vivendi and the Berlin City Senate were subject to a strict confidentiality clause. The public was thus deprived of important information relating to the partial privatisation, such as the „profit guarantee“ granted to both private partners. In the case of a total or partial annulment of the calculation principles for the future water price, the Berlin Region committed itself at that time to the private investors to directly offset the lost profit.[232] The opposition criticised the procedure even then: „By the Region turning a public monopoly enterprise into a private service and guaranteeing private investors a fixed rate of return on its committed capital, a ‚community of state and investors has been formed to plunder the Berlin rate payers‘.“[233] To calm the discussion, water prices were fixed up to the end of 2003.

In 2004, however, the rate increased by 15 percent. This increase continued steadily in the following years. The new red-red coalition between the Social Democratic Party and the Left Party therefore set itself the target of remunicipalising the BWB in 2006. How this target should be achieved was at that time still completely unclear. There was no reason for Veolia and RWE to step out of their lucrative, contractually secured and largely risk-free business.[234] However, the mood between the contract partners worsened in the months that followed.

The increasing displeasure of the population over the high water prices led to the formation of the citizens‘ initiative, the „Berliner Wassertisch (Berlin Water Conference)“, which in 2007 launched a referendum calling for the disclosure of all „secret contracts“. In November 2010, the referendum reached 280,000 signatures. In the meantime, the Senate and the coalition parties also participated in the initiative for disclosure, but RWE and Veolia continued to refuse to publish the contracts. An amendment to the „Berlin Freedom of Information Act“ made the publication in November 2010 possible. Ultimately, however, the „Tageszeitung“ (TAZ) obtained copies and published much of the previously secret contracts a few days prior to their official publication.[235] Nonetheless, this change in the law provides a decisive course for the future, since the law states that „in the case of a transfer of public services in the general interest to private persons, the corresponding contracts must be published.“[236]

In 2011, a referendum finally took place in which 98.2 percent of voters (27.5 percent participation) voted to disclose all contracts relating to the partial sale of Berliner Wasserbetriebe and for more transparency in dealing with the sale of public property.[237] At about the same time, the Cartel

Office published the preliminary results of the anti-competition review of water prices. Accordingly, the price of water in Berlin was overstated by 50 cents per m³ compared to other German cities of more than a million inhabitants. Finally, in 2012, the Cartel Office ordered a price reduction of 18.2 percent for the price of drinking water.[238]

As early as November 2010, RWE agreed to sell its shares in Berliner Wasserbetriebe to the region. This decision was justified by the concentration of the enterprise on its core business in the area of power generation and electricity networks. After an initial offer from RWE of 844 million euros, it was agreed after lengthy negotiations in July 2012 that the re-purchase price would be around 650 million euros.[239]

One problem remained: as long as Veolia still held shares, the construction remained as a holding „and thus also remained all the criticised regulations such as the guaranteed interest and the compensation obligation of the Region."[240] In order to solve this problem, the Region/City of Berlin once again had to be the sole owner of Berliner Wasserbetriebe. On 15 June 2013, the Berlin Senate commissioned the Finance Senator with the contract negotiations for the re-purchase of Veolia shares. In mid-September 2013, Veolia was able to agree on a re-purchase price of 590 million euros (plus 12 million euros of any payments and pro rata profit and interest claims).[241] Full remunicipalisation took place with the signing of the contract on 2 December 2013.[242]

Financially, partial privatisation was a bad business for the City of Berlin. The private shareholders alone generated a profit of 784 million euros between 1999 and 2009 and further income from the capital reduction of 263 million euros in 2008. These (total) 1.047 billion euros are offset by an interest saving by the Berlin Region of 620 million euros. This would have to be raised by the Berlin Region if they had to finance the proceeds of 1.63 billion euros through a loan.[243]

The privatisation of BWB is one of the many cautionary examples of the participation of private actors in the area of services of general interest.[244] „The dispute over partial privatisation and remunicipalisation of BWB [...] exemplifies how municipalities make fatal privatisation decisions under the pressure of the financial crisis, who, by narrowing their eyes, focus on short-term achievable high privatisation proceeds of sustainable and larger financing options and how public-private partnership models deprive the municipality of the influence and the design options on enterprises for services of general interest."[245]

The re-purchase was a tedious process. In the meantime, however, there are no longer doubts about the positive effects of remunicipalisation. In 2005, the Berlin water price was still one of the highest in Germany. Since then, water prices have risen by more than 25 per cent on a German average, while in the same period in Berlin remunicipalisation has reduced water prices by almost 20 per cent. In Berlin, a cubic meter of water in 2005 at 2.07 euros was still one of the most expensive in Germany, the rate in 2018 at 1.69 euros among the cheapest Germany.[246]

The cheap water prices in Berlin were made possible, among other things, by a profit waiver, which the City of Berlin decided in 2014 as the new owner. By at least 2019, all revenues will be re-invested directly in the enterprise. This enables modernisation that ensures more efficient operation and better water quality. For example, the six Berlin sewage treatment plants will receive an additional purification level costing half a billion euros, which will ensure even better purification of the sewage from toxins. In total, 2.3 billion euros will be spent on modernising the network over the next five years. According to Berliner Wasserbetriebe, all these investments have already been priced in – without a water price increase before 2021.[247]

Paris

KEY FACTS

- Veolia, Suez
- Eau de Paris
- 2010

- Re-investment of the profits in the enterprise
- Improved working conditions for the employees

The French capital of Paris is responsible for supplying water to around 2.2 million inhabitants. In 1984, under the leadership of Jacques Chirac, the conservative majority in the city council of Paris awarded the water supply (operations, maintenance and investment) to the two largest private water utilities in France: Veolia and Suez. While the Veolia subsidiary, Compagnie des eaux de Paris (CEP) was responsible for the district north of the Seine, the subsidiary of Suez, Eau et Force (EF) gained control of the southern part of the city, on the left bank of the Seine. The concession contract was concluded for a term of 25 years. Three years later, in 1987, the partial privatisation of the municipal waterworks took place, with Suez and Veolia each acquiring 14 percent of the new operating company, SAGEP. The rest of the shares remained in the hands of the City of Paris (70 percent) and the French government-owned investment bank (CDC, 2 percent).

The main motive for privatisation was the urgently needed investment in the supply network, which would have massively impacted the municipal budget. However, the private enterprises did not adequately comply with the agreements reached and hardly invested in the infrastructure during the first few years. Thus, the proportion of pipe bursts, which was still 22 percent in 1985, reduced to only 17 percent by 2003. It was not until massive pressure from the City of Paris that Suez and Veolia increased their investment volume so that the amount of the pipe bursts in 2009 could be reduced to 3.5 percent. In return, however, there was a significant increase in the price of water. From 1985 to 2009, the price per cubic meter of water increased by 265 percent but inflation was only 70.5 percent in the same period. The customers were aware of this price increase as a result of significant price jumps every three months.[248]

One problem was the non-transparent approach of Veolia and Suez. The two private companies shared the outstanding work among themselves without control by the City of Paris.[249] „There was a serious lack of financial transparency and no control over any work that was carried out.“[250] The development showed that “the simplistic idea that the private sector is naturally better equipped to manage urban water systems was proven wrong in Paris, where a private duopoly by powerful companies was operating at the expense of the inhabitants of the city.”[251]

In 2001, the newly elected Paris Mayor, Bertrand Delanoe (Socialist Party) proclaimed that public services should again be more heavily controlled by the local authorities. In a decision of the City Senate in 2007, the City committed to full responsibility for water supply (from operations to network expansion). The municipal operating company of Eau de Paris (EP) was founded to fulfil this obligation. After the end of the regular contracts with Veolia and Suez, the City of Paris took over the water supply again on 1 January 2010.[252]

Eau de Paris is a semi-autonomous body in which all functional decisions have to be confirmed by the City Senate. „A participatory supervisory body, ‚L‘Observatoire parisien de l‘eau‘, in which associations of consumer and environmental protection and independent scientists are represented, ensures democratic control, at the moment, in an advisory capacity."[253] This will help to ensure the city's impact on operations.

Substantial savings were achieved as a result of the transition from private to municipal services. The elimination of concession payments of 35 million euros and the unified development of Eau de Paris (standardising three different management levels into one) led to cost reductions.[254] These savings made it possible for the first time to reduce the price of water in the year following the remunicipalisation. For example, in 2011 the price of water per cubic meter for private consumers could be reduced by as much as 8 percent. Since then, the price of water has risen to 3.49 euros due to the increasing costs of sewage treatment.[255] However, the rising costs of sewage treatment are not a problem specific to Paris but affect most water service providers in France and Europe.[256]

Through remunicipalisation, the profits are now re-invested in the enterprise. This allows long-term investment planning, which improves the overall quality of the water supply. The remunicipalisation also considered the needs of the employees. In a six-month process, representatives of all previously involved companies (Suez, Veolia, city employees and Eau de Paris) reached an agreement on salary and working conditions. However, many of the senior leadership positions had to be staffed with external personnel because of the lack of experience in the functional business of a water enterprise as a result of the long privatisation phase.[257]

Budapest

KEY FACTS

RWE, Suez - partially privatized
Fővárosi Vizmüvek Zrt
2012

Frictionless change from private to public operator
Saving of "service fee"

With 1.7 million inhabitants, Budapest is the largest city in Hungary. In 1994 negotiations on the partial privatisation of the Budapest Water Utility (Fővárosi Vizmüvek Zrt) began. In 1997, a consortium of RWE and Suez was awarded a contract for a 25-year concession within the framework of a public tender. For 56.60 million euros (16.5 billion forints), the consortium received a stake of 25 percent plus one share. Another 1.4 percent of the shares were owned by administrations of surrounding municipal authorities, which are supplied by the Budapest Water Utility 73.6 percent of the company is held by the City of Budapest.[258]

Over time, criticism of the two private companies was loud. They were accused of exploiting their dominant market position and demanding excessive prices for their provisions. The price of water more than doubled between 1997 and 2012, adjusted for inflation and the decline in the value of the florint. The maintenance and servicing of the network were neglected. However, more than 100 million euros in success fees went to Suez and RWE.[259]

In 2010, Budapest chose a new Mayor, Istvan Tarlos (Fidesz), who announced the re-purchase of the shares shortly after his election. In the spring of 2012, the Budapest City Council finally decided to re-purchase 25 percent plus one share in the Budapest Water Utility.[260]

Following initial disputes and months of negotiations on the size of the sales proceeds, a preliminary agreement was reached in May 2012 between the City of Budapest and the shareholders, RWE and Suez on the re-purchase. The purchase price was about 52 million euros (15.1 billion forints), that is, just less than in 1997 for the sale. As a potential savings option, above all the more than 100 million euros in „service charges“ were cited. These would have been paid by the city to the two companies up until the end of the contract in 2022. The re-purchase now eliminates these charges.[261]

Nice

KEY FACTS

Veolia

Eau d'Azur

2013

- Frictionless change from private to public operator
- Lowering by 30% of the water price for small consumers
- Tariff raised for large consumers

The southern French metropolitan region of Nice consists of 42 municipal authorities and has around 540,000 inhabitants. In 2013, the decision to put the water supply under public administration for the first time since its establishment in 1864 led to a historical change of course. Since the 19th century, Veolia had been responsible for the water supply. The last contract between the municipalities and Veolia was concluded in 1952.[262]

Nice has already gained experience in remunicipalisation in previous years. Thus, the City brought back the public transport system, the school canteen system, a swimming pool, the Jazz Festival and an agricultural market of nationwide importance back into public responsibility.[263] After these good experiences, the path of municipalisation was now to be taken into the field of water supply.

The driving force behind the remunicipalisation was the President of the metropolitan region and Nice Mayor, Christian Estrosi with his conservative city government. As early as 2008, three smaller municipal authorities in the metropolitan region municipalised their water supply. The city administration in Nice had long struggled with inflated water prices from Veolia. Through negotiations with Veolia, the City succeeded in successively reducing the price of water between 2009 and 2013 by 30 percent. There was also a desire in the metropolitan region for a strengthening of territorial solidarity. Especially in the rural-alpine areas, where control over water is a very sensitive topic, the demand for public water administration was high. Remunicipalisation in the Nice metropolitan region was therefore primarily a political decision that not only created greater control over water supplies but also addressed the specific supply challenges of the region.[264]

The public enterprise, Eau d'Azur was founded in 2013 for the implementation of the project. Gradually, 42 of the 49 municipal authorities in the metropolitan region let their contracts with private companies be phased out and transferred the water supply to Eau d'Azur. The City of Nice, by far the most populous municipality in the region, joined in 2015. The enterprise, Eau d'Azur introduced a new and more social price system. The price of water for small consumers has been reduced by another 30 percent. In order to keep the overall turnover stable, the prices for large consumers (for example hotels) were increased.[265]

In the Nice metropolitan region, the switch from private to public water supply went smoothly. Veolia was publicly denounced in the political arena. Contracts have even been concluded for sections of the water supply with Veolia until Eau d'Azur can act completely independently. Veolia accepted the change without public opposition.[266]

Montpellier

KEY FACTS

Veolia

Régie des Eaux de la Métropole de Montpellier

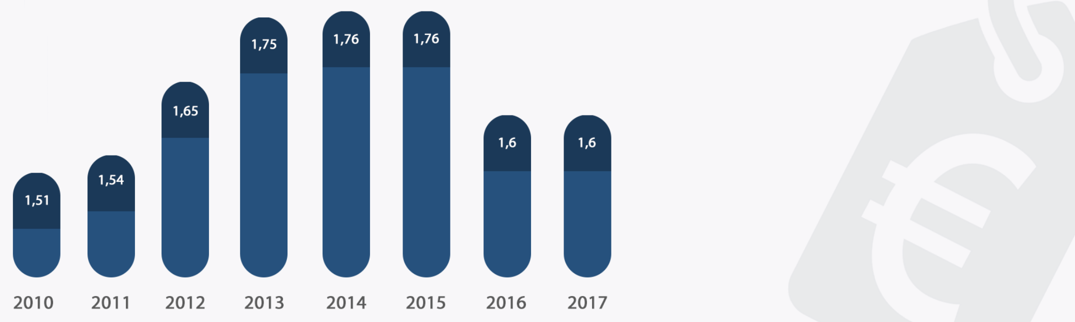
2016

- Citizens' initiative has catalysed remunicipalisation
- Lowering of water price by 10%
- Restoration of the infrastructure

Montpellier is a southern French city on the Mediterranean coast with around 280,000 inhabitants. In 1989, Montpellier's drinking water supply was transferred to Veolia for 25 years. With the access fee paid by Veolia, the city built a new convention centre, a prestigious project of the then mayor.[267]

The price of water rose as a result of privatisation. Veolia was able to receive three times the one-off payment due to excessive rates.[268] Criticism was also made that Veolia paid too little attention to the sustainability of water treatment and neglected the quality of the water supply.[269] These problems led to a strong civil society commitment to re-transfer the water supply and to the founding of the citizens' initiative, Eau Secours 34.[270] Despite the great commitment of the citizens' movement, the government reacted cautiously. Only in 2014 did the left-wing, non-party mayoral candidate, Philippe Saurel make water supply one of his key election campaign topics.

MONTPELLIER: DRINKING WATER PRICE (per m³)



Source: Eau France: Services

After winning the election, he wanted to put the remunicipalisation of the water supply into action. Veolia tried to prevent this by offering a 50 percent price reduction.[271] The question of why such a price reduction was not possible earlier remained unanswered.[272] The Municipal Council nevertheless decided (with 77 votes in favour and 14 abstentions) on remunicipalisation, which entered into legal force in January 2006.[273]

In 2015, the Régie des Eaux de la Métropole de Montpellier was founded, which from 2016 took over the city's water supply. The composition of the Board of Directors (14 elected members, 4 representatives of civil society (including Eau Secours 34) and one expert) demonstrates the participative approach. To make the water supply even more democratic, the establishment of the Observatoire Montpellier Métropole de l'Eau (OMME) followed. This auditing institution consists of four parts: elected members, institutions, consumers and researchers. The OMME serves to advise those responsible for the water supply and to ensure a broader participation.[274]

The water price was lowered after the re-transfer to 10 percent, as announced.[275] A larger rate reduction would have been possible, but the severely neglected infrastructure had to be restored and investment made for the future. 14 drinking water tanks were restored for a total of 3.4 million euros and a water treatment plant was built for 25 million euros.[276] These investments show the strength of public enterprises that are future-oriented and not bound by short-term profit interests of shareholders. Even if further major investments in the neglected infrastructure are needed, the remunicipalisation of Montpellier's water supply shows that long-standing commitment from civil society and progressive politicians pays off.

Terrassa

KEY FACTS

Mina d'Aigües de Terrassa S.A.

Terrassa Cicle de l'Aigua

2018

Strong citizens' initiative

Demonstration with 4,000 participants

Terrassa is a Spanish city in Catalonia with 217,000 inhabitants. In 1941, the city gave the water supply to Mina d'Aigües de Terrassa SA for 75 years (that is, until 2016). 35 percent of the enterprise belongs to the Agbar Group (a subsidiary of Suez).[277]

In Terrassa, due to inflated water prices, a number of movements, organisations and single actors, all from civil society emerged, which in 2014 merged into the Taula de l'Aigua de Terrassa (Terrassa Water Conference).[278] The initiative is committed to a remunicipalisation of water supply, from which they expect more control by the citizens and a higher sustainability in ecological terms.[279] The demonstration for the return of water to public ownership organised by Taula de l'Aigua in 2017, attended by 4,000 people, attracted national attention.

Before the expiration of the concession contract, the city administration began to examine its possibilities for the future provision of the water supply. The city entered into a disappointing dialogue with Mina d'Aigües de Terrassa. The enterprise refused to provide information (for example, cost breakdowns).[280] In addition, Mina submitted calculations that the takeover of the city's water supply would cost 60 million euros and not 2 million euros, as the city indicated. Finally, the private enterprise lobbied for a mixed form of private and public management.[281]

Despite these difficulties, on 22 March 2018, the International Day of Water, the City Parliament voted by 20 to 7 votes in favour of the remunicipalisation of the water supply. The municipal enterprise of Terrassa Cicle de l'Aigua, EPEL (Entidad Pública Empresarial) took over Terrassa's water supply on 10 December 2018.[282]

Potsdam

KEY FACTS

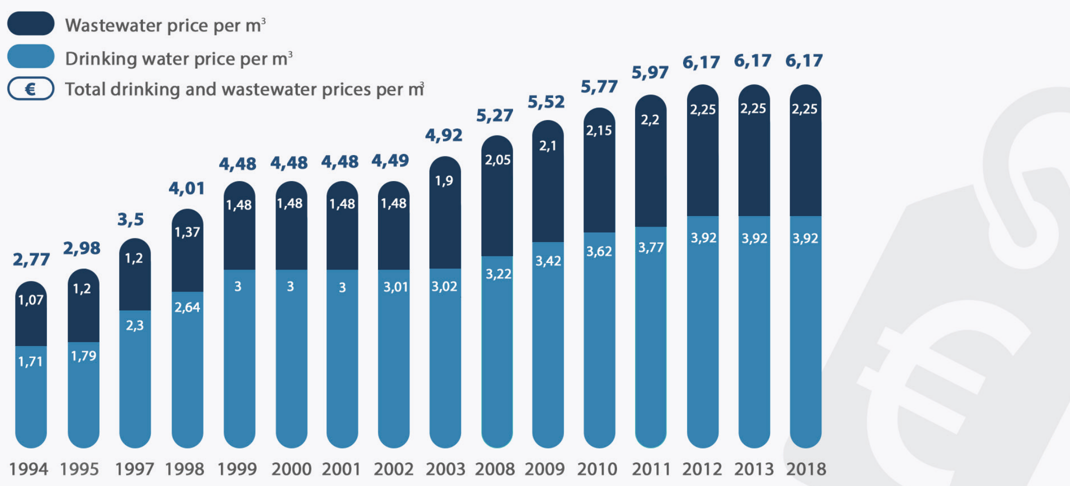
- Eurawasser (Subsidiary of Suez and Thyssen Krupp)
- Wasserwerke Potsdam GmbH
- 2000

- Part-privatisation has minimised the influence of the city
- Remunicipalisation despite complex contracts
- Water tariff stable in recent years

The German City of Potsdam southwest of Berlin in the Federal Region of Brandenburg has about 172,000 inhabitants. As part of the general privatisation boom in the former GDR in the 1990s, the city decided on the partial privatisation of water supply and sewage removal. On December 17, 1997, city councillors of Potsdam approved a co-operation agreement with Eurawasser, a subsidiary of the two big companies, Thyssen Krupp and Suez. Eurawasser bought 49 percent of Wasserbetriebe Potsdam GmbH for a purchase price of about 85 million euros. The management was in practice transferred to Eurawasser.[283]

The motives were the same as in other cities: „Relieving the budget, attracting private investors, making personnel structures more flexible, developing private know-how and private innovation, ensuring safe water supply and sanitation, minimising costs and improving service quality, etc.“[284] However, expectations could not be fulfilled: the consequences were price increases, layoffs and a smaller influence of the city on the enterprise.[285]

POTSDAM: DRINKING AND WASTEWATER PRICES



Source: Stadtwerke Potsdam

The development of water prices was a major reason for the early end of the public-private partnership. In 1997, the total price for drinking and wastewater was still 3.49 euro/m³. In the year of partial privatisation in 1998 it increased to 4.01 Euro/m³ and in 1999 to 4.49 Euro/m³. That corresponded to a price increase of 29 percent. For the year 2000, there was an increase planned to 5.19 euro/m³ and „for the year 2017, the documents submitted by Eurawasser showed a total drinking water and waste water fee of“[286] 8,36 euros. That would have meant a 140 percent increase in water charges compared to 1997.

Eurawasser finally tried to override agreements of equal partnership. There was a momentous conflict in 1999 when the new municipal business director refused to approve projects that had been detrimental to the city. „This included decisions on awarding contracts to Eurawasser and the booking of expenses: Eurawasser had an interest in showing expenses not as operating expenses but as investments, as they had to be borne solely by the city.“[287]

The city began to prepare a remunicipalisation behind closed doors. This took five months due to the complicated contract arrangements. The following came to light: The purchase price of 85 million euros was not paid in the privatisation of Eurawasser, but „was brought about via a non-recourse financing of a bank, in return, the bank was entitled to income from water charges over a term of more than 20 years.“[288] The city, which until then could hardly afford the re-purchase price, came to the conclusion that it has nothing to pay for a re-purchase.

„The actual remunicipalisation then took place, in a surprise for Eurawasser, at the session of the shareholders‘ meeting of the water company on 19 Jun 2000.“[289] Eurowasser was taken by surprise, protested initially and finally filed recourse claims. At the beginning of the year 2001, agreement was possible after numerous discussions. It came to a settlement „in which Eurawasser were awarded an estimated [...] amount of approximately 12.8 million euros, [...] in financial compensation.“[290] The City of Potsdam was once again the sole owner of Stadtwerke Potsdam GmbH.[291]

Potsdam succeeded through some clever action to initiate a remunicipalisation because „a city can defend itself against a private investor, despite a complicated and closely-drawn contract.“[292] However, the negative effects of partial privatisation could no longer be averted. The main reason for the remunicipalisation was the high forecasted water prices, which persisted even after the remunicipalisation. The remunicipalisation was unable to meet expectations in this case, as the „main cause of the price increase is non-recourse financing, which, as a result, represents expensive borrowing for the city whose eradication via the fees is to be borne by the water users.“[293] As a result, prices have risen even after remunicipalisation, albeit not to the extent that Eurawasser predicted at the time of the public-private partnership. The price of water was increased by 52 percent up until 2012 and that of sewage disposal by 31 percent. However, rates could remain stable after 2012 and are still at the same level in 2018.[294] The increase is therefore clearly below the 140 percent that Eurowasser intended in its 2017 documentation. Nevertheless, Potsdam still demands one of the highest water charges in Germany from its customers.[295]

Grenoble

KEY FACTS

- COGESE (Subsidiary of Suez)
- Régie des Eaux de Grenoble
- 2000

- Strong citizens' initiative
- Stabilisation of water prices

Grenoble is a city in south-eastern France and currently has about 160,000 inhabitants. In November 1989, under the considerable influence of the then mayor, Alain Carignon, the conservative city government awarded the town‘s water and sanitation services to COGESE (Compagnie de Gestion des Eaux du Sud-Est), a subsidiary of Suez. The concession ran for 25 years and was awarded against opposition from civil society, the political opposition and trade unions.[296]

The concession contract gave COGESE the operation of the water supply, the infrastructure remaining formally in public hands. The contract construction included advantageous conditions for the private side. For example, COGESE did not have to pay the price for the operating rights amounting to 23 million euros (150 million francs) immediately but over a period of 15 years. As a result, the privatisation proceeds for the city treasury were significantly reduced. The costs of operating rights were also passed on to consumers via higher water prices. The enterprise also found it profitable to award lucrative contracts to other parts of the Suez Group. At that time, the local court of auditors estimated the damage of these business practices to be just under a billion francs (about 150 million euros).[297]

The mid-1990s, the background of the privatisation became known, which led to a turmoil in political life and among the population. Mayor Alain Carignon, who had stitched the deal together, had been remunerated for his efforts by COGESE: he received campaign support, free flights, a flat and other gifts worth 2.7 million euros.[298] Both the mayor as well as the responsible managers were sentenced to several years‘ imprisonment and fines for corruption and bribery. But that did not change the deal itself.

In 1995, the conservatives also lost the majority in the local elections, partly because of the corruption affair and the city government was taken over by a centre-left coalition. One of their priorities was the recovery of public (utility) services, especially water supply. „Due to worry about feared compensation payments, however, the municipalisation was only tentatively tackled at first by the new city senate.“[299] The Société des Eaux de Grenoble (SEG) was founded in 1996 as a new public-private water supplier. The city retained 51 percent of the enterprise and the remaining 49 percent were sold to Suez. The functional business was outsourced to a subsidiary of Suez, SGEA (Société Grenobloise de l‘Eau et de l‘Assainissement).[300] „The city also took over 30 million francs (4.6 million euros) of COGESE‘s debts and agreed to a disproportionate distribution of profits and the assumption of losses of SGEA, which resulted, in particular, from further sub-containing contracts of this company with other Suez subsidiaries.“[301] In addition, the enterprise has been granted veto rights in significant decisions. The result of this public-private company was: no water price reduction and even higher profits for Suez.

The complete remunicipalisation of the water supply finally took place in 2000. The turnaround was followed by a series of court decisions (cancellation of the concession contracts concluded with COGESE for corruption, declaration of illegality of the COGESE rate scheme, cancellation of the decision to transfer the water supply to the public-private, SEG), accompanied by a citizens‘ initiative campaign (Eau secours). This ultimately led to a change in the course of the city senate, which on 20 March 2000, decided to remunicipalise the water supply.[302]

The operation of the waterworks and the infrastructure are now carried out by an autonomous public-law company owned by the City of Grenoble (Régie des Eaux de Grenoble). The functional operation of the sewage treatment plants was assigned to an association of municipal enterprises in the Grenoble region.[303]

The remunicipalisation in Grenoble is a model for the deployment of civil society. The citizens‘ initiative has educated and informed the population and has actively worked for a remunicipalisation by lobbying. And the remunicipalisation enjoyed success. „The new legal form has led to a stabilisation of water prices and a significant increase in investment performance. Replacing outsourced services with in-house costs has saved costs and the enterprise is no longer geared to generating profits.“[304]

Remunicipalisation of a German water giant: Gelsenwasser AG

KEY FACTS

- E.ON (80,5%)
- Gas und Wasser Westfalen GmbH
- 2003

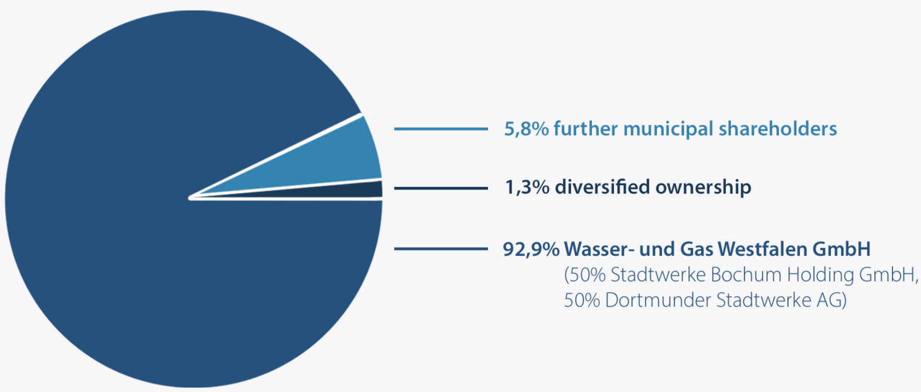
- Shareholder in German municipal utilities and co-owner of electricity networks
- Numerous national and international shareholdings

Gelsenwasser AG, with its headquarters in Gelsenkirchen in the Ruhr Area (250,000 inhabitants), was founded in 1887 under the name of Wasserwerk for the northern Westphalian coalfield, which was primarily intended to ensure the supply of water to the former coal mines in the region. Emerging from an industrial infrastructure operation, the enterprise was listed on the stock market already in 1895. The enterprise was transformed into a regional supplier in the year 1891. The enterprise has always been a mixed enterprise of private and public ownership.[305]

In 1973, the enterprise was renamed Gelsenwasser AG. By operating the enterprise beyond its original place of business, the company grouping is today one of the largest drinking water supply companies in Germany and is also an important international service provider for water, sewage and energy.[306]

E.ON AG was the majority owner of Gelsenwasser AG until 2003 but had to sell its majority stake in Gelsenwasser in order to be able to carry out the intended acquisition of Ruhrgas AG. In order to prevent an unfair market distortion, the Federal Cartel Office agreed to the purchase of Ruhrgas AG only after a previous sale of the shares in Gelsenwasser.[307] Several national companies (Rethmann, consortium of Mannheimer Versiviter MVV and Hamburg Water Utility) and international corporations (Veolia and Suez) showed interest in the shares of E.ON.[308] Finally, Stadtwerke Bochum GmbH and Stadtwerke Dortmund were awarded the contract. They formed Gas und Wasser Westfalen GmbH and E.ON bought their shares of 80.5 percent in Gelsenwasser for a price of 835 million euros.[309] The two municipal utility companies now own 92.9 per cent of the shares in Gelsenwasser AG, with a further 5.8 per cent in municipal hands.[310]

SHAREHOLDER GELSENWASSER AG



Source: Gelsenwasser: Unternehmen

The purchase of the shares by the two financially troubled municipalities was highly controversial. In Bochum and Dortmund, the financial situation was so precarious that the two cities were no longer allowed to spend more without the permission of the Region authorities. The deal was made possible by the state-owned Westdeutsche Landesbank, which „as the leader of a bank consortium initially financed the purchase price completely through a loan." „After six months about 40 percent of the loan will be repaid, interest and repayments for the millions which have been pumped in are to be paid from the Gelsenwasser profits."[311]

The deal already received hefty criticism at the beginning because Gelsenwasser AG is more than just a local or regional utility. In Germany, the enterprise has numerous holdings in the water, sewage and energy sectors, is a shareholder in municipal utilities and co-owner of electricity networks. In addition, it owns a number of subsidiaries and is a concession holder in several German municipalities in the water and gas sector.

Shareholdings of Gelsenwasser in Germany	
Water supply and sewage disposal	
GELSENWASSER Dresden Gesellschaft mit beschränkter Haftung (company with limited liability), Dresden	100%
GELSENWASSER Entwicklungsgesellschaft Dresden mbH, Dresden	100%
Stadtentwässerung Dresden GmbH, Dresden	49%
AWS GmbH, Gelsenkirchen	100%
GELSENWASSER Service GmbH, Hamburg	100%
Brauco Rohr- und Umweltservice GmbH & Co. Dienstleistungen KG, Berlin	25,10%
Brauco Rohr- und Umweltservice Ruhr GmbH, Bochum	80%
Brauco Rohr- und Umweltservice Ruhr GmbH, Bochum	20%
Westfälische Wasser- und Umweltanalytik GmbH, Gelsenkirchen	60%
Abwassergesellschaft Gelsenkirchen mbH, Gelsenkirchen	51%
GSW Wasser-plus GmbH, Kamen	50%
hertenwasser GmbH, Herten	50%
Wassergewinnung Essen GmbH, Essen	50%
Wasserversorgung Herne GmbH & Co. KG, Herne	50%
Wasserwerke Westfalen GmbH, Dortmund	50%
Westfälische Wasser- und Umweltanalytik GmbH, Gelsenkirchen	40%
WBDU Wasserbeschaffungsgesellschaft Duisburg mbH, Duisburg	50%
WMR Wasserbeschaffung und Energieerzeugung Mittlere Ruhr GmbH, Bochum	50%
Technische Werke Emmerich am Rhein GmbH, Emmerich am Rhein	49,90%
Hansewasser Ver- und Entsorgungs-GmbH, Bremen	49%
Intrapore GmbH, Essen	20%
Distribution/trade	
NGW GmbH, Duisburg	100%
WESTFALICA GmbH, Bad Oeynhausen	100%
Nahwärme Bad Oeynhausen-Löhne GmbH, Bad Oeyenhausen	26%
energiehoch3 GmbH, Hamburg	100%
Netz/ Infrastruktur	
GELSENWASSER Energienetze GmbH, Gelsenkirchen	100%
NSG Netzservicegesellschaft Niederrhein mbH, Wesel	50%
Gasnetz Bad Oeynhausen GmbH & Co. KG, Bad Oeynhausen	49%
Gasnetz Löhne GmbH & Co. KG, Löhne	49%
MN Münsterland Netzgesellschaft mbH & Co. KG, Lüdinghausen	49%
MNG Stromnetze GmbH & Co. KG, Lüdinghausen	74,90%
Netzgesellschaft Espelkamp mbH & Co. KG, Espelkamp	49%

Netzgesellschaft Rehburg-Loccum mbH & Co. KG, Rehburg-Loccum	49%
NiersGasNetze GmbH & Co. KG, Kevelaer	49%
GELSENWASSER 5. Projektbeteiligungsgesellschaft mbH, Hamburg	100%
eBZ GmbH, Bielefeld	49%
Bodenmanagement Rhein-Herne GmbH, Herne	50%
GENREO - Gesellschaft zur Nutzung regenerativer Energien in Olfen mbH, Olfen	50%
GWM - Gesellschaft zur Weiterverwendung von Mineralstoffen mbH, Unna	50%
niceTaget GmbH, Gelsenkirchen	50%
Energiepark Styrumer Ruhrbogen GmbH, Mülheim an der Ruhr	49,90%
Windpark Hünxer Heide GmbH, Hünxe	33,33%
KGE - Kommunale Gasspeichergesellschaft Epe mbH & Co. KG, Gronau	25%
Trianel Gasspeicher Epe GmbH & Co. KG, Aachen	8,68%
Municipal utilities	
GELSENWASSER Magdeburg GmbH, Magdeburg	100%
Chemiepark Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen	94%
Städtische Werke Magdeburg GmbH & Co. KG, Magdeburg	19,33%
Stadtwerke – Altmärkische Gas-, Wasser- und Elektrizitätswerke GmbH Stendal, Stendal	37,45%
GELSENWASSER Stadtwerkedienstleistungs-GmbH, Hamburg	100%
Stadtwerke Zehdenick GmbH, Zehdenick	74,90%
Stadtwerke – Altmärkische Gas-, Wasser- und Elektrizitätswerke GmbH Stendal, Stendal	37,45%
Stadtwerke Eilenburg GmbH, Eilenburg	35%
Stadtwerke Eilenburg GmbH, Eilenburg	14%
Stadtwerke Delitzsch GmbH, Delitzsch	30,50%
Stadtwerke Holzminden GmbH, Holzminden	24,90%
Vereinigte Gas- und Wasserversorgung GmbH, Rheda-Wiedenbrück	100%
Gas- und Wasserversorgung Höxter GmbH, Höxter	50%
Stadtentwässerung Höxter GmbH, Höxter	100%
Netzgesellschaft Erwitte mbH & Co. KG, Erwitte	49%
Stadtwerke Geseke GmbH, Geseke	49%
Erdgasversorgung Schwalmtal GmbH & Co. KG, Viersen	50%
PVU Prignitzer Energie- und Wasserversorgungsunternehmen GmbH, Perleberg	50%
Stadtwerke Voerde GmbH, Voerde	50%
Stadtwerke Castrop-Rauxel GmbH, Castrop-Rauxel	49,90%
Gemeindewerke Finnentrop GmbH , Finnentrop	49%
Gemeindewerke Hünxe GmbH, Hünxe	49%
Stadtwerke Burg GmbH, Burg	49%
Stadtwerke Kaarst GmbH, Kaarst	49%
Stadtwerke Kalkar GmbH & Co. KG, Kalkar	49%
Stadtwerke Haltern am See GmbH, Haltern am See	25,10%
Stadtwerke Weißenfels GmbH, Weißenfels	24,50%
Stadtwerke Zeitz GmbH, Zeitz	24,50%
Stadtwerke Wesel GmbH, Wesel	20%
Stadtwerke Göttingen AG, Göttingen	1%

The foreign engagement of the enterprise is also questionable for a municipal provider. For example, Gelsenwasser owns stakes in water utilities and sewage disposal companies in the Czech Republic and France, in district heating companies in the Czech Republic or in the administration of municipal housing stocks in the Czech Republic. RIf this triggered fierce criticism when it comes to the remunicipalisation of German energy giants, and the situation at a municipal water enterprise is even more acute.

Participation of Gelsenwasser abroad	
GELSENWASSER Projektgesellschaft mbH, Hamburg	100%
KMS KRASLICKÁ MĚSTSKÁ SPOLEČNOST s.r.o., Kraslice, Czech Republic	50%
TEREA Cheb s.r.o., Cheb, Czech Republic	50%
Przedsiębiorstwo Wodociągów i Kanalizacji w Głogowie sp. z o.o., Głogów, Poland	46%
CHEVAK Cheb, a.s., Cheb, Czech Republic	28%

26

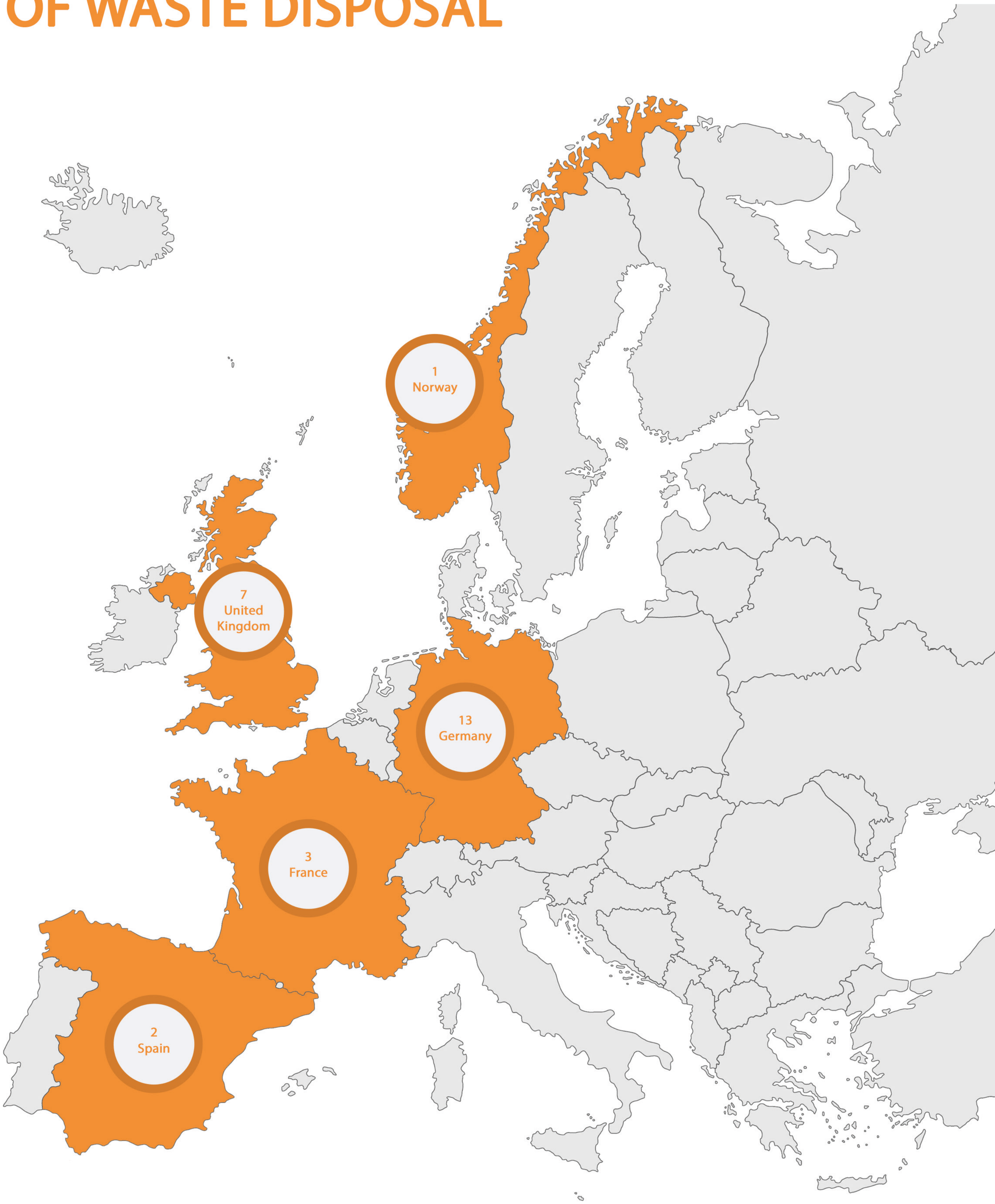
Remunicipalisation

5

Countries

PART 5

REMUNICIPALISATION OF WASTE DISPOSAL



Summary

Since the year 2000, there have been 26 remunicipalisations in waste management in Europe. Half of them (13) have taken place in Germany. For more than a decade, there has been an increase in the share of local producers, rising from 39% (2006) to 56% (2018). Most remunicipalisation in Germany is a case of inter-municipal cooperation, since waste disposal tasks are located in many German federal states at district level.
The other remunicipalisations are in Great Britain, France, Spain and Norway.

Liberalisation and privatisation in the waste sector

Waste management as well as energy and water supply were covered by the privatisation wave. Waste management is similarly organised in most EU member states: „In most cases, the municipal rubbish collection competence lies with the municipal authorities, which either have their own collection and disposal companies or entrust private companies with this task.“[312] Often there is an organisational separation in the collection and recycling of residual rubbish or recyclable waste. Therefore, tasks are often split between public and private providers.

The European Union has tried in recent years to promote the liberalisation of the waste sector. For example, the Green Paper on services of general interest calls for the further liberalisation of the waste industry to be promoted and for a market economy to be created. At the same time, there is a commitment at EU level to sustainable development and public services at an affordable cost, to which every citizen and every business has access.[313]

EU law does not enforce privatisation. However, it was not until 2017 that the European Court of Justice, following a case brought by Remondis against the Hannover Region, found that so-called in-house contracts in waste management are generally lawful.[314] In-house awards are „the tender-free award to own companies or outsourced companies.“[315]

The experiences of privatisation in waste management were not always positive, as the cost and quality expectations were often not met. Thus, the promised cost advantages of private provision in the waste sector cannot be empirically proven. An analysis by the University of Barcelona that compares existing studies on the cost of waste disposal[316] concludes: „no systematic support for lower costs with private production. […] We do not find a genuine empirical effect of cost savings resulting from private production."[317] Another study even shows that in rural areas inter-municipal co-operation reduces costs, while with outsourcing this is not the case: „small towns that co-operate incur lower costs for their waste collection service. Co-operation also raises collection frequency and improves the quality of the service in small towns. By contrast, the form of production, whether it is public or private, does not result in systematic differences in costs."[318]

In addition, the private waste disposal companies were often unable to meet the required quality aspects. Thus, the municipalities had to check the carrying out of tasks of the private operators or even get involved in them to ensure the removal (see, for example, Böblingen).

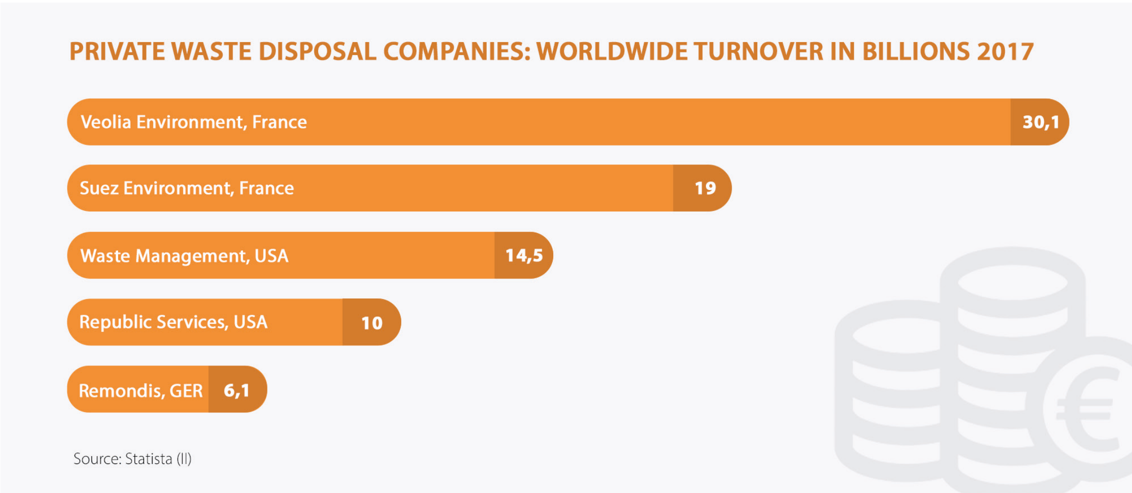
For municipalities, the outsourcing of waste disposal poses an even greater problem. The necessary but unprofitable service sectors often remain in the municipalities but in the absence of profits from the profitable areas. Even though the municipalities have transferred the waste disposal to private actors, „extra“ service provisions are provided which are not taken over by the private sector. For example, tasks such as cleaning after street festivals or littering (cleaning of publicly abandoned or discarded waste) often remain with the municipality.[319] Besides the still existing responsibility of the municipalities, this primarily means cost and personnel expenses. This „cherry-picking" is a danger to the future of services of general interest. Increased administrative burdens also arise for regulatory authorities, auditing bodies and tendering specialists when tenders are carried out instead of awarding in-house contracts.[320]

In the course of demographic change, increased privatisation of the waste industry could exclude rural areas from basic provision. „In many rural areas, the distances between individual waste containers are already relatively high due to a low population density."[321] While municipalities are subject to the „postulate of equivalency of rural areas"[322] the disposal in remote areas is not economically attractive to private companies, or only if customers pay higher prices. This is a significant cut in social fairness, which would be unthinkable in municipal waste management. This would also have to be feared in Austria, for example, where urban sprawl presents an ever-greater challenge to any supply.

Big Player in waste disposal[323]

The waste disposal industry has formed several global corporations. Some of the largest companies in this sector come from Europe and also have a significant part of their sales here.

The two leading private providers in the waste disposal industry are Veolia and Suez. Veolia is responsible for the waste disposal for 40 million people, and most recently (in 2017) achieved worldwide sales of 30.7 billion euros.[324] Suez, which manages waste for 32 million people worldwide (including about two-thirds in Europe), was able to achieve sales of 8 billion euros.[325] In addition to the two French companies, Remondis has a high market share in Europe. Remondis is most strongly represented in its home country of Germany. Overall, the company grouping possesses around 800 locations on four continents and achieved sales of 6 billion euros in 2017.[326]



Remunicipalisation in the waste sector in Europe

In some European countries, remunicipalisations have occurred in waste management in recent years. A total of 26 cases are known since the year 2000.[327]

Half of the remunicipalisations (13) took place in Germany. The actual number of remunicipalisations is likely to be much higher and not yet recorded. For even Remondis boss, Ludger Rethmann spoke in April 2018 of a „remunicipalisation wave in recent years."[328] Another indication is that in Germany the share of private companies in household rubbish collection fell from 61.3 to 44.1 per cent between 2006 and 2018, while that of municipalities, including added public-private partnerships, in contrast, increased from 38.7 per cent to 55.9 percent. The public services in the big cities are particularly strong: „The municipalities themselves are active in 63 major cities with over 100,000 inhabitants and thus at 82 percent; private waste disposal companies are active in only 17 major cities, including 15 in the framework of a PPP."[329] In addition, the market shares of the three largest private waste companies fell by almost 10 per cent between 2003 and 2018: while the three largest companies in 2003 (Sulo/RWE/Suez) together had a market share of 31.2 per cent, the three largest private ones (Remondis/Veolia /Suez) 15 years later - 2018 - together only of 21.5 percent.[330]

Most remunicipalisations in Germany are cases of inter-municipal co-operation since waste management tasks are located at the level of the rural districts in many German federal regions. In inter-municipal co-operation, several municipalities are united with the aim of jointly providing service provision to ensure services of general interest. This often happens in the form of the establishment of inter-municipal enterprises. It also makes sense to work together inter-municipally because smaller municipalities often would not be able to handle cost-intensive tasks such as waste disposal alone.[331]

In the United Kingdom, there are seven municipalities known that have remunicipalised the waste collection in recent years.[332]

In France, Veolia and Suez dominate not only the private water supply but also the private waste sector. To date, three municipalities are known to have remunicipalised their disposal. These include the towns of Briançon and Arcachon, where Veolia and Suez were previously responsible for waste disposal.[333]

Other isolated cases of remunicipalisation are known from Spain (2) and Norway (1).[334]

Remunicipalisation examples from practice

Düren und Aachen

KEY FACTS

- Diverse operators
- RegioEntsorgung
- 2006

- Successful inter-municipal co-operation
- Cost reductions for municipal authorities
- Reliable quality

The district of Düren and the Aachen city region lie to the west of North Rhine-Westphalia and currently have about 820,000 inhabitants. In 2009, as part of a regional policy of restructuring, the district of Aachen was dissolved and the municipalities of the district (310,000 inhabitants) went into the city region of Aachen, which now consists of nine municipalities and the independent City of Aachen. At the time of the remunicipalisation, which took place in the years from 2006 to 2009, the municipalities and cities were still within the district of Aachen.

Waste management in the two districts was characterised over a long time by a quasi-monopoly position of private waste disposal companies. For example, waste disposal in the Düren District was outsourced to a private enterprise in twelve out of fourteen and in the Aachen district in seven out of nine local authorities. This situation prompted three local authorities from the District of Düren (Inden, Langerwehe and Linnich) and one from the district of Aachen (Würselen) to merge in 2005 into a municipal special purpose association, the RegioEntsorgung-Regional Disposal. The contracts with the private waste disposal company were terminated and the disposal services transferred to the special purpose association. The functional operation was acquired at the beginning of the year 2006.

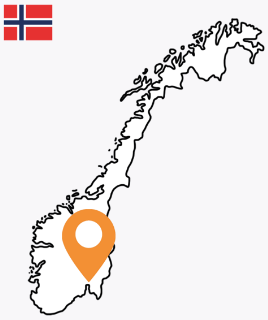
The objectives[335] of RegioEntsorgung were to increase transparency, „charge security, securing of waste volumes for own treatment facilities and reliable social and environmental standards, as well as creating new flexibility and cost-effectiveness.“[336] Similarly, „the job creation in the region, cost reduction and dissatisfaction with EU-wide tenders“[337] were crucial to the decision.

The new concept was met with great interest in the region, with the result that eight other municipalities joined the special purpose association by 2009. Since 2015, the Nideggen Muncipal Authority has been served by RegioEntsorgung, most recently Monschau and Vettweiß being added in 2017. In Monschau, the change to RegioEntsorgung was decided by the Christian Democratic Union, the Social Democratic Party and Greens together. The Christian Democratic Union praised the RegioEntsorgung system as „proven“ whose charge situation was „reliable and low-priced“. The Social Democratic Party referred to „difficulties with the previous disposal company, Schönmackers, to the transparency which would be created by RegioEntsorgung.[338]

In the meantime, RegioEntsorgung has taken over the entire collection and transport of the waste in fourteen municipalities, in another municipality only the paper disposal. The special purpose association serves six of the fifteen municipalities in the district of Düren and nine out of ten cities and municipalities in the Aachen city region (all except the City of Aachen).[339] The 15 municipal authorities supplied together have about 328,000 inhabitants. RegioEntsorgung now employs 134 people (including 3 trainees), all of whom are paid for by the rate.[340]

The municipal authorities and cities, whose waste disposal is performed by RegioEntsorgung are satisfied with the remunicipalisation and with the carrying out of the tasks by the special purpose association and do not plan a renewed privatisation. Overall, as a result of the remunicipalisation „The transparency and the governmental influence over the implementation of waste management measures could be significantly improved“[341]. „Social components could be better taken into account. The service provisions were [...] optimised and the citizen-friendliness increased. By bundling material flows, higher revenues are generated, which flow back into communities.“[342] Especially for smaller municipalities, the special purpose association has had a particularly positive effect, „since they can resort to higher-level structures.“[343] The target of reducing costs has also been achieved and has been passed on to the citizens: „All municipalities that have joined the special purpose association have been able to reduce their costs by 20 to 30 percent and reduce waste fees.“[344]

Oslo



KEY FACTS

Veireno
Stadtverwaltung Oslo
2017

- Short-term cost increase due to competition from private operator
- Functional waste disposal put back in place
- Improved working conditions

The Norwegian capital of Oslo has around 670,000 inhabitants. On average, each inhabitant incurs approximately 426 kilograms of waste per year,[345] which is about 50 kg below the European average.

In the early 1990s, the city administration decided to put parts of the municipal rubbish collection in the hands of private providers. All waste disposal was privatised by 2003. The target of this privatisation campaign was an increase in efficiency as well as a resulting cost reduction.[346]

However, the hoped-for effects did not occur. The fees for waste disposal increased dramatically compared to municipal authorities with municipal rubbish collection. Between 2004 and 2014, the private operator increased the disposal fees from the equivalent of 153 to 367 euros per year. This is equivalent to two and a half times the rubbish fees of the City of Bergen, which had not privatised their waste disposal.[347]

The city government finally decided in 2017 to remunicipalise the waste disposal in 2017 as had been demanded by privatisation opponents for some time. The deciding factor was a scandal involving the private operator, Veireno. In October 2016, the conservative city government had recently signed a contract with Veireno. The opposition parties expressed concerns already upon conclusion of the contract. The Veireno company submitted an offer to the city administration with the equivalent of around 44 million euros, which undercut those of its competitors by 8.5 million euros. However, this was only possible through drastic under-staffing in the company.[348] The consequences were grave violations of Norwegian labour law, on the one hand, and serious problems in the carrying out of waste disposal, on the other hand.

As of December 2016, the Veireno company could no longer completely fulfil its obligations. In many parts of the Norwegian capital, the waste being produced could no longer be collected. By mid-January 2017, more than 30,000 complaints had already been submitted to the city administration.[349]

The new red-green city government announced consequences. It was decided to terminate the contract with the private provider when it became known that Veireno had committed more than 2,000 violations of Norwegian labour law. Due to the far too small workforce of 89 workers, the legal provisions regarding maximum working hours and rest periods between the shifts of Veireno were largely ignored. According to Labour Inspectorate surveys, workers had to work up to 90 hours per week, with working hours from six in the morning to ten in the evening.[350]

Almost at the same time as the contract was terminated by the City of Oslo, Veireno filed for bankruptcy. This forced the city administration, at least temporarily, to take over the waste disposal itself. The responsible city office employed a total of 170 workers, many of whom were taken over from Veireno. All vehicles of the company were transferred to the city. In the short term, this was expensive for the city, as it now had to pay for salaries and pensions for its employees. In the budget estimate for 2018, additional costs for the remunicipalisation of 4.6 million euro were expected. The result was an increase in rubbish fees by 10.4 percent.[351] Considering the success of other municipalities in Norway with municipal waste disposal, it remains to be hoped that this increase will only be temporary.

Nevertheless, the employees were able to benefit from the municipal acquisition. The working conditions have improved enormously. Working hours now comply with legal requirements.[352]

Böblingen (rural district)

KEY FACTS

- Diverse operators
- Abfallwirtschaftsbetrieb des Landkreises Böblingen
- 2004/2009

- Public provision cheaper than private
- Dual path: Comparison between public and private provision by competition between local authority areas

The Böblingen Rural District is located in the German state of Baden-Württemberg, southwest of the regional capital of Stuttgart. The rural district, which has 372,000 inhabitants, includes 26 towns and municipal authorities. The most populous cities are the large district towns of Böblingen (approximately 47,000 inhabitants), Herrenberg (about 31,000), Leonberg (about 45,000) and Sindelfingen (about 60,000).[353]

In 1972, the State of Baden-Württemberg passed a law which transferred the duty of waste disposal to the rural districts. In 1977/78, the waste disposal for Herrenberg and Leonberg was transferred to the rural district. The task initially remained in Böblingen, Sindelfingen and Schönbuchlichtung[354] in own responsibility with their own statutory authority, their own personnel and their own fleet“[355] and was first transferred step by step to the rural district in the middle of the 1990s. In 1994, the rural district-owned waste facility took over the waste collection in Schönbuchlichtung and in 1995, Böblingen and Sindelfingen.

With the „acquisition of municipal waste collection in-house, the Böblingen district was offered the option of a dual route: the awarding of removal services to private companies and the establishment of a powerful public waste collection system in competition.“[356] In order to facilitate a direct comparison between public and private provision, the district was divided into three waste districts: District I (Herrenberg), District II (Leonberg) and District III (Böblingen, Sindelfingen and Schönbuchlichtung). In the removal districts of Herrenberg and Leonberg[357] the waste disposal was tendered out and given to private providers.

It remained in public hands, initially limited to the end of 1999, In the collection district of Böblingen. Up until then, it was to be determined whether the public service can compete with private providers. The aim of this dual path was to „check the efficiency of public waste collection in comparison with the private sector.“[358]

The waste management operation of the rural district which was responsible for the waste disposal in waste district III has been in operation since 1992. In the course of the new task, the organisation was optimised, because the waste management operations „faced the challenge of creating a modern development organisation for rubbish collection, whereby flexible structures with a variable employee deployment were introduced."[359] Furthermore, the vehicle equipment of the fleet was reduced and the distances to be covered were shortened by means of restructuring. In 1999, for example, the operational depot was relocated to the site of the residual rubbish incineration plant in Böblingen, in order for „the times and paths for the entrances to and exits from the operational depot to the disposal facility in the residual rubbish area to be reduced to the absolute minimum."[360] The relocation of the operational depot resulted in a cost saving of 85,000 euros per year.

Before the end of the period for the public rubbish collection period, at the end of 1999, the rural district commissioned a performance comparison from a management consultancy. Comparing the costs of the providers, public rubbish collection proved to be significantly more cost-efficient: the cost benefit amounted to about 286,000 euros. The district council therefore decided not to privatise District III and to „allow public waste collection to exist beyond 2000."[361]

The basis for this cost benefit was the savings made by the above-mentioned modifications. This was followed by further measures. When new vehicles were purchased, for example, they made sure that they could be used universally. The fleet was expanded and was therefore able to gradually transfer „the recycling of recyclable materials from the 31 recycling centres to the interfaces of the dual systems."[362] Furthermore, new standard-compliant residual rubbish containers and electronic determination of empties were introduced. In the area of human resources, restructuring took place and from 2003 a two-shift operation was installed „to reduce the number of collection vehicles required and significantly improve vehicle utilisation."[363] As a result, the waste management company „as of 1.1.2004, with no additional staffing requirements and with the existing fleet of vehicles, could collect from the Collection District I and the household rubbish-like commercial municipal waste in the entire rural district."[364] From now on, the waste management operation also took over the disposal of the Herrenberg collection district. This meant a cost saving of 210,000 euros for the collection district.

As a result, other tasks outsourced to private companies were successively returned to the municipalities: the paper collection, the management of the collection points for tree and hedge trimming and the fermentation residue transport were gradually carried out again by the waste management operation from 1999 onwards.

At the end of 2007, the district had a possible re-transfer of the last outsourced collection district (Leonberg) checked by a business consultancy. The evaluation showed that the cost of awarding the collection would amount to 1.06 million euros, whereas the cost of providing it via the rural district's own rubbish collection would amount to only 729,000 euros. That meant a calculated cost savings of 330,000 euros. In Leonberg, the consideration of a re-transfer was also a reaction to the poor quality of the private provision. This was because „in part, the public waste disposal companies had to drive behind the private operators to carry out activities that were not carried out. In addition, in the spring of 2006, collections of wastes by private operators was stopped due to heavy snowfall, whereas public vehicles were still in use."[365] At the beginning of 2009, the residual and bio-rubbish collection in the Leonberg collection district was also remunicipalised.

The Böblingen Rural District has therefore taken its own path to achieve the optimal solution for the inhabitants. This was achieved by the direct comparison of private and public service provision. The rural district's own waste management could be optimised in such a way that it could withstand the competition with the private providers and could even undercut prices. The basis for this cost benefit was the savings achieved through relocation, more efficient vehicle use, variable employee deployment, unification of the vehicle fleet, electronic determination of empties, two-shift operation and new residual rubbish containers, etc. Ultimately, this resulted in benefits for the municipality and the customers: „With the remunicipalisation and the associated better cost transparency, the commercial objectives were achieved. (…) Employees in salaried roles, the political options available and the more satisfied customers were highlighted positively. An ecological advantage was achieved, since the number of required trips was reduced.“[366]

In the current waste management concept 2014, the Böblingen Rural District has committed „to accomplish all tasks of a modern waste management as far as possible under its own management, in dialogue with its own personnel and fleet.“[367] This means that not only the collection of private and commercial waste is carried out but also its utilisation according to the most up-to-date ecological standards. After the positive experiences of the past few years, the district council of 2014 declared its intention to rely on the rural district‘s own waste management operation in the years to come: „The maintenance and expansion of a self-managed operation will continue to be the focus and basis of success, the target in the future being not the highest possible return, but the commitment to public welfare and the services in the general interest. In the interests of the citizens, it will work for a service-oriented and socially equitable service structure.“[368]

North Tyneside

KEY FACTS

- Not known
- North Tyneside Council
- 2009

- Improvement of disposal management
- Littering in public spaces was reduced
- Increased customer satisfaction

North Tyneside is an administrative district in the English county of Tyne and Wear with approximately 200,000 inhabitants near Newcastle in northwest England. The municipality is responsible for the rubbish disposal of the approximately 90,000 households. However, the collection of waste material for recycling purposes has been outsourced to a private operator who also provides this service to neighbouring municipal authorities. Increasingly, there were problems with the private operator in North Tyneside and the surrounding municipal authorities. In 2008, the contract with the enterprise ended and the Council decided to phase out the service provision, which was completed between January and June 2009. In order to exploit synergy effects, the collection of recycling rubbish was reintegrated into the local rubbish collection. „The authority now provides directly delivered integrated weekly refuse collection and fortnightly recycling.”[369]

With the re-transfer, improvements were made in the collection management. This optimised the travel routes, replaced the existing recycling containers with larger-volume containers and increased the range of materials collected. These measures have doubled the amount of recycled material collected to 1,400 tons per month, increased the recycling rate from 28 to 38 percent and increased the public share of recycling from 50 to 94 percent. At the same time, the littering of public squares and streets could be significantly reduced. All of which resulted in a reduction in CO2 emissions from 5,000 tons to 1,700 tons: „In terms of our carbon footprint the more materials we recycle, the greater the reduction carbon footprint.“[370]

Overall, the remunicipalisation can be described as a success and was also well received by the population. The satisfaction of citizens with this service has increased since the remunicipalisation to 92 percent (plus 18 percent). This is because the return opened to the Council the opportunity to respond more strongly to citizens' wishes: „As well as improving the quality of the service, bringing it in-house means there is greater flexibility in responding to changes that are required as a result of policy or service users' need."[371]

Uckermark (rural district)

KEY FACTS

- Remondis and RWE
- Uckermärkische Dienstleistungsgesellschaft
- 2006

- Number of staff was tripled
- Lower costs for the rural district
- Award of the European Environmental Mark, EMAS

Uckermark is a district in north-eastern Germany, southwest of Stettin in the Brandenburg Federal Region with around 122,000 inhabitants and was one of the first regions among the new federal regions that has taken their waste disposal back into their own hands. In the years 1990/1991 the Uckermark Rural District concluded contracts with Remondis and RWE concerning the waste disposal of the region. In the following years, private operators generated double-digit returns with the provision of this service. The rural district did not want to look on as private companies with such a public task made such high profits. Therefore, in the year 2000, the district council decided to terminate the contracts in time for the end of 2005 and to look for a less expensive provider. However, the offers obtained by public tender were unsatisfactory for municipal policy makers. Some were so expensive that the rural district would have lost money. Others were less expensive but only because they had paid their employees so badly that they in turn would have been entitled to wage subsidies or housing subsidies – from public offers. „The private companies would have continued to make the profits, while the financial risk would have stayed with us," said the then responsible district commissioner.[372]

As an alternative, it was decided to remunicipalise waste disposal. The rural district founded the Uckerkische Dienstleistungsgesellschaft (UDG), which from 2006 initially took over the collection and transport of household and bulky rubbish. The municipal provision of the service has had a number of positive effects, especially in the area of cost efficiency. „Despite newly hired, salaried employees, the costs incurred by the district are significantly lower than those incurred at times when rubbish collection was in private hands."[373] In 2006, with 48 full-time employees initially employed, the number of employees almost tripled in the following years.[374] They will all be paid according to union wages.[375] The fees could be lowered in parallel. In the first year, there was already a reduction in fees of 6.5 percent, which meant „a significant relief for the people."[376] Optimising the process meant that another fee reduction could be implemented on 1 January 2012.[377] Fees were kept stable until 2015.[378] It was not until 2016 that a first increase in fees for the emptying of waste containers was carried out. For the usual household sizes, the adjustment is 15 percent.[379] There are no further increases up until at least 2019.[380]

The UDG is committed to ecological waste management and has been awarded the European environmental seal, EMAS.[381] The most recent flagship project is the expansion of the Pinnow landfill. The premises were previously operated by a private recycling service provider that went bankrupt after a fire. The result was a mountain of waste distributed over several hectares in the open countryside. The premises of the landfill is now being renovated by the UDG. A new landfill for industrial waste, which complies with the latest environmental protection standards, is being built at the location.[382]

Rhein-Hunsrück-District

KEY FACTS

- Not known
- Rhein-Hunsrück-Entsorgung
- 2006

- Stable waste charges
- Enhanced staff satisfaction
- Projects for processing of waste for CHP

The Rhein-Hunsrück Rural District is a district (municipality association) in the German state of Rhineland-Palatinate and has about 100,000 inhabitants. From 1973 to the year 2005, the waste disposal of the district was outsourced to private enterprises.[383] The rural district began to change its strategy when, as of 2005, stricter legal frameworks for waste disposal threatened to increase the amount of rubbish fees by 15 to 20 percent for citizens.[384] Already in December 2003, the district council issued an opinion on the possibilities for future independent provision of services. „Firstly, it was determined with the help of an external market potential and competition analysis, whether the regional market structures means a market failure can be expected in a tendering process.“[385] The analysis showed that prices were very likely to rise. Thereafter, it was determined by means of planned cost accounting „at what cost the previously outsourced services can be provided in-house.“[386] The result was a projected savings volume of one million euros. In addition, the board members of the future Rhein-Hunsrück-Entsorgung (RHE) and a consulting enterprise developed a logistics and service concept for the remunicipalisation of waste disposal in the rural district.

In the spring of 2004, the district council decided almost unanimously to carry out the waste disposal on its own account. As a first step, a project entitled „Inter-municipal co-operation instead of parochial thinking“ was initiated with the rural districts of Neuwied and Bad Kreuznach, which saved millions in residual waste disposal.[387] In the second step, the hitherto outsourced collection logistics were remunicipalised as of 1 January 2006. Since then, the Rhein-Hunsrück-Entsorgung „as a so-called public agency“[388] has operated the waste disposal in the rural district.

From the governmental side, RHE was subject to a number of savings, fee development, recruitment and payment specifications. RHE was able to meet these specifications. Over one million euros could already be saved in the first year.[389] RHE also passed this financial success onto customers: „since the disposal logistics were taken over in house in 2006, the waste charges could be kept stable. Moreover, the fees have been lowered several times in recent years.“[390] And all this while improved citizen service. For example, the paper bin and electronic waste acceptance were introduced and an exchange for used household appliances was installed on the internet site.“[391]

One target specification was that the personnel previously employed by the private provider should be considered when recruiting staff. „The board has implemented [...] this based on the existing wealth of experience of the rubbish collectors and in the interest of a smooth transition.“[392] Employees are paid at RHE as salaried staff (TVöD - Collective Agreement for Public Service). „A low sick leave level proves the satisfaction of the employees, who are paid on a salaried basis."[393] The new salary system has eliminated the previous overtime practice, creating five new jobs.[394]

RHE has also taken advantage of the opportunity afforded by remunicipalisation to extend its scope in the further processing of waste. For example, „revenues are generated in many areas today, such as wastepaper,"[395] which ultimately relieve the burden on citizens. In the meantime, however, the RHE goes beyond its role as a disposal company and also acts as a supplier. This is because, since 2010, three school centres (Kirchberg, Simmern and Emmelshausen) have been supplied with heat from their heating centres, which are operated with tree and shrub cuttings from local gardens.[396] „This saves approximately 1,200 Mg of carbon dioxide per year. In addition, around 350 tons of compost are used in the processing, which are used in agriculture and viticulture."[397] This is „a flagship project that is recognised nationwide."[398] Another project is the generation of electricity from solar energy using photo-voltaic facilities at the landfill. Since 2012, electricity has been generated for 350 households in the municipality.[399]

With these projects in the area of local heating supply, the RHE is a piece in the jigsaw of the overall regional strategy. Through numerous individual projects, it is becoming more and more of a pioneer in the area of renewable energies. Thousands of wind power plants and solar plants have been built in recent years. The Rhein-Hunsrück District is one of the first rural districts in Germany that can cover their entire electricity needs with self-produced renewable energy.[400]

The example of Rhein-Hunsrück-dictrict shows how successfully remunicipalisation can work. Essential for the success was the targeted preparation of the remunicipalisation. Two years were invested for this, the idea being checked and supported by accurate analysis. The commercial expectations have been met and political target specifications have been achieved. Salaried workers, four fee reductions within six years and great customer satisfaction demonstrate the success of this model. The quality of service provision was simultaneously increased.[401]

Bergkamen

KEY FACTS

- Remondis
- EntsorgungsBetriebBergkamen
- 2006

- Improvement of service provision
- Moderate charge increases
- Special services (foliage collection box, nappy bins)

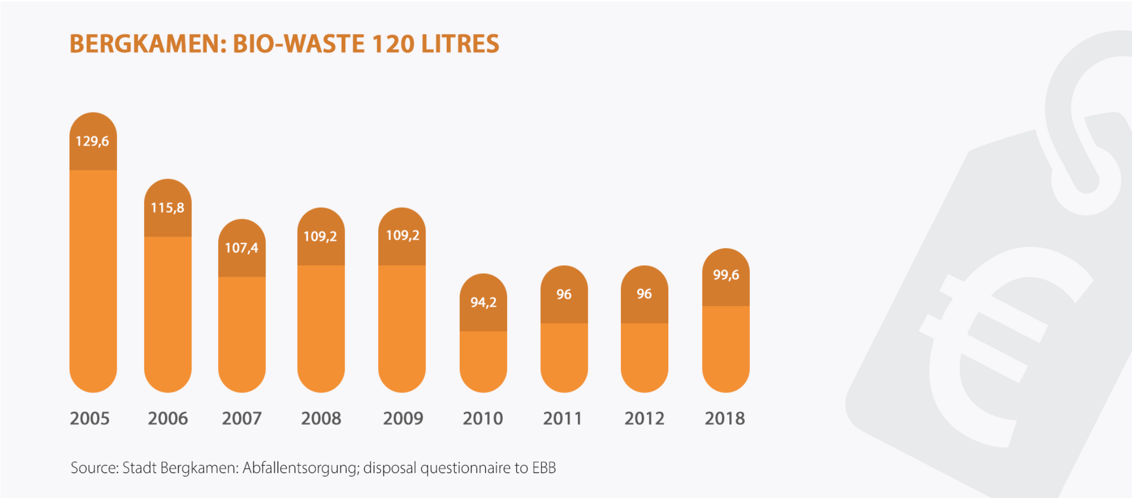
Bergkamen is a town of about 50,000 inhabitants in North Rhine-Westphalia, located in the eastern Ruhr area between Dortmund and Hamm. Since 1994, Bergkamen has step by step been undergoing remunicipalisation in various areas of services of general interest, such as electricity , water supply and street cleaning. This was linked to the attempt to find the most advantageous solution for citizens. Both public and private service provision in the various areas was considered.[402] In many cases, the return to municipal or inter-municipal service provision turned out to be the most efficient option. This development is strongly connected with Roland Schäfer (Social Democratic Party), who was city director from 1989 and has been mayor of Bergkamen since 1998 and was chosen for his involvement in various municipal top-level associations in Germany.

For example, Bergkamen founded the inter-municipal shared utility Kamen-Bönen-Bergkamen GmbH (GSW) in 1995 with two other municipalities. They gradually acquired the power supply (1996), the natural gas supply (1999) and the district heating supply (2003). The water supply has been provided by GSW since 2010. The municipal utilities do well commercially and can finance municipal areas such as the operation of swimming pools and other sports and leisure facilities.[403]

The remunicipalisation of waste disposal in Bergkamen is a model project. In the North Rhine-Westphalia Federal Region, the municipalities belonging to the districts are responsible for collecting and transporting household rubbish (municipal waste),[404] whereas the rural district is responsible for the actual disposal (incineration, landfill and composting). The municipality is left to decide whether it will provide the rubbish collection municipally or outsource to the private sector. Bergkamen had until then always decided to put the rubbish collection out to tender. At the last award in 1994, the sector giant, Remondis received a concession until 2005. At the end of 2003, the town started to consider renewed tendering of the concession.[405] Although co-operation with Remondis was rated as „pleasant and constructive," management saw it as a duty to „seriously examine possible alternatives in the interests of the town's citizens."[406] Various options for providing services (automatic contract renewal, Europe-wide tendering, inter-municipal waste management, inclusion in GSW, sole own-supply in own operation) were explored. This took place through the exchange of experience with waste disposal companies from neighbouring towns, a cost calculation and the commissioning of a business consultancy for a comparative commercial assessment. The report came to the conclusion that with an own-provision of the service cost reduction up to 30 percent is possible.

After lengthy discussions, the city council finally decided in May 2005 to remunicipalise rubbish collection. Shortly thereafter, a contract extension of half a year as well as a contract on the purchase of rubbish containers in the town area were agreed with the private operator.[407] Following this, EntsorgungsBetriebBergkamen (EBB) was to acquire the operation. „In the fall of 2005, the City Council passed the statute establishing the ‚EBB' [...] as an own-operation-like institution of the town on 01 Jan 2006."[408] The road cleaning, which until then had been carried out by the municipal construction work company, was also to be included in the operation. The functional activities of the EBB started on 3 July 2006. „The total investment for setting up the EBB amounted to 1.6 million euros: in addition to the new vehicles, this included the acquisition of the container inventory from the previous disposal company, replacement container procurement for one and a half years, work clothing, office equipment, computer software and construction of two vehicle shelters."[409]

The transit from private disposal to the municipal EBB went smoothly. As expected, the acquisition of EBB resulted in a 30 percent reduction in municipal rubbish collection. This accounts for around one third of the total waste disposal costs (two thirds are caused by the incineration cycle, etc.).[410] The cost reduction was also passed on to the customers. The rubbish charges were reduced by about 12 percent after the remunicipalisation.[411] These cost reductions for the population were also possible because the EBB must work „as a fee-financed, cost-calculating institution of the city [...] – apart from the return on equity – just covering costs."[412] The employees of the EBB, who are salaried staff paid in accordance with a collective agreement (TVÖD), also benefited from this.



After the price reduction in 2006, rubbish fees for residual waste have been increased by 18 per cent by 2018, just in line with inflation. On the other hand, the disposal of bio-waste has become cheaper. Disposal of a 120-litre barrel in 2018, even in absolute terms, costs 14 per cent less than in 2006 and even 23 per cent less than before remunicipalisation.[413]

Improvements were made in the service provision. The collection rhythm was standardised, additional offers for bulky refuse collection (express service, full service) were created and additional collection containers were made available for special events (event barrel and foliage collection box).[414] Nappy bins are a special service. „For the duration of a maximum of 3 years or until the third birthday of the child, a larger residual waste container can be made available to the parents. This additional volume then costs only 50% of the normal fee.“[415]

The example of Bergkamen shows how, with the desire to provide the population with the best possible and most cost-effective service, an individual and optimal solution can be found for each sector. The GSW impressively prove that inter-municipal co-operation is a path to satisfactory public services.

The EBB shows how successful remunicipalisation can be achieved with targeted preparation. The target of cost-reducing service provision while expanding the service provision has been achieved. This also led to satisfaction in the population.[416]

210

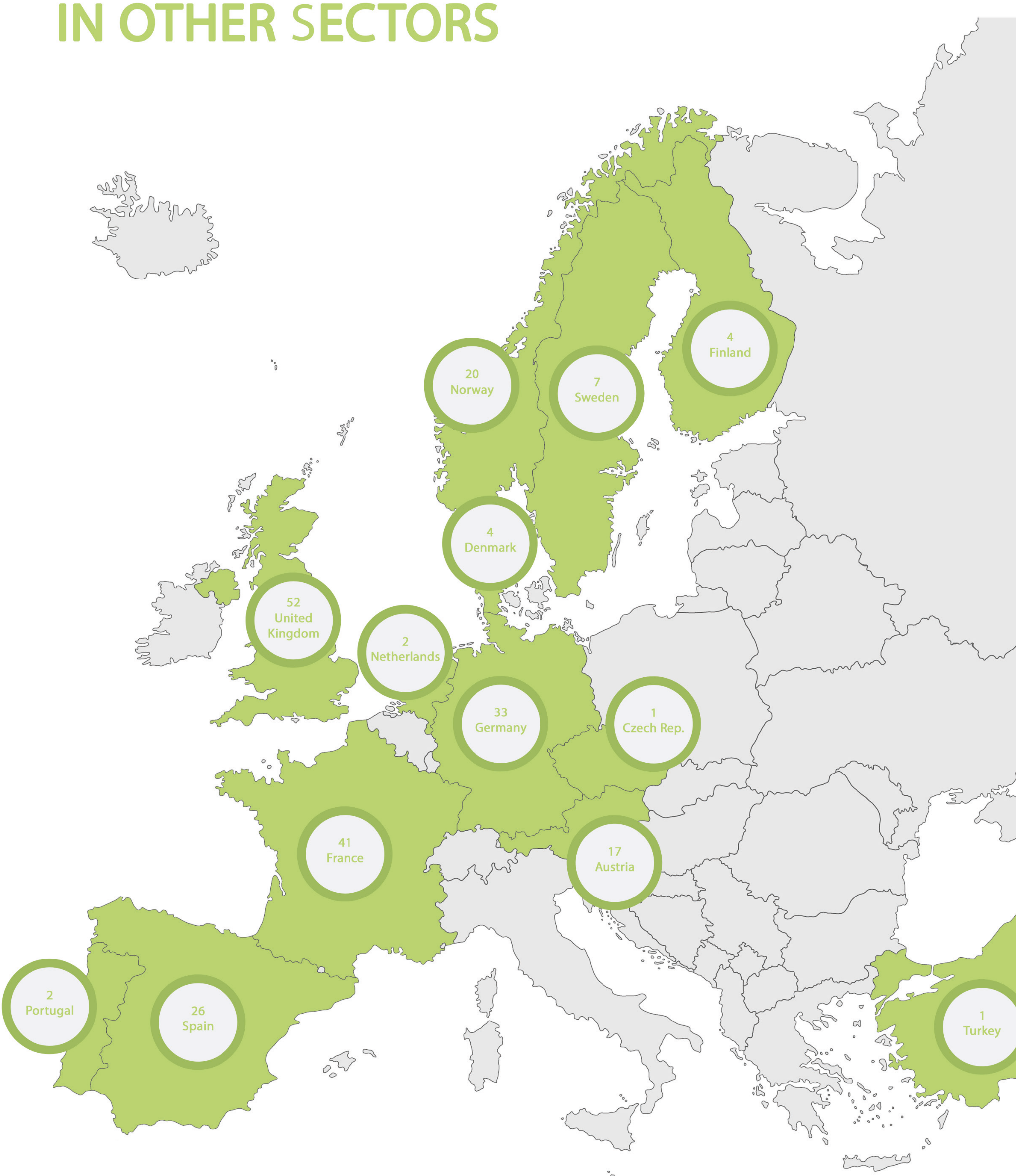
Remunicipalisation

13

Countries

PART 6

REMUNICIPALISATION IN OTHER SECTORS



Summary

In addition to the major areas of energy, water and waste, public services also include other, sometimes smaller areas. The examples presented here show the wide range of services of general interest, ranging from public transport to cleaning services and care facilities to urban bicycle rental.
In total, 210 cases of remunicipalisation in 13 European countries have been counted in these other public service sectors over the last 20 years. Almost a quarter of them in the United Kingdom, which makes it clear that there is also a rethinking of privatisations in its the mother country.

Introduction

Privatisations and subsequent remunicipalisations occured not only in the areas of energy, water and waste but also in many other service provision areas such as public transport, social services, health, culture, education, green space maintenance, building cleaning, security or funeral services.

Since 2000, there have been 210 cases of remunicipalisation in Europe in other sectors as well. Most of them in the United Kingdom (52). There were also some cases in France (41), Germany (33), Spain (26) and Norway (20). There were 17 in Austria (see: Part 7). There were also isolated remunicipalisations in Sweden (7), Denmark (4), Finland (4), Portugal (2), the Netherlands (2), Turkey (1) and the Czech Republic (1).[417]

Remunicipalisation examples from practice

London: Underground

KEY FACTS

- Tube Lines - Part-privatised
- Transport for London
- 2008/2010

- Bankruptcy of the private operators
- PPP had broken promises on quality and costs
- Higher resulting costs for taxpayers

The London Underground (also called the Tube) is the world's oldest underground railway founded in 1863. With a length of 402 km, it is the third longest underground network in the world. In total, around 1.36 billion people used the London Underground in the 2017/18 financial year.[418] The London Underground is not only a success story, it is also a prime example of a failed public-private partnership.

The London Underground was partially privatised in 2003. This decision was driven by the then Prime Minister, Tony Blair and his Chancellor and later Prime Minister, Gordon Brown. Especially for Gordon Brown, the partial privatisation of the London Underground was a prestigious project, which he punched through without the consent of the then Mayor of London, Ken Livingstone. „The tube PPP was one of the ideological cornerstones of Gordon Brown's tenure as Chancellor, when he drove through the programme in the face of vociferous opposition from Mayor Ken Livingstone."[419] The previous privatisation experience in England would not have justified any further Thatcher-style privatisation. Therefore, a PPP model was decided on. The primary objective was to „not have to finance the investments in public infrastructure that have been neglected for decades simply from government funds."[420]

The functional operation remained in the hands of the municipal, public company, Transport for London (TfL) and the London Underground. The infrastructure, stations and trains, however, were sold to two private bidding consortia – Metronet and Tube Lines. The ownership was transferred to the two consortia in 2004 for a concession period of 30 years.[421]

Metronet was a consortium that had formed specifically for this PPP project. It consisted of five partners: Thames Water (the privatised (sewage) water enterprise of London), EdF (one of the world's largest energy company groups), Balfour Beatty (an English construction enterprise), WS Atkins (an English engineering enterprise) and Bombardier (one of the world's largest railway wagon and locomotive manufacturers).[422] The other consortium, Tube Lines, consisted of the two construction enterprises of Amey (Ferrovial) and Bechtel. While Tube Lines was responsible for three underground lines, Metronet has taken over nine underground lines and, under the PPP contract, was required to restore most of the underground network. In total, the consortium was to invest 17 billion pounds (25 billion euros) over the term of the contract to restore the lines. In return, Metronet received monthly payments from the operator, London Underground. Income from operations were to be shared among the various contracting parties. The public TfL leased itself to the private providers, so to speak.[423] The London Underground has thus been divided into four companies: two controlled by Metronet, one by Tube Lines and one by the public TfL.

However, serious functional problems soon became apparent: increased fares, tardiness, technical problems and derailments were the order of the day. The PPP contract was also problematic. In the course of time, re-negotiations made numerous changes compared to the call for tenders. These were mainly at the expense of the public sector.[424] The construction of the Public Private Partnership, especially with the large Metronet consortium with five partners, was difficult to monitor for public policy makers, as „Transport for London and London Underground did not have enough information about project performance to provide oversight and control over the PPP consortium's activities."[425]

Metronet finally filed for bankruptcy in 2007. The payments from London Underground exceeded the renovation costs invested. „Critics accused Metronet of placing sub-contracts that were too expensive with the sister companies of the consortium members. […] Metronet fought back and accuses London Underground of having destroyed the cost framework with additional renovations."[426] The British government had to pay £ 2 billion to settle Metronet's debts and ensure functional operations.[427] As of 27 May 2008, Metronet's shares were fully re-transferred to the public-municipal TfL. Finally in 2010 the other private operator Tube Lines went bankrupt. „Tube Lines initially wanted £6.8 billion (later reduced to £5.75 billion) for a major programme of renewal on the Piccadilly and Northern Lines, and the arbiter has only granted the company just under £4.4 billion […]. This shortfall caused the Tubelines consortium to go bankrupt."[428] London Underground bought back the shares of Tube Lines for a total of 310 million pounds.

Boris Johnson, who later became Conservative Mayor of London (2008-2016), described the deal as „excellent news for London,"[429] but the cost of re-purchase is a long-term burden on the public operator's finances. The total cost of the PPP experiment for UK taxpayers is estimated to be at least 2.5 billion pounds.[430]

Madrid: Undertakers

KEY FACTS

Funespaña
EMSFC
2016

- Great increase in profits
- Restoration and modernisation of parts of cemeteries and mortuaries

In 1966, the municipally run Empresa Mixta de Servicios Funerarios de Madrid (EMSFM) was founded to manage cemeteries and undertakers in Madrid. The statutes of the EMSFM planned for a lifetime of the enterprise of 50 years (that is, up until 2016). All assets and liabilities are returned to the ownership of the city, regardless of ownership at that time.[431] For a long time, however, this was not relevant as the enterprise was publicly owned and no large shares were sold.[432]

This changed in 1993 when, under Madrid's conservative mayor, José María Álvarez del Manzano (in office from 1989 to 2003, from the Partido Popular), 49 percent of the undertaker's shares were sold to the private enterprise of Funespaña. Although in retrospect the value of the shares sold was estimated at more than 7 million euros, the city government gave half of the enterprise away for a symbolic price of 100 pesetas (0.60 euros). This led to the biggest scandal in Álvarez del Manzano's time in office and to a trial in which a high-ranking employee of the Mayor was sentenced in 2009.

Despite the scandal, the future of the enterprise, that is, what would happen after the expiry of the contract in 2016, remained uncertain for a long time. In 2013, the conservative city government categorically ruled out remunicipalisation.[433] That did not change until the elections in 2015. Manuela Carmena of the left-wing civic movement, Ahora Madrid was elected mayor and thus ended the time in office of the Partido Popular, which it had occupied since 1991.

The new city government were critical that Madrid was taking losses because of the semi-private enterprise. In addition, the „Centre for Material and Labour Control" (CEMOSA) found that the private operator neglected the maintenance obligations.[434] As a result, the local authorities decided to remunicipalise. After the expiry of the fiftieth anniversary of the statues, all EMSFM tasks were transferred to the newly established EMSFC – which can exist indefinitely.[435] Thus, the administration of 14 cemeteries, 2 undertakers and 2 crematoria as well as the employment of 529 employees was once again 100 per cent put into public ownership.[436]

The remunicipalisation did not go smoothly. Funespaña went to court and sued for the withdrawal of the concession for damages to the level of 23 million euros. In doing so, the private operator is relying on the Spanish Service Provision Regulations of Local Authorities, which require that the parties agree on a mode of asset write-off prior to liquidation of a mixed-public enterprise.[437] The city government, on the other hand, is referring to the CEMOSA report on Funespaña's breach of maintenance obligations. A judgment is still pending.[438]

In the first year, when the undertakers were again fully municipally administered by EMSFC, profits totalling 4.1 million euros were recorded. Thus, the profits were multiplied compared to the time of the partial privatisation (about 40,000 euros). For the year 2018, an increase in profit to 4.8 million euros is forecast. Thus, the city government was able to carry out urgently necessary measures for the restoration and modernisation of parts of the cemeteries and mortuaries.[439]

Madrid: Municipal bike rental

KEY FACTS

Bonopark

Empresa Municipal de Transportes de Madrid

2016

- Record for monthly uses
- New local areas can be included in the bicycle rental coverage
- Costs for the administration of bicycle rental can be reduced

The Spanish capital of Madrid, with its 3.2 million inhabitants, is one of the largest cities in Europe. The conservative mayor, Ana Botella (2011-2015, from the People‘s Party) has outsourced the bicycle rental company founded in 2014 to the private operator, Bonopark.[440] In 2016, the new municipal government under Manuela Carmena (from Ahora Madrid) decided to reorganise the municipal bicycle rental business.[441] Bonopark initially demanded a sum of 16.7 million euros, and finally a purchase price of 10.7 million euros was agreed.

The Spanish People‘s Party in Madrid sued the city councillor responsible for mobility and the environment for embezzling public funds, as the purchase price would be higher than the actual value of the bicycle rental, since Bonopark would incur losses with the management of bicycle rental in Madrid. The court case is still ongoing.[442]

An initial assessment of the Madrid bicycle rental business was quite positive. According to a statistic published in 2017, a record monthly usage was booked. In October 2016, the previous record number of 384,072 loans was reached, which corresponds to 12,389 uses per day. The costs of managing the bicycle rental could also be reduced.[443]

For 2018, an expansion of the infrastructure was planned to open up new districts to bicycle rental. 42 new rental stations with 468 additional bicycles were to be put into operation for this purpose and the total stock was to be extended to 4,000 bicycles at more than 350 stations.[444]

Bergen: Nursing home

KEY FACTS

Aleris

Stadt Bergen

2016

- Re-investment of the profits in the facility
- Happiness of the staff (higher income and higher contributions for pensions)

Conservative parties suffered losses in the Norwegian local elections in 2015. The strengthening of left-wing parties and the subsequent change of government in several cities and towns enabled the implementation of remunicipalisation projects. This is also the case in Bergen, Norway‘s second largest city (280,000 inhabitants), where a centre-left coalition replaced the formerly conservative city government.

The ageing of the Norwegian population has led to a shortage of nurses in this country in recent years, which will continue to worsen in the coming years. Currently, about 180,000 people are working in Norwegian nursing and geriatric care. The Samfunnsøkonomisk agency analysis calculates that in 2030 between 200,000 and 250,000 nurses will be needed.[445]

Of the roughly 40 nursing homes in Bergen, two were in the hands of private companies when the new city administration took office. The two nursing homes of Odinsvei Bosenter and Søreide Sykehjem were operated by Aleris. All other care facilities were managed either by the municipality or by private non-profit organisations. The aim of the new city government was to increase the attractiveness of employment as a geriatric nurse and better pension provisions for the employees.[446] Since neither private nor non-profit providers could be found under these pre-conditions, the city decided for remunicipalisation of the two nursing homes.[447]

The project experienced resistance from several sides. The residents of the homes were uncertain because Aleris had run the facility to the satisfaction of the elderly. In addition, opposition parties and the Norwegian employers' organisation, NHO spoke out against remunicipalisation.[448] They expected additional costs of up to 1.1 million euros per year. Even the city administration predicted annual costs of about 360,000 euros. Despite all the resistance, however, the two care centres were remunicipalised in May 2016.[449]

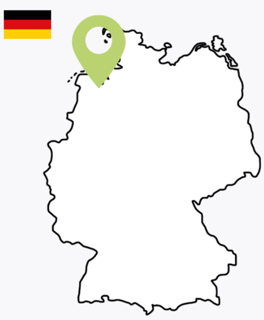
After almost a year in February 2017, a surprisingly positive financial statement could be made. The projected additional costs did not occur. Søreide Sykehjem's balance was particularly surprising, with expenditure of 4.7 million crowns (about 485,000 euros) below the city's expectations.[450] As a result of remunicipalisation, it was now possible to invest this money directly back into the facility. The employees are pleased with the new employer and the higher salaries as well as the higher contribution to the pension plan.[451] It was also possible to address the concerns of residents. The city continued to work with the model of Aleris, whereby nothing has changed in the normal day's run of events. The city administration plans to open more nursing homes in the coming years and to increase the number of nursing staff in existing facilities.[452]

Freiburg and Wilhelmshaven: Public building cleaning

KEY FACTS - Freiburg

- Diverse operators
- Stadt Freiburg
- 2003

- Enhanced customer satisfaction
- Improvement of working processes
- Higher employee satisfaction



KEY FACTS - Wilhelmshaven

- Diverse operators
- Stadt Wilhelmshaven
- 2012

- Cost saving
- Better payment of employees
- Higher reliability

The wave of privatisation in Germany in the early 1990s not only affected core areas of public services such as the energy sector, but also less central areas such as the cleaning service of public buildings. In this sector too, negative experiences in recent years have led German municipal authorities to bring this area back into municipal responsibility.

Perfect examples of the remunicipalisation of city cleaners in Germany are the cities of Wilhelmshaven and Freiburg im Breisgau. Wilhelmshaven is located in northwest Germany on the north coast of Lower Saxony and has 76,000 inhabitants. Freiburg im Breisgau is a city in the Baden-Württemberg Federal Region with around 230,000 inhabitants. Both cities have outsourced large amounts of public building services to private providers. For example, 60 percent of the public buildings in Freiburg and just over 50 percent in Wilhelmshaven were managed by third-party providers. The motivation was the same for both municipalities: they wanted to work more efficiently and cost-effectively.

In Freiburg im Breisgau, the partial privatisation of the city cleaning service had already begun in 1993. Over the next ten years, 200 jobs were lost in the city administration and contracts were awarded to commercial companies instead. In 2003, the municipal council dealt with the future of the public building cleaning service. Whether to hand them over completely to private service providers or to bring them increasingly back into public ownership was a matter for debate: „Some were in favour of complete privatisation. Others said, also out of social responsibility, we have to keep our own contingent of cleaning staff."[453]

The local council decided to operate more on its own account but on the condition of saving 10 to 15 percent of the costs. The building management, together with a consulting firm and the cleaning staff, worked out a concept that would make it possible to purchase modern working equipment and which included a more demand-oriented working time model. However, the area to be cleaned per employee also increased by 20 percent.[454]

The efforts of the building management paid off: the cost savings even exceeded the requirement of the local council. In addition, due to an improvement of work processes and cleaning machinery [...] 1325 working hours per week could be saved. Unlike other municipalities, Freiburg did not dismantle the jobs but used the capacity to bring back orders which had been given to the private sector to the municipality."[455] Despite the required additional performance, employee satisfaction increased. The new concept of the Freiburg building cleaning service places more emphasis than previously on the co-determination and personal responsibility of the employees: „That motivates. More responsibility has been now obtained. We try to to get everything under one roof with our colleagues, trying to make the best of it,"[456] said one employee.

The City of Freiburg is now cleaning around 55 percent of public buildings in-house, 15 percent more than four years ago. 190 municipal jobs whose salaries were paid for by the public service could be secured. And the schools, kindergartens and offices are more satisfied with the municipal cleaning service than with the private, reports the manager of the Freiburg building management: „There are always the same ladies in a house. Once there is identification with the building, the cleaning is pretty good. It is very different for the private sector. It will be piecework, profit is important, the ladies have to work a lot and they always work at other locations. They can't identify with the building at all. And so we got feedback from the schools and from our other users that the cleaning performance of the private sector was simply much worse."[457]

In Wilhelmshaven, decisions were made in the city council in 2003 and 2004 to outsource public cleaning work to third-party providers. A distribution quota provided that half of all building cleaning orders should go to private providers. As a result, the private service provider reduced the number of employees from 120 to 80.[458] After several headmasters complained about the poorly provided service, the city council created 16 temporary vacancies to clean a few schools again municipally. After a year, it was to be compared whether the costs of service and quality would be better from municipal or private service providers. „This result did not surprise the staff council, but did surprise the administration. This is because it turned out that the municipal cleaners not only cleaned more thoroughly and reliably, they were also cheaper for the city administration than the private sector – although the city paid the employees to the salary standards of public service and thus far better than the private competition paid their employees.“[459] A more effective system than private providers has improved both the condition of the buildings they care for and also the cost-effectiveness. Although the public building cleaning staff are paid only by pay group 1 and not by pay group 2, as before the privatisation wave, they nevertheless experienced an upgrading of their work. Following this success, the city council decided in 2012 not to place any further orders with private providers. Furthermore, a two-thirds quota for self-cleaning was declared a medium-term target.[460]

Kiel: Public transport

KEY FACTS

- NBB (49%) - Part-privatised
- Own operation of the Regional Capital of Kiel
- 2009

- No tendering as a result of own operation
- Raised customer satisfaction
- More jobs

Kiel is the capital of the northernmost German Federal Region, Schleswig-Holstein and has around 245,000 inhabitants. After the city had privatised the Kiel Residential Construction Company in 1999 and the Kiel Municipal Utility in 2000, in 2003 it also sold 49 percent of the Kieler Verkehrsgesellschaft (KVG) to the Norddeutsche Busbeteiligungsgesellschaft (NBB).[461] Hamburger Hochbahn AG, the Hamburg-Holstein Traffic Company, the Pinneberg Traffic Company and the Vineta Traffic Company from Kiel are also involved in the NBB.[462] The selling price was only 12,450 euros.[463] The aim of the partial privatisation was to provide KVG with a strategic partner with private-sector know-how in order to be competitive.

However, criticism of the public-private partnership swiftly arose. The union Ver.di already had criticised the co-operation with the private operator in 2006 and called for a repurchase of the shares.[464] This was also demanded by government because, on the basis of the new ownership structure, the Kiel Transport Company would have had to submit a Europe-wide call for tenders for public transport in Kiel on 1 January 2011. The Kiel Transport Company would probably be inferior to other providers, which would have meant the loss of around 560 jobs. However, an invitation to tender would not be necessary if the KVG were in the complete ownership of the city.[465] The focus was also on the financial revenue for the municipality, as the reintegration of the Kiel transport company would once again generate 100 percent of the revenue from ticket sales into the city's possession. Therefore, the red-green majority on the city council decided to completely repurchase the privatised shares, which was also supported by the CDU mayor.[466]

The Kiel Transport Company was finally remunicipalised in 2009. However, the repurchase cost the city dearly because it had to pay many times the original sales price – more than one million euros.[467]

The repurchase sum put a certain burden on the budget of the city, which is why the „budget setters of Kiel believed [...] savings of two million euros in personnel costs to be inevitable.“[468] Without lower personnel costs [...] the KVG will take permanent losses.“[469] In fact, remunicipalisation only became possible because a compromise was negotiated with the workforce. „With a one-time payment of several million euros, the city purchased the waiver“[470] of the employees for holiday pay and bonuses but in return they received a job guarantee up until 2020.[471]

In recent years, customer satisfaction with public transport in Kiel has improved to a measurable degree. Every year, customer satisfaction surveys are conducted. In 2010, KVG were rated at 2.22 according to the school grading system. It has already reached 2.03 in 2017.[472] The number of jobs has also increased. In 2017, KVG employed 634 people, 86 more than in 2008.[473] As of 1 Jan 2012, rubbish collection was remunicipalised in Kiel with the aim of keeping fees stable and creating correspondingly paid and secure jobs in the public sector.[474]

Islington: Building cleaning

KEY FACTS

Not known

Islington Council

2010

- Higher income and raised motivation of employees
- Special consideration of people who are excluded from the job market

Islington (London Borough of Islington) is a city district of about 210,000 people located north of the city centre of London. In September 2010, the Islington Council‘s Executive decided to no longer renew the contract for building cleaning services with the private operator and instead to provide the service again on its own account. The aim of the remunicipalisation was to make Islington a socially fairer place by paying employees better. Islington is a borough of London with a high proportion of child poverty, single parents and low-income earners.

A key driver for the remunicipalisation of the building cleaning service was the cost of the outsourced provision: „It costs money to manage an external contract. Both sides will have a contract manager, and the council ends up paying for both. One advantage of bringing it back in-house is that the council can save both of these costs.”[475] The savings from remunicipalisation gave the Council the opportunity „to pay the staff a better wage, improve the service and generate efficiency savings.“[476] Above all, the payment of workers by the private company caused displeasure. The workers were either employees of the private enterprise or agency workers whose employment contracts did not include permanent employment or the right to sick leave and meant a pay below the London Living Wage.[477] The Council has offered workers with the re-transfer a contract that guarantees „London Living Wage and local authority terms and conditions.“[478] So the district wants to help lower the risk of poverty and lead by example.

Raising wages not only affected people‘s living conditions. It also led to increased motivation and an increase in productivity. „Good public services depend on front-line staff who are well motivated and the fact that we have saved money on this service while paying our cleaners a living wage shows that in-sourcing can save money for local taxpayers as well as being fairer to staff.“[479]

To give as many people as possible the opportunity to engage in paid work, the Council has set up a special data pool that takes into account people who are otherwise excluded from the labour market. People can register for this on a platform and are considered at short notice at the times specified by them. For example, this opens up additional income for mothers who otherwise have hardly any chances on the job market because of caring responsibilities.

The Islington district of London has concluded from the remunicipalisation of the building cleaning service as follows: „It is possible to respect employment rights and pay a decent living wage to cleaning staff and have a cost effective and high quality service.“[480] On the basis of the success, Islington also remunicipalised in 2012 the rubbish collection, recycling and street cleaning operations which had been outsourced to the private company of Enterprise.

Cadiz: Service provisions on the beach

KEY FACTS

- Various operators
- Cádiz 2000
- 2017

- Savings
- Gains in efficiency by bundling service provisions

Cádiz is an Andalusian city with just under 120,000 inhabitants. In the city located on the Atlantic, services and facilities on the beach (cleaning, infrastructure and medical care/ambulance services, etc.) were provided by various private operators. In May 2017, the municipal government of Cádiz, with the votes of two municipal electoral platforms (Por Cádiz Sí Se Puede and Gánar Cádiz en Común) and the PSOE (Spanish Socialist Party), decided to municipalise these services, which in the future would be managed by the Cádiz 2000 company.[481] The bundling of services were to save around 308,000 euros per year.[482] The balance after the first year is positive. The local government emphasises the increased efficiency of pooling service provisions on the beach.[483]

The municipalisation was, as in the case of the Madrid bicycle rental, accompanied by the resistance of the opposition parties in the city government. The Spanish People‘s Party (PP), previously the ruling party in Cádiz, decided against a transfer using the argument of inefficiency. The PP and the right-wing Ciudadanos party petitioned for a legal action against Álvaro de la Fuente, member of the Government and President of Cádiz 2000. They accused him of breaking the law in his approach to municipalisation.[484] The Court of Auditors reviewed the case and ruled in April 2018 that no illegality was identifiable and that the municipalisation was properly carried out.[485]

Düren: Street lighting

KEY FACTS

- Stadtwerke Düren - part-privatised
- Dürener Service Betrieb
- 2012

- Modernisation of technology
- Environmentally friendly operation
- Cost savings

Düren is a German town in the North Rhine-Westphalia Federal Region southwest of Cologne with about 90,000 inhabitants. On 1 January 2012, the operation and maintenance of the street lighting in the City of Düren was remunicipalised. The Düren Service Operation (DSB), an enterprise owned by the city, has re-purchased the street lighting and grid from Düren Municipal Utilities (SWD), which are only partially owned by the city. It was agreed that the purchase price would remain confidential, but it is estimated as a price of about 5 million euros.[486]

The Düren Service Operation is a municipal full-service provider responsible for street cleaning, waste disposal, building cleaning, forestry, road, canal, green areas and cemetery maintenance. Furthermore, the Düren bathing lake as well as the local indoor swimming pool, which was also remunicipalised in March 2012, have been operated by DBS for years.[487]

In 2008, the Düren Service Operation commissioned a report on the acquisition of street lighting. This came to the conclusion that the acquisition of street lighting could bring savings potential of several hundred thousand euros. This analysis was based on the conversion of outdated lighting to more cost-effective LED technology,[488] because the energy-consuming 10,500 streetlamps, some of them over 30 years old, [...] were very maintenance intensive and caused unnecessarily high energy costs due to outmoded technologies."[489] An international tender that saw the city being supported by an engineering firm finally found the correct manufacturer of LED lights. Within just three months, 6,500 old lights were replaced with LED lights. This will save about 60 percent of the previous energy costs in the future, as energy consumption will be reduced by 2.8 million kWh. That means an annual carbon dioxide saving of 1,500 tons. At the same time, the maintenance intervals can be extended by a longer service life of the LED lights.[490] In addition to environmentally friendly and cost-reducing effects, it was also possible to increase the quality: „In the course of the project, it became clear how valuable the variable lighting setting options of the light and the LED unit are, in order to meet a wide variety of lighting requirements with high levels of standardisation."[491]

Since the financial possibilities of the municipalities are limited, in Germany such municipal initiatives are supported by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. As part of the climate protection initiative, the Federal Government provided the City of Düren with funding of around 1.5 million euros, which corresponded to about 40 percent of the investment sum.[492] „This exemplary success story in Düren should make municipalities aware [...] of how municipalities can save energy and thus reduce their operating costs over the long term."[493] Ultimately, this can also create added value for the citizens and future generations.

17

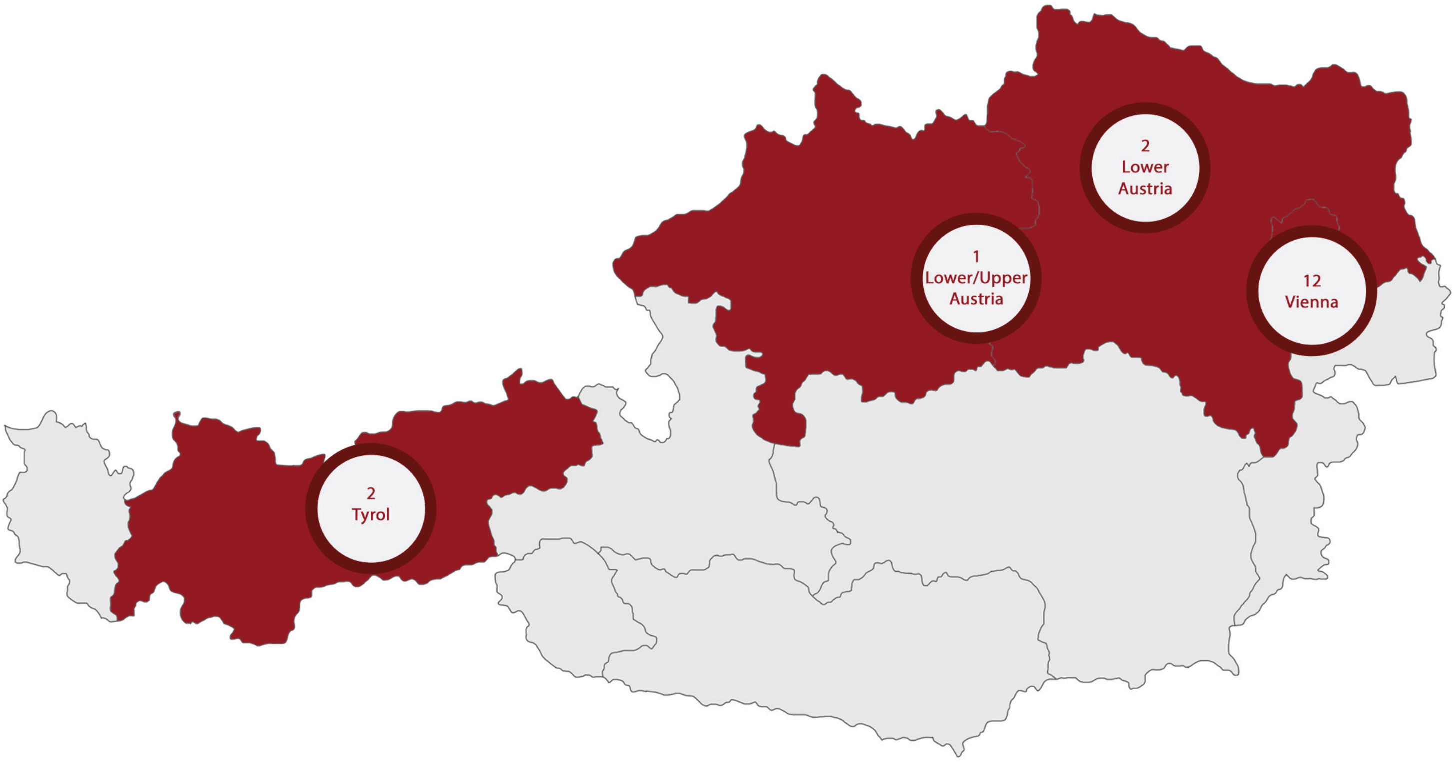
Remunicipalisation

4

Federal States

PART 7

REMUNICIPALISATION IN AUSTRIA



Summary

Austria is still a country with a high level of public involvement in services of general interest. The privatisation trend started later than in other European countries and reached only a small level. Especially at the municipal level, most of the tasks have never been privatised. This applies in particular to the energy and water sectors, where, as before, all large utilities are, at least predominantly, in public ownership. Vienna, the only megacity in Austria, is regarded internationally as a stronghold of the municipal economy. In addition to energy and water supplies, public transport, waste management, municipal housing, public hospitals, care homes, baths, cemeteries and funerals are just a few of the public services provided by the city itself.
17 cases of remunicipalisations and municipalisation since the year 2000 could still be counted in Austria. They are usually very small-scale and spread over different regions and sectors, such as tourism, culture and public transport.

Introduction

There has been little privatisation in Austria in the past 30 years compared to other European countries. Social Democracy, as the leading governing party for a long time, has never oriented itself so much towards the so-called „Third Way", such as its sister parties in Germany and Great Britain. In the 1990s, liberalisation and privatisation were also promoted there under social democratic governments. During the „privatisation-friendly" era under Chancellor Wolfgang Schüssel, it was the strong social-democratically dominated interest representations of the workers, the Chamber of Labours and the Austrian Trade Union Confederation that opposed privatisation.

As a country with relatively high taxes and low debt, the federal, state and local governments in Austria were less exposed to privatisation pressure for financial reasons.[494]
In addition, there was and still is a high level of satisfaction among the population with the quality of services of general interest.[495] Austrian State Railway, MA 48 (Vienna Waste Management and Street Cleaning), Wiener Linien or Wiener Wasserversorgung are just a few of the public-sector service providers that regularly receive top marks in customer surveys. Against this background, considerable resistance should be expected in view of the international privatisation balance sheet.

Organisation of services of general interest in Austria

Austria is still a country with a strong state and municipal economy. The privatisation wave began later and to a much lesser extent. Especially at the municipal level, most of the task areas have never been privatised.

At the beginning of the 1980s, the Republic, regions and municipalities not only possessed a large number of service companies – such as energy suppliers, water suppliers, railways or post offices – but also banks and large industrial enterprises. This situation was not uncommon at the time compared to other Western European countries. The stimulus for the first privatisations was, apart from the international ideological shift towards more private sector economic activity, the „nationalisation crisis" in 1985/86. It was triggered by a scandal involving serious speculative losses by a subsidiary of the VÖEST Group. Since the state industry could only be kept alive in the years preceding with high subsidies, the crisis further shook the confidence in the management abilities of the state.

The privatisations of the red-black governments under Chancellor Franz Vranitzky in the late 1980s and 1990s mainly affected the industrial shareholdings of the Republic. Examples of privatisations and partial privatisations are the sales of VA Technologie, Simmering-Graz-Pauker and Österreichische Salinen.[496]

The black-blue governments under Chancellor Wolfgang Schüssel (2000-2007) went on the offensive with the motto „more private sector, less state".[497] In addition to further privatisations in industry (for example, full privatisation of Voestalpine), sales in the service provision sector now also occurred. This affected large shareholdings in the Post Office, the entire Postal Savings Bank and the majority of Telekom Austria. However, not all plans could be implemented. Thus, the then intensively discussed sale of Austrian State Railways failed.

Privatisation also took place at the level of the regions and municipalities in the 1980s to the 2000s, and in Vienna, for example, of shareholdings in Bank Austria and Gewista.[498] It is interesting, however, to take a closer look at those sectors in which massive privatisations and later remunicipalisation took place in other European countries: energy and water supply. In Austria, they are largely under the control of regions and municipalities.

Water supply in Austria today is „more than 90 percent (...) managed by municipal providers."[499] In 2013, only 92 municipalities had outsourced their water supply to (partially) privatised companies. However, these are often enterprises that are predominantly public property, such as EVN in Lower Austria. An attempt by the French water company of Veolia, to enter the Carinthian water supply sector, failed after a few years. In the meantime, Veolia has withdrawn completely from the Austrian market. In addition to the municipal providers, there are even smaller private water co-operatives locally in some federal regions but these do not operate on a for-profit basis.[500]

Among the major energy suppliers, private companies play a role in Austria, if only as minority owners. The most important of these are the German companies of Energie Baden-Württemberg AG (EnBW) and RWE. EnBW holds 32.5 percent in the Lower Austrian EVN. RWE directly holds 12.85 percent of the Carinthian energy supplier, KELAG and also exercises influence as a minority owner of Kärntner Energieholding (which in turn is majority shareholder of KELAG). In addition, the Australian infrastructure finance company group of Macquarie holds a 25.1 percent stake in Energie Steiermark. The other major energy suppliers are at least 75 percent publicly owned by the federal government, regions or cities.[501]

Vienna, as the only Austrian city with over one million inhabitants, is internationally regarded as a stronghold of the municipal economy. Energy supply, water supply, sewage disposal, public transport, waste disposal, cemeteries and undertakers are just some of the public services provided by the city. Even the social housing was never privatised (except for individual residential houses). 220,000 municipal authority dwellings make „Wiener Wohnen" according to their own information the „largest municipal property administration in Europe".[502]

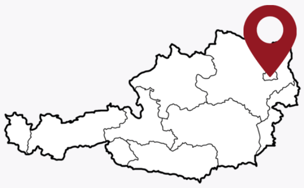
Large energy suppliers in Austria[503]

Electricity supplier	Owner		Ownership structure	
Energie Burgenland AG	51%	Burgendländische Landesholding GmbH		
	49%	Burgenland Holding AG	73,63%	EVN AG
			> 10%	Verbund AG
			5-10%	Wien Energie
			<4%	Diversified holdings
Energie Steiermark	75%	Land Steiermark		
	25%	SEU Holdings Sarl (Luxemburg)		
Vorarlberger Kraftwerke AG	100%	Illwerke	95,50%	Land Vorarlberg
			4,50%	Wertpapiererwerbsgesellschaft mbH (Bregenz)
EVN AG	51%	NÖ Landesbeteiligungsholding GmbH		
	29,99%	Energie Baden-Württemberg AG	46,75%	Neckarpri Beteiligungsgesellschaft
			46,75%	OEW Energie-Beteiligungs GmbH
	17,96%	Diversified holdings		
	1,05%	Own shares		
Salzburg AG	42,56%	Salzburg Region		
	31,31%	City of Salzburg		
	26,13%	Energie AG Oberösterreich		
Energie AG Oberösterreich	52,66%	OÖ Landesholding GmbH		
	13,97%	Raiffeisenlandesbank OÖ AG		
	10,35%	Linz AG		City of Linz
	8,28%	TIWAG		Tirol Region
	5,20%	Verbund AG		See overview
	5,17%	Oberbank AG (consortium)		
	4,43%	Diversified holdings		
KELAG	51,06%	Kärntner Energieholding	51%	Carinthia Region
			49%	Innogy (subsidiary of RWE)
	35,17%	Verbund AG		See overview
	12,85%	Innogy (Tochter von RWE)	86%	Institutional shareholders
	0,93%	Diversified holdings		
Verbund AG	51%	Republic of Austria		
	25%	EVN und Wiener Stadtwerke		See overview
	5%	TIWAG		Tirol region
	20%	Diversified holdings		
Linz AG	100%	Stadt Linz		
Wien Energie	100%	Wiener Stadtwerke Holding		City of Vienna
TIWAG	100%	Tirol region		
Energie Graz	51%	Energie Graz Holding	100%	Holding Graz municipal service provisions
	49%	Energie Steiermark AG		See overview

Remunicipalisation examples from practice

There are also isolated cases of (re-)municipalisation in Austria, which are spread over several different sectors and regions. Since the year 2000, 17 cases of remunicipalisations and municipalisations can be counted at the level of municipal authorities or federal regions.[504] Of these, twelve cases are in Vienna, two in Tirol, two in Lower Austria and one in Lower and Upper Austria (a trans-regional inter-municipal co-operation). Nine cases of (re-)municipalisations in the narrower sense, that is, at the municipal or inter-municipal level, are presented below.

Service bus concessions (Vienna)



KEY FACTS

- Various private bus enterprises
- Wiener Linien
- 2007-2015

- Better co-ordinated timetables
- Consistent quality of provision
- Frictionless operating processes

There are over 100 bus lines in Vienna. The majority of bus service traffic is operated by Wiener Linien GmbH & Co KG (a subsidiary of Wiener Stadtwerke AG). In addition, there are lines used by private bus companies such as Dr. Richard, Blaguss, Gschwindl and others. For a long time, there has been close co-operation between Wiener Linien and private bus companies. Their lines were integrated together in the East-Region transport network, so composite tickets were recognised independently of the operator, as were tickets for Wiener Linien. However, the private bus enterprises themselves owned the concessions for the lines they operated. They also offered their own house rates and were responsible for the timetable design themselves.

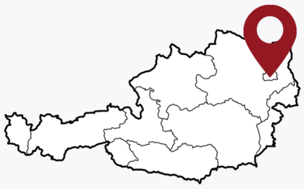
In December 2007, the Vienna Municipal Council, with the votes of SPÖ, FPÖ and Greens, decided to transfer all concessions which were becoming free or newly granted for bus lines within the city limits to Wiener Linien.[505] At the same time, it was stipulated that the line traffic operated by other bus companies on behalf of the Wiener Linien had to be of at least the same extent as at that time. The traffic management should, however, be undertaken exclusively by Wiener Linien.[506]

In the following years, the municipal council decision was implemented. Wiener Linien applied step by step for the expiring concessions of private bus companies. The transport service provision contracts for the lines concerned were subsequently tendered. A contract was signed with the respective best bidder, usually over a period of five years. It is stated in the transport service provision contract that the external operation of the line should also be fully integrated into the traffic planning, traffic management and traffic organisation of the entire Wiener Linien network. There are also precise specifications regarding the capacity, equipment and emission standards of the vehicles to be used.[507]

The last private bus concession was acquired by Wiener Linien in October 2015. However, the municipalisation of the concessions did not lead to the private bus companies being pushed back in their operations – on the contrary: in 2007, only 30 percent of the total passenger kilometres was provided by the private sector, compared with 41 percent in 2015. However, this increase is only very slightly due to the fact that Wiener Linien‘s own operations were reduced. On the contrary, during the period there was a large increase in supply, which was mainly granted to private bus companies.[508]

Wiener Linien sees tangible benefits in the current solution. They can now „decide on schedules and operating hours or check the number of passengers, even if the current operation is given back to a private bus enterprise.“[509] Passengers benefit „through smooth operating procedures, through a uniform and comprehensive information system and through connection security when changing trains.“ Further advantages include „central customer service,“ „demand-oriented interval design from the point of view of an integrated transport enterprise with several modes of transport“ and „modern equipment at bus stops with a well-organised winter service.“[510]

Wiener Linien security team (Vienna)



KEY FACTS

- Securitas Sicherheitsdienstleistungen GmbH
- Wiener Linien
- 2017

- More employees
- Expansion of tasks
- Operation and supervision of stations by the same company

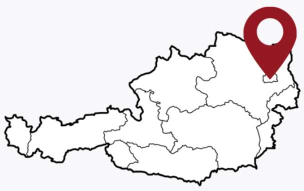
In April 2016, Wiener Linien (subsidiary of Wiener Stadtwerke AG) commissioned the private security service provider of Securitas to supervise subway stations. The staff of Securitas were to patrol through the stations in groups of two and report violations of the house rules. The Securitas employees did not have any powers with respect to private individuals.[511]

Only half a year after awarding the contract to Securitas, Wiener Linien set up its own security and service operation with the Wiener Linien Security and Guard Service. The decision was „based neither on an increase in attacks nor dissatisfaction with the previous contractor. On the contrary, the work of the security forces was so well received that it now wants to institutionalise the mandate within the enterprise.“[512]

In July 2017, the training of the new security staff began, in August 2017, they began their work. The security team is responsible for „ensuring compliance with house rules and de-escalation in difficult situations.“[513] The tasks and competencies are the same as those of Securitas employees.

The number of employees of the Wiener Linien Security and Guard Service will be increased to 120 by 2019. In addition, 210 mobile service employees (responsible for information on timetables, tickets, etc.) will take over the tasks of the previous station control room.[514]

Theatre on Gumpendorfer Straße (Vienna)



KEY FACTS

- Verein Theater an der Gumpendorfer Straße
- Theaterverein Wien
- 2013

- Long-term assurance of the existence of the theatre
- Better financing
- Tendering of the management possible

In 1983, the theatre group „Gruppe 80“ founded a cellar theatre.[515] It was run by Helga Illich and Helmut Wiesner for 22 years. The focus was on contemporary drama and Austrian classics. In 2005, Illich and Wiesner resigned. The theatre co-operative, HIGHTHEA founded the Theatre on the Gumpendorfer Straße Association and re-opened it under this name. The concept of the co-operative was a co-production model in which a heterogeneous program was co-produced with other theatres. The financing was based in the „years 2006 and 2007 on around 94% subsidies from the City of Vienna, the remaining 6% resulting from the association‘s own contributions.“[516] The financing was assured from the City of Vienna up until 2013.

2In 2013, the theatre on the Gumpendorfer Straße was municipalised, by being incorporated as a separate GmbH in the Vienna Association of Theatres. The Vienna Association of Theatres was founded in 1989 by the City of Vienna itself. The five companies of the Vienna Association of Theatres are a special intermediate form between theatres in direct municipal ownership and associations promoted by the city. The purpose was to „support in particular free groups in the execution of productions and in the shaping in the artistic field“[517] and to create the necessary presentation possibilities. The board of the association consists of persons from municipal institutions. The Association of Theatres approves the budgets of the individual GmbHs.[518]

The motives for municipalisation are related to the Viennese theatre reform of 2003-2006. Their target was, among other things, the possibility of an artistic renewal of the Off Theatre. Instead of „directorship for life“, young artists and new productions are given a chance. „Longer lead times and longer-term funding agreements, more transparency“ as well as „uniformity in the award procedure and an overall increase in funding“ were meant to strengthen and modernise the scene.[519] Artistic and commercial management of the theatres is separated, as well as the tenancy or lease of the Vienna private theatres, in order to be able to tender them to the public. Subsidies were no longer awarded according to the „watering can principle“, but according to the motto „completely or not at all“.[520] It was important for the city to have a diversified focus on content and geography, which should be achieved, in particular, by strengthening the theatre scene outside the city centre.

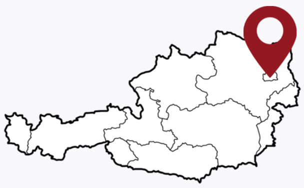
Before the Theatre on the Gumpendorfer Straße, a partial municipalisation of the Ensemble Theatre on St. Peter‘s Square was already carried out in 2009. The Vienna Association of Theatres took over the 30 percent share of the artistic director. The commercial director retained their 70 percent share. The background was that the tenancy agreement for the venue which had been made with the person of the commercial director. A change of ownership would have resulted in new, more expensive rental conditions. After the 30 percent acquisition, the organisation of the establishment was changed. Together with the Werk X, Meidling, the former Ensemble Theatre on St Peter‘s Square is now performing under the brand, Werk X. Both theatres share one management.[521]

For the employees, the (partial) municipalisation has changed little. However, under the new municipal responsibility, particular attention is going to be paid to ensuring minimum standards of pay and job quality.[522]

The results of the theatre reform were assessed in different ways. Above all, criticism came from theatres whose subsidy was removed by the reform. Several small stages were threatened with closure as a result of the financial losses.[523] On the other hand, there was a positive response from those theatres whose existence was assured. The city government and the then opposition parties of Austrian People‘s Party and Greens summed up in a positive fashion: The reform would give „new stimulus, an opening of deadlocked structures, the breaking up of the divisions, better predictability for the theatre and generally more money (...) for the Off Theatre scene.“[524]

Today, some of the theatres that are currently privately owned would themselves wish to be municipalised and have already been offered to the city for acquisition. Municipalisation is seen as a guarantee of survival and a stable financial situation. To date, however, no further municipalisation is planned due to the city‘s budgetary situation.[525]

Wipark Garagen (Wien)



KEY FACTS

- Immoeast
- Wipark (Wiener Stadtwerke)
- 2009

- Takeover after the financial troubles of the private operator

Immofinanz is a listed, internationally active real estate company. The company is primarily active in the development and management of office real estate but also in the residential and logistics sectors. In the wake of the economic crisis, Immofinanz faced an acute liquidity crisis in 2008. The enterprise „had to sell real estate for 800 million euros in order to ‚secure liquidity'."[526] These emergency sales also affected the Wipark garages. Their sale „is part of the Immofinanz Group's new strategy of focusing on the office, retail, logistics and residential segments," said Immofinanz in a press release. At the same time, the sale made „a significant contribution to the necessary stabilisation of liquidity in the Immofinanz Group."[527]

The buyers were the Wiener Municipal Utilities Its subsidiaries STPM Städtische Parkraummanagement GmbH and Parkraum Wien Management GmbH have emerged as best bidders from the bidding process. The purchase price was not communicated.[528]

At the time of the sale, Wipark had more than 30 garage locations in Vienna, Graz and Budapest with a total of 10,600 parking spaces.[529] The locations in Budapest were resold in 2010 to the List Group.[530] Today, locations in Vienna, Brunn am Gebirge and Mödling are operated by the Vienna City Utilities, still under the brand name of Wipark.[531]

Skigebiet Forsteralm (Oberösterreich)

KEY FACTS

- Forsteralm Skilifte GmbH (Franz Forster)
- Ennstal-Ybbstal Infrastruktur GmbH
- 2017

- Saving of the ski area
- Inter-municipal co-operation over regional borders
- Successful crowdfunding campaign

The ski resort „Forsteralm" south of Waidhofen on the Ybbs on the Upper Austria-Lower Austrian border was founded in 1979 by Franz Forster and operated by his company Forsteralm Skilifte GmbH for 37 years. It is located in the municipal area of Gaflenz (Upper Austria), directly on the border to Waidhofen/Ybbs (Lower Austria). The Forsteralm is conceived as a small ski area intended to appeal to families and children.

The slopes of the Forsteralm are located at 720 to 1,078 metres in altitude. In the years before 2016, the ski resort had to deal with warm winters. Since there was no modern snowmaking facility, only a handful of working days were possible. In addition to the commercial difficulties, the health of the operator Franz Forster deteriorated in 2016.[532] The closing of the operation was threatened.

Political life in the region was very much in favour of preserving the ski area. The motive was especially the emotional meaning of the ski area for the population. However, local political reasons such as promotion of the tourism industry also played a role, as did the preservation of approximately 15-20 (seasonal) jobs as well as those jobs indirectly dependent on the ski area, such as in the hotel industry.[533]

It was examined as to whether another private entrepreneur could be found who was interested in taking over the ski resort. Since the commercial risk was ultimately too high for all private parties, the regional politicians tried to find an alternative solution. From the outset, the members of parliament, Andreas Hanger and Johann Singer (both Austrian People's Party) and the local mayors, were particularly involved.

The only solution for the preservation of the ski resort proved to be acquisition of the infrastructure of the ski area by the public sector. The special challenge of this project was that the border location of the ski resort required co-operation across regional borders. A municipal authority like Galfenz could not have taken on this project on their own.

In the summer of 2016, four Lower Austrian municipalities (Waidhofen/Ybbs, Ybbsitz, Opponitz and Hollenstein/Ybbs) and four municipal authorities in the Upper Austrian Ennstal (Gaflenz, Weyer, Maria Neustift and Großraming) decided to take over the ski resort. The object of the purchase was the entire fixed assets of Forsteralm Skilifte GmbH. This mainly included the lifts and piste equipment.[534] The pistes themselves were not included, as Franz Forster previously leased them from several local landowners.[535]

Until the founding of a cross-federal region inter-municipal company, the Wirtschaftspark Ybbstal GmbH became the promoter.[536] The municipalities decided to take over the infrastructure but to keep the business in private hands. As new operators, two regional entrepreneurs and one club were found in 2016: the Manfred Großberger Ski and Snowboarder School, the Waidhofen an der Ybbs Sportunion and entrepreneur, Wolfgang Resch (Sport Ginner). The municipalities as infrastructure owners and the three new operators jointly developed a plan for the modernisation of the ski resort.

The first step was a scientific report at the beginning of 2017, which was intended to provide information on how the assurance of snow through snow-making facilities could be increased.[537] In this study, which was compiled by the University of Innsbruck, it was predicted that modernised snow-making facilities would probably still be commercially viable for at least 10 years.[538]

It was decided to invest in a new snow-making facility on the basis of the expert report. The costs amounted to around 1.6 million euros. Although there were funding commitments from the Federal Regions of Upper Austria and Lower Austria, these covered only about two-thirds of the costs. Project coordinator Thomas Wagner suggested that the remainder should be raised through a crowdfunding campaign from companies and individuals in the region.[539]

For the idea of crowdfunding, from the point of view of the participants, there was another aspect in addition to the financial aspect: this instrument can be used to „involve those affected", as national parliament representative Hanger put it.[540] The response in the population and the media was overwhelmingly positive. By 7 July 2017, it was possible to motivate around 1,000 private individuals, companies and associations to make donations. Some municipal authorities also contributed to crowdfunding, the majority of the money coming from Waidhofen (40,000 euros) and Ybbsitz (9,000 euros). Ultimately, the revenues amounted to 460,000 euros. This is a good 50 percent above the self-imposed target.[541] Once the financing had been secured, the modernisation of the snowmaking facility by local construction companies began in September 2017. The facility was completed by the start of the season in early December.

On 14 December 2017, the final legal design for the municipalisation of Forsteralm was established. Ennstal-Ybbstal Infrastruktur GmbH was founded as the first inter-municipal company between Upper Austria and Lower Austria. Behind the company are the seven municipal authorities of the Upper Austrian Ennstal Infrastructure GmbH (Gaflenz, Weyer, Großraming, Maria Neustift, Reichraming, Losenstein and Laussa) as well as the five municipal authorities of the Lower Austrian Wirtschaftspark Ybbstal GmbH (Waidhofen, Ybbsitz, Opponitz, Hollenstein and St. Gallen Georgen/Reith). As usual, the lift facilities will be leased to the operator consortium of Waidhofen Sportunion, Manfred Großberger Ski School and Wolfgang Resch. „In the first instance, this new company aims to preserve the Forsteralm in the long term.“ It is „however not excluded that this company will be co-operating on other tourist projects across the country.“[542]

From a purely business point of view, the municipalisation of the Forsteralm ski resort is a loss-making business for the public sector. For the modernisation, the regions of Upper Austria and Lower Austria have distributed a total of more than 1 million euros in non-repayable subsidies. If the revitalisation of the ski resort fails, the decommissioning of the infrastructure would also need to be funded by the municipal authorities. The lifts could be dismantled and sold but they lose value from year to year.[543] The three private operators are paying a lease to Ennstal-Ybbstal Infrastruktur GmbH, which should only cover their costs. There is no profit interest on the part of the municipal authorities.[544] According to Mayor Krammer, the private operator GmbH is not directly profit-oriented but merely seeks to cover costs. However, ski school operator, Großberger and sports shop owner, Resch in particular have a commercial interest in a well-visited ski resort.[545]

Andreas Hanger and Werner Krammer, as stakeholders, have concluded very positive results from the municipalisation. All participants (politics, companies and population) have pulled together, which was very important for the success. There is a high level of identification of the people in the region with the project. Crowdfunding, in particular, had been a great success, as it has managed to „involve people“.[546] Nevertheless, the crowdfunding tool is not applicable to many other projects. It is a big effort and only works with „emotional projects like this.“[547] Now plans are already being made for a year-round use of the area.[548]

The financial sustainability of the project cannot be assessed at the moment. The coming years will show if the ski resort can continue to operate for at least 10 years, as predicted. If not, in addition to the loss of the ski resort, the municipal authorities will incur additional costs for dismantling the infrastructure. If, on the other hand, the plan works and a cost-effective business can be secured for a long time, it will probably be a case of successful municipalisation.

Patscherkofelbahnen Innsbruck (Tirol)

KEY FACTS

- Peter Schröcksnadel
- Patscherkofelbahn Betriebs GmbH
- 2014

- Closure of operations prevented
- New construction of the cable car, reduction in the size of the ski area
- Financial difficulties for the city as a result of the takeover

The Patscherkofel has been connected to the Innsbruckdistrict of Igls since 1928 by the Patscherkofel Cable Car, an aerial cable car. The Patscherkofel Cable Car was operated for a long time by the Innsbruck Transport Operation, a subsidiary of the City of Innsbruck. In 1996, the railway and its associated ski area were sold to an enterprise owned by Peter Schröcksnadel (since 1990 President of the Austrian Ski Association). He made some major investments in the ski resort during the 18 years of his ownership. These include the construction of the „Panorama Lift“ chairlift, the opening of a restaurant and the modernisation of snow making equipment.

In 2012, a high investment requirement would have been necessary for the modernisation of the old cable car. Schröcksnadel threatened the city with discontinuation of the loss-making business and at the same time sought financial help from the City of Innsbruck The contractually-agreed operating obligation until 2016 no longer applies: „The contract is clearly regulated, if the operation is no longer commercially justifiable, then I can stop the operation of the railway.“[549]

The city‘s policy was very much concerned with the preservation of the Patscherkofel as an important recreational area for the people of Innsbruck. After lengthy negotiations, the municipal council decided in May 2014 with 38 votes to 1 to re-purchase the Patscherkofel Cable Carsand the associated ski area (overall operation and companies). In specific terms, it was decided that in the first step „all cable facilities and accessories would be included in a separate infrastructure company.“[550] „The company shares of this infrastructure company will then be taken over 100% by the City of Innsbruck.“[551] In a second step, Patscherkofelbahnen GesmbH & Co KG was to be acquired as the operating company. „This company not only contains all rights and concessions but also the staff needed to operate the equipment.“[552] The agreed purchase price was 10.7 million euros. The cut-off date for the takeover was set for 1 October 2014.
What specifically should take place with the ski area and the cable car was not clear at the time of the acquisition. In the municipal council there were votes for closing down, maintaining the status quo and expanding the ski business, as well as for the renovation and new construction of the cable car.[553] Based on a study by a Swiss tourism consultancy, in the autumn of 2015, the local council decided to demolish the old aerial cable car and the smaller lifts that Schröcksnadel had built. A new circulating cable car should instead supply the entire area. The summer use should be strengthened, for example, by the local storage reservoir being used as a bathing lake. The estimated investment amounted to around 41 million euros. The decision was supported in the city government by „For Innsbruck“ (FI), the Austrian Socialists and Greens as well as the Austrian People‘s Party. The Austrian Freedom Party voted against the concept.[554]

While the remunicipalisation of the Patscherkofel Cable Car caused little resistance, the city‘s new uses triggered fierce public debate. A citizens‘ initiative was formed in Igls, which stood up against the new building as well as the relocation of the valley station and criticised the cost of the project.

Another fierce controversy arose after March 2016, after the winning project for the new construction of the Patscherkofel Cable Car was presented. A citizens' initiative and the Alpine Club fiercely resisted the project, as the new mountain station would impair the view of the Alpine Club restaurant. In addition, the planned new catering provision at the mountain station created competition for the Alpine Club. In June 2017, there was a referendum on the citizens' initiative introduced by the Alpine Club. It failed due to the low turnout of only 4.3 percent.[555]

The construction of the new cable car was commenced in April 2017. The old aerial cable car was replaced by a mono-cable gondola with 10-passenger cabins. It commenced operation at the start of the winter season in December 2017. At the same time, the rest of the ski area was re-dimensioned for commercial reasons and several old ski lifts were taken out of operation.

Other parts of the project have not yet been turned into reality. The toboggan run is about to be put out to tender. After completion of the overall project, it was the city's target to run the business with a balanced financial result. A negative result of 950,000 euros was reported in 2015/16.[556]

The pleasure around the new Patscherkofel Cable Car now being finished is contrasted with much criticism from Innsbruck over the course of the project. Municipal Councilor Angela Eberl (SPÖ), the supervisory board member of the now municipal Patscherkofelbahnen GmbH, criticised the „rush job" when buying the train, saying they had let themselves be pushed by Schröcksnadel too much. The price of 10.7 million euros was too expensive. It would have been necessary to resell lift facilities that were no longer needed afterwards at a loss. It was right to remunicipalise the cable car but from today's point of view such a project should have been slower and experts should have been more involved. The utilisation concept was also not optimal and the acquired governmental control options were not well used. In a municipal project, special attention must be paid to affordability for low-income groups. Instead, the plan for a bathing lake accessible to all had been discarded again and the fees for the cable car increased.[557]

PART 8

DEVELOPMENT IN THE AREA OF SERVICES OF GENERAL INTEREST

Summary

The current development of services of general interest ranges between remunicipalisation by the municipalities, on the one hand, and the further promotion of liberalisation and privatisation by the European Commission, on the other hand.
The austerity policies of the European Union and many nation states limit the financial scope of the municipalities, which are necessary for remunicipalisations.
The European Commission is trying to promote liberalisation in the individual areas through new measures such as the 4th Railway Package. In addition, the negotiated free trade agreements (CETA, TTIP and TiSA) contain major obstacles to the possibility of re-transfer after privatisation. Challenges also arise directly for municipal utilities. They need to keep up with the evolutions and requirements of the time in order to stay competitive. One of the challenges municipal utilities face in the coming years is digitalisation. However, it also offers a number of opportunities such as cross-divisional customer solutions, new business areas and the further development of services of general interest.

Austerity policy

The future of services of general interest in European countries seems to be characterised by contradictory developments at local and transnational level. On the one hand, the present study, with its numerous examples of remunicipalisation has illustrated the trend towards strengthening public welfare-oriented services of general interest. On the other hand, the efforts of the European Union to open up public service provisions to international competition and trade are progressing.

The liberalisation course of the European Union is being continued by the restrictive fiscal policy or austerity policy that has been pushed ahead since the financial market crisis. The term austerity policy is understood as a rigid austerity policy designed to reduce public debt even in times of crisis. This has given rise to programs such as the European Semester and the Fiscal Compact, which has increased the regulation of spending by EU Member States through savings and structural reforms. As a result, the pressure on public services was exacerbated particularly for the countries that had to negotiate conditions for the payment of funds from the rescue package with the troika (comprising the European Commission, the European Central Bank and the International Monetary Fund). These conditions included extensive privatisation of public service provisions and supply enterprises, salary cuts in the civil service and financial cuts in social education and health care systems.[558] In Greece, as a result of the European austerity policy, not just individual sectors of the services of general interest are on sale, but almost all, including water and waste disposal, which tend to play a rather separate role in privatisation efforts.

However, the rigid austerity programs have produced a stronger recessionary impact than was expected, and the privatisation has hardly had any positive effects – rather a social destabilisation has taken place, which in turn has had a negative impact on the economic performance of the countries. The austerity policy, the strengthened liberalisation of public service provisions and the competition orientation (in the EU market) remain nevertheless the general consensus in the European Union. This is evident not only in the targeted bilateral or multilateral free trade agreements but also in EU-internal measures such as the Fourth Railway Package.

Fourth Railway Package

With the Fourth Railway Package, the member states' national railway markets will be opened up to companies from neighbouring countries. As early as 2020, rail companies in the EU have the right to offer rail transport services in all member states. Three years later, in 2023, tendered public service contracts will be open to all railway companies in the EU. With only small distances of less than 500,000 train kilometres and a contract volume of less than 3.2 million euros, direct awarding is permitted. Whether after 2023 the direct award of larger contracts is still possible remains controversial among the experts. According to the Austrian Ministry of Transport, this is the case as long as certain performance criteria can be met.[559] The declared objective of the railway package along with the standardisation of registration procedures for rail vehicles and the inter-operability of railway systems, is to make rail transport more attractive in the European Union. The liberalisation of the sector aims to increase the competitiveness of European railway undertakings over other modes of transport, to increase investment and to make services for customers more diverse and less expensive.[560]

It remains unclear how this package will specifically affect rail transport in the member states. However, experience shows that market openings, privatisations and the competition increases provoked usually do not bring the advocated benefits. On the contrary, as the numerous cited country examples show, they often lead to declining investments, loss of quality, price increases and losses in security of supply. Examples of liberalisation and privatisation of rail transport in the United Kingdom show that, after numerous serious accidents involving more than 40 people and around 700 injuries, re-nationalisation of rail infrastructure has begun. Especially in the area of mobility, these negative effects would be quite fatal, as they mainly affect an already low mobility population and disturb important regional development opportunities. This is because a restriction in mobility means at the same time losses in other areas of life, such as social participation and the labour market.

Free Trade Agreements: CETA, TTIP and TiSA

To achieve the free movement of goods, the European Union also seeks to conclude bilateral or multilateral free trade agreements, such as CETA, TTIP and TiSA. These, too, pose risks for the provision, financing and organisation of public service provisions and may make targeted remunicipalisation more difficult.

The actual effect of the various free trade agreements on the provision of services of general interest in the countries depends on the obligations arising from the respective agreements for the regions and municipalities. The principle of national treatment, the obligation to market access and the protection of investment are important for municipal services of general interest.

The principle of national treatment must not discriminate between foreign service provisions and service providers on the one hand and domestic ones on the other hand. This means that regulative and financial measures which favour domestic service providers (for example, exclusion of foreign companies from the provision of a service or exclusion from subsidies) are not permitted. If local government now wishes to entrust a local or regional service provider with services of general interest in order to ensure that action is taken in the best interests of the local population, this conflicts with the principle of national treatment.[561]

The obligation to guarantee market access excludes any possibility for qualitative or quantitative market access restriction. These include not only the exclusive rights of private service providers, but also the classical instruments of public services of general interest such as public monopolies, economic needs tests and legal form requirements.[562]

However, the extent to which these obligations are relevant to local services of general interests depends on the structure of the free trade agreement, which can be operated with positive or negative lists. While they may impose the same exemptions and obligations, the negative list approach increases the pressure for more liberalisation commitments. Efforts to ensure state autonomy are perceived as barriers to trade in the negative lists and governments must negotiate under some pressure to justify themselves.

Existing European Union trade agreements, such as the GATS, are based on the positive list approach, which means that only those sectors expressly mentioned in the treaties are subject to liberalisation obligations. However, CETA and TTIP follow the negative list approach, TiSA a hybrid form of both approaches. The negative list approach must list those sectors that should not be subject to privatisation obligation and measures that already exist or that will be applied by the government in the future. Since CETA can only take measures that are less restrictive than those already in place (unless they are listed in the negative list), it is important to also consider possible scenarios of future remunicipalisation following liberalisation, so that they do not become impossible as a result of the so-called ratchet mechanism.[563]

In practice, this means that an existing public monopoly, for example, in the local water supply, may persist despite a breach of the market access obligation if it is listed in the negative list. If that monopoly is later abandoned and privatised, it cannot be restored to its original form. In addition, the future remunicipalisation of this sector is also listed in the negative list.

The North American governments are legally trained in these blacklists because they are applied there by default, and the challenge for European states is to use precise wording to ensure that municipal/state autonomy for public services does not become limited by free trade agreement liberalisation commitments.[564]

A further restriction of the regulatory autonomy of states and municipalities can arise from the chapter on investment protection included in the CETA and TTIP and the investor-state arbitration proceedings (which are particularly criticised by the public). Here, the principles of fair treatment and the obligation to compensate for indirect expropriations can be problematic for public services of general interest. If, for example, the municipal administration wishes to impose a public interest obligation or a price ceiling on a foreign investor, this can be regarded as unfair treatment and indirect expropriation and is thus incompatible with investment protection.[565] Minimum social and environmental standards, which exist in some European Union countries, could therefore be the cause of a legal claim. This also applies to the case that local city governments and municipal administrations withdraw concessions from private foreign operators at an early stage. In addition, private foreign investors can use the Investor-State Arbitration Procedure (ISDS for short) to combat state measures before an international ad-hoc arbitration tribunal, thereby circumventing internal state remedies.[566] Numerous cases of such international arbitration are already known, which were triggered by targeted remunicipalisations (or regulations), particularly in the water and energy sectors.

For the European countries, it will be important in the negotiation of the agreements to ensure that their right to regulation, especially in public services of general interest, is not limited by the obligations of the free trade agreements and that sufficient clear mechanisms for their protection are granted. At the same time, a future change in public services must be considered.

Challenges for the municipal utilities

However, the future of services of general interest is not exclusively influenced by the legal framework of the European Union's fiscal rules and international free trade agreements. The concept of services of general interest includes different services depending on the historical, local and socio-political context and is subject to social change processes. These emerge from new local, regional and global challenges, such as increasing urbanisation, demographic aging, digitisation and the growing negative impact of environmental degradation. This also results from changing needs in the population, which must be addressed by the local suppliers in order to maintain public welfare. Public service providers – municipal utilities – must also play the role of innovators in order to keep pace with the developments and requirements of the times in the interests of the population.

Municipalities have played an important role in the growth and organic development of economies since their rise in the Middle Ages through the (public) capital associated with them (see Part 1). Via super-critical processes of spatial concentration in the course of the (1st) Industrial Revolution, this role has gained in importance. They are at the cradle of new economic institutions that should serve the increased local needs for centralised services. These „utilities" were explicitly geared towards the needs of the population in the agglomerations and financed and borne by it through taxes. They were organised along the individual identifiable requirements of the municipalities (service sectors), which continued to increase as a result of the economic and technological development of society; based on the original services aimed at disease prevention, such as water supply, sewerage, bathhouses, hospitals or undertakers, especially larger municipalities have developed the wide range of services (multi-utilities) as we know them today.

For almost 150 years, little has changed in the basic concept of the local economy or municipal utilities. This is especially true for the view that the public sector has on the business (business model). However, the last decades have increased the pressure on the municipalities. Market liberalisation in the energy sector, which is crucial for municipal utilities (beginning with electricity at the end of the 1990s), the associated separation of the network and energy business (unbundling), the reformed budget law of the EU („Maastricht criteria"), which has triggered numerous spin-offs across all sectors, the investment backlog In central infrastructure areas, which demanded new financing strategies (sale, sale-and-lease-back variants or co-operation with other municipal authorities) and finally the intensive discussion on services of general interest, has repeatedly forced the public sector management to make adjustments. However, the basic internal organisation of the municipal economy, an organisation geared towards individual sectors and services, has remained relatively untouched. However, this organisation of business today is increasingly in conflict with the demands of modern markets and high-performance sales in the context of multi-product companies.
Even if at this point the important social role of municipal enterprises should be emphasised here, earnings aspects must be taken into account in order to ensure that the supply of basic services to the local population can be financed in the long term. Now that demand is more and more centred on complex needs, the thematic and functional integration of many of the traditional and technological breakthroughs into business profitability becomes more and more important.

Digitisation as an opportunity for cross-sector customer solutions

Publicly organised mobility today no longer simply means the physical transport of people by public transport between two points, but covers many variants of motorised and non-motorised individual transport, including the large area of e-mobility.

All our „movements" in the emerging virtual spaces of the Internet, an area with enormous potential for public utilities and their customers, can also be understood as being modern mobility. Even today, for example, modern smart network concepts, together with energy service provisions, are consolidating into new municipal service provisions.

However, especially with regard to the topics of Internet, on-line services or sales in general, the need for adjustment in the organisation of the business, which is necessary to exploit this potential, becomes clear. In practice, today there is still a highly fragmented system of individual presences and isolated activities of individual sectors within the companies of the municipality. The (horizontal) co-operation across the business units, for example, within the framework of cross-selling activities (cross-sector customer solutions), is still difficult to put in place and the internal solidarity of the individual areas in connection with cross-sector financing solutions (tax cross-linkage) is low. This can be seen in product development, in the sharing of resources, in the implementation of common technical solutions and in pricing (price bundling). Thus, in the area of the local economy, municipal utilities and the numerous outsourced group enterprises, we continue to observe the phenomenon of operationally largely isolated business units, which slow down important adaptation processes at the level of municipal operations and endanger the successful further development of the concept of municipal services.

Against this background, a new disruptive set of technologies unfolds its impact, which via digitisation finally dissolves the localisation (location association) of data and makes it more or less a ubiquitous resource. The new degree of availability of information is not only a big challenge for privacy, but also a „game changer" in the area of the economy. Information is transforming markets on a large scale, providing greater transparency and enhancing their performance as award mechanisms. For the municipalities, this means new opportunities in relation to the customers in the local and regional markets and, as a result, better protection of the position of their companies as the dominant provider of centralised services. The prerequisite for this, however, is the overcoming of the mentioned „sectoral thinking" in the area of municipal operations and strategic investments in the onsite digital infrastructure.

Best practice: Upstream Mobility

The municipal and digital platform "Upstream Mobility" of the Wiener Linien and Wiener Municipal Utilities is a good and current example in this context: The municipal platform, available as an app, links various urban means of transport and thus facilitates the combined use of public, collective and individual mobility offers. It thus provides an important infrastructure for a population that is increasingly "online" and whose mobility needs are becoming ever more flexible. Especially in large cities such as Vienna, car traffic for the individual is losing ground due to the increasing demand for sustainable transport solutions in combination with attractive sharing concepts. Due to the successive changes in urban mobility and progressive urbanisation, municipal mobility providers or the mobility systems organised and controlled by them are particularly challenged.

While horizontal co-operation within public enterprises is developing only slowly, management appears to have recognised the importance of digitisation for the future of the municipal economy. At least, this is indicated by numerous surveys in the area of municipal utilities.[567] Examples from Austria (including Vienna and Graz) and Germany (including Munich and Hamburg)[568] for the digitisation of municipal utilities support this finding, even if the strategic direction and the prioritisation between municipalities can be quite different. In any case, a central element of a successful strategy seems to be network coverage of public space (WLAN availability in defined areas of the city or municipality area) through municipal infrastructure. It forms the basis for many developments in the future. In particular, it is about the friction-free access to citizens (smartphone penetration was 96% in Austria in 2018, 94% mobile web use),[569] in its two roles, on the one hand, as a stakeholder in the democratic process at local level and, on the other hand, as a consumer of public services. With regard to its second role, digitisation in particular enables optimisation in the area of traditional services. On the one hand, stronger digital networking between the sectors can support the co-operation between the utilities (including product development, cross-selling and internal billing), on the other hand, the increased data exchange between consumer and supplier can place prices in the area of (public) public services on new foundations. One example is public transport (as well as smart metering in the energy sector), where digitisation (in particular via the expansion of WLAN availability in public spaces) creates new opportunities for the charging of mobility services. In the future, based on strategic considerations (for example, modal split targets), it will increasingly be possible to bill more accurately via digitally available information (geo-data) in a more targeted, user-bound and fair manner (duration, distance, time, frequency). These and other process and product innovations triggered by digitisation form the basis for sustainable financing of the important municipal services.

Development of new business fields through apps

Further opportunities are offered by the digitisation and strategic expansion of the municipal digital infrastructure, also with regard to the prospective expansion of the traditional municipal service portfolio. Via the services which can be activated (app push functions) implemented in the mobile terminals of the consumers (hardware and/or software), real-time marketing information can be provided to consumers in the future, depending on the location. This will open up a business area that has the potential to make a decisive contribution to the financing of municipal services in the future. Potentials of this kind can be effectively raised, inter-alia, through greater co-operation between municipal companies and external partners, which often provide internally (currently) unavailable technological know-how in the context of service provision. Not neglected in this context are also localised impulses for growth that can result from services of this kind.

Services of general interest in the Internet age

In the context of the development of services of general interest, the development of broadband infrastructure (see above) plays a crucial role, a fact which reinforces the requirement to bundle these assets in the public sector. If one thinks of classic public services, such as water, waste disposal or energy, the connection between municipal services and the internet has, however, not been seen for a long time. It turns out, however, that as technology advances, those services that can be considered fundamental and existentially important increase in quantity and scope, creating new challenging roles for municipalities and their enterprises. Fast and efficient Internet is more and more a question of social participation and existence, yet the supply in Austria is currently not nationwide. Especially in rural areas (with few exceptions) the availability of high bandwidths is still too low, as private development is oriented towards profitability and thus favours the lucrative metropolitan areas. However, fast Internet would be a key new pre-condition for the success of municipal services and the local and regional economy, especially for small municipal authorities in peripheral regions. In this context, digital infrastructure is the key location factor that secures and creates jobs in rural areas, potentially inhibiting emigration.[570]

In terms of their impact on the quality of the political process at local level and on the possibilities of participation, neither (free) digital services are to be underestimated in the future nor are equal opportunities for full access to information as a sociopolitical target. They are capable of taking the democratic process (not least also in connection with the development of the municipal service catalogue) to a new level and of deepening the relationship between the municipality and its inhabitants.

Take advantage of the opportunities

Increasing the capacity of the municipality as a provider of central services in the area of services of general interest and beyond and a high degree of identification of the citizens with their community guarantee a successful future for municipal enterprises. Preconditions for this certainly involve solving organisational problems in the area of the municipal economy, increased co-operation with external partners and risk taking in connection with digitisation. Thus, the question is no longer how to prevent municipalities from being pushed out of traditional business areas but what routes need to be followed or what measures must be taken to decisively strengthen the role of municipal enterprises in the local system and to sustainably develop the portfolio of the public sector.

SUMMARY

Over the past four decades, liberalisation and privatisation of public service provisions has also been promoted in Europe. These sectors of the economy were to be opened to competition in order to create more supply and benefits for consumers. The European Commission has significantly promoted this development through numerous liberalisation directives. National or local monopolies were to be dismantled and new providers admitted. Development progressed at different speeds and to varying degrees in the sectors. However, hardly any area of general interest was spared. Energy, water, waste, local public transport, health services, postal services, telecommunications, care facilities and more have been transferred or sold at national and municipal authority level to private authorities. Private owners have often taken over public utility monopolies and new providers have arisen in the market only in a few cases. For the municipal authorities, it seemed like a good deal as selling service enterprises or transferring the operations closed holes in the budget.

The privatisation euphoria in Europe had already largely disappeared at the beginning of the millennium. The promise of better performance at a lower price has too often not been kept. Instead, there have been price increases, lack of investment in infrastructure, massive job cuts and a worsening of working conditions in the enterprises. The municipalities had lost control of the service provisions but were still on the receiving end of the growing displeasure of the population. In some cases, there were such large quality defects that municipal authorities had to intervene in an emergency at short notice.

Many municipalities therefore wished to bring the privatised services back under public responsibility. The services were and are granted through concessions to private individuals who have a fixed term (usually several decades). After the expiration of the concession, the municipalities have the opportunity to take over the service or the enterprise again. In some cases, where private provision of services was disastrous, the service was repurchased before the concession expired, usually requiring much money. The (re)purchase of companies by municipalities or the re-acquisition of the operation is referred to as remunicipalisation.

Cities and municipalities, as well as European metropolises such as London, Paris, Berlin and Madrid, have seized the opportunity and have remunicipalised various services of general interest in the last two decades or so. Since the turn of the millennium, 700 cases of remunicipalisations at national and regional level in 20 European countries have been known throughout Europe. This trend is strongest in the energy sector with 298 cases in 8 countries. 284 of these took place in Germany. The expiry of franchises concluded in the 1990s gave the municipal authorities the opportunity to take electricity generation back into their ownership. Major cities in Germany such as Hamburg as well as small municipalities have seized the opportunity. In other European cities, there are only isolated remunicipalisations of electricity companies.

There were 166 remunicipalisations in the water sector in 12 countries. Most of these took place in France where there is a long tradition of private water supply. Again, in the past 20 years, as a result of expiring concessions, municipalities from Paris to Nice, this has been taken back into public responsibility because of dissatisfaction with the private service provision. The private share in the French water supply has fallen since 1970 from 82 to 61% (2015). In Spain, 27 water utilities have been remunicipalised in recent years. In Germany, where the water supply is largely in municipal ownership, there have been 17 cases of remunicipalisation.

In the waste sector, 26 cases of remunicipalisation in 5 European countries have so far been counted. Half of these in Germany. The other remunicipalisations have taken place in Great Britain, France, Spain, and Norway.

There were 210 remunicipalisations in 20 countries in further areas of services of general interest. Almost a quarter of them in the United Kingdom. Even the country where privatisation got started in Europe is rethinking these decisions.

There have also been 17 remunicipalisations in Austria in recent years. In various regions, services in various sectors such as tourism, culture, and public transport have also been transferred back. The small number of mostly small remunicipalisations in Austria is due to the high level of public commitment in services of general interest. In this country much less privatisation has taken place than in other European countries. At the municipal level, the major energy and water suppliers are (mostly) in public, often regional, ownership. The Federal Capital of Vienna is even considered a European flagship city of the municipal economy.

The failure of private providers is one of the main reasons for remunicipalisations. Privatisations have often failed to keep their promises when it comes to structuring their charges. Huge price increases, however, are a burden especially for low-income households. A municipal enterprise can counteract this. For example, the water utility in the Nice metropolitan area introduced a social pricing system and lowered prices for small consumers after being re-transferred to public ownership, while prices for bulk consumers were increased in order to keep the enterprise‘s turnover stable. The extent to which municipal utilities can design fees is also shown by Berlin. Before remunicipalisation, water prices were among the highest in Germany and are now among the lowest. The main reason for this is that the City of Berlin declines to make a profit from it. All revenues are reinvested directly into the enterprise.

Quality has not been raised by private providers or it has deteriorated. Infrastructure investments were neglected by private individuals in favour of higher profits. For example, upon the partial privatisation of the London Underground, this led to technical problems and derailments of trains. Lack of investment in water supply leads to leaking pipes and pipe breaks. In Paris, private suppliers have neglected investment, causing many pipe bursts. Only at the urging of the city were the investments made but the costs were passed on to the customers. The water prices exploded.

Municipalities now have significant opportunities through a remunicipalisation. City-owned enterprises can make an important contribution to overall targets for sustainable development. With the control sovereignty regained through remunicipalisation, services of general interest can again be carried out in a way that is oriented to public welfare rather than exclusively profit-oriented. Aspects such as security of supply and disposal, sustainability, transparency, affordability and the maintenance of quality, environmental and social standards play a role. This has been understood by the City of Bergkamen. After the good experiences with remunicipalisation of the power supply, water supply, street cleaning and waste disposal were later brought back into their own responsibility – with success. Associated with this were improvements in the working conditions of employees, fee reductions, increased policy structuring flexibility, and investments in environmental sustainability.

Municipalities generally contribute significantly to the growth of the local economy. An input-output analysis for Austria shows the positive effects of the expenditures of the municipalities on economic output, value creation in the system, incomes and the employment situation. The municipal authority sector is proving to be a key player in the domestic economy and contributes significantly to growth and development. This finding is not only valid for Austria but also shows the significant role of public infrastructure investments. Local communities use local infrastructure and infrastructure-associated services to increase the productivity of factor markets and the competitiveness of the location. It is important that the public sector continues to invest as a „social entrepreneur“ in the area of basic services for the population.

Regional labour market policy targets can be more easily implemented and transposed with municipal companies. In their own companies, municipalities can prevent precarious employment and create regular, fairly paid and socially insured jobs. Similarly, disadvantaged groups (for example, immigrants or people with disabilities) can be integrated into the labour market. In Oslo, for example, the privatisation of rubbish disposal caused chaos. The private operator massively saved on personnel after privatisation. The legal maximum working hours was breached as a result of the workforce being far too small. Workers were being forced to work up to 90 hours per week. After remunicipalisation, the number of workers was almost doubled and statutory working hours were respected again. The acute lack of caregivers has prompted the Norwegian city of Bergen to remunicipalise a nursing home. By making employment conditions more attractive, it was possible to ensure that there would be sufficient staff available for the city‘s care system in the future. The English district of Islington shows the potential of city-owned businesses to integrate hard-to-place people into the labour market. After the remunicipalisation of building construction, a special data pool was set up, which takes into account people who would otherwise be excluded from the labour market. In addition, the municipality has increased wages and thus increased the motivation of employees.

Environmental targets can also be better implemented by city-owned operations. Environmental issues play an important role, especially in the energy sector. Municipal utilities invest in wind farms, solar plants and geothermal energy from the region. The transition to renewable energy has played a central role in many decisions in Germany to remunicipalise the energy sector. Thus, in the foundation manifesto of the new municipal utility, Hamburg Energie, the city anchored energy production under the special aspect of environmental protection, ecological sustainability and social price structuring. 100% of the electricity is produced in a renewable manner. Wolfhagen is also considered a prime example in the promotion of renewable energy. A central project for the local energy transition is, for example, the solar park, which comprises around 42,000 solar modules. Ecologically sustainable work can be done in other areas, such as waste management.

Over the past few years, political life has repeatedly been forced down this path by a strong civil society. Citizens‘ initiatives had a decisive influence on many remunicipalisations. In Hamburg, a broad movement of citizens from around 50 civil society organisations was able to achieve a referendum on the repurchase of energy networks. This was successful despite well-financed resistance. In the Spanish City of Terrassa, due to the inflated water prices, a civil society initiative for remunicipalisation was formed, organizing a demonstration with thousands of participants. After years of struggle, the initiative resulted in the repurchase of water networks. In France, too, civil society played a key role in remunicipalisation in several municipalities. For example, in Grenoble, where the citizens‘ initiative has done much public relations work with the local population and has actively worked with lobbying to remunicipalise the water supply.

Municipal utilities can facilitate the participation of civil society in the management of the enterprise. A prime example of a participatory and democratic approach is the remunicipalisation of Montpellier‘s water supply, where civil society representatives are also members of the board of directors of the newly established municipal water suppler.

Financial motives can also be a reason for a re-transfer. Although the focus on public welfare is in contradiction to the target of pure profit maximisation, it is not in contradiction to responsible business and social action. Many municipal authorities have managed through administrative reforms to ensure that their services are not more expensive than those of private providers – on the contrary, in many cases, after remunicipalisation significant price reductions have been passed on to customers. In addition, fees are also designed according to political targets (for example, social rates). Municipal enterprises today must not shy away from competing with private competitors and prove that they can run their businesses successfully. In Dresden, for example, the energy supplier has been in the black since their remunicipalisation. In 2017, the profit was 80 million euro, with a basic fee for customers below the average for Saxony. In the German rural district of Böblingen, a direct comparison of public and private service provision of waste disposal showed the higher economic efficiency of the rural district-owned business, which not only provided better but also cheaper services.

A remunicipalisation does not take place of its own accord and is also not automatically successful. It involves risks and can only be successful if the process is well prepared and the local decision-makers acquire the necessary legal, economic and sector-specific know-how in good time. Private operators are reluctant to transfer the once privatised companies back to the municipalities. Claims for damages and high purchase price claims are intended to overload municipalities financially and intended to prevent a remunicipalisation. If this private operator is an internationally operating group, investment protection agreements can also be a serious problem. This is what happened to the Lithuanian capital of Vilnius, which remunicipalised its district heating network after the private supplier demanded excessive prices over numerous years. The private operator went to an arbitration tribunal, which gave rise to further proceedings that have not yet been completed. The City of Vilnius is threatened with fines of hundreds of millions.

The 700 examples of remunicipalisation in Europe show the desire of municipalities for individual responsibility. However, this trend contrasts with the drive for liberalisation and privatisation by the private big players of service of general interest and the European Commission. The financial room for manoeuvre of the municipalities is limited, PPP models being in many cases the only way to finance projects. Thus, the door for private ownership is opened more and more. High-indebted states are being forced by the troika to carry out extensive privatisations. And the so-called negotiated free trade agreements also contain hurdles for a re-transfer after privatisation.

However, services of general interest are also subject to change. Municipal utilities must face new challenges today in order to remain competitive. Digitisation enables new opportunities such as cross-sector customer solutions and new business areas. Services of general interest need to evolve and keep pace with the times. For example, it is being discussed whether providing and accessing the broadband Internet in today‘s mobile world is a public service or should be left to private providers? Or whether charging stations for electric cars should be provided by municipalities or private providers.

Experience from the many successful examples shows that remunicipalisation can be a serious option for small and large municipal authorities in a wide variety of sectors. In any case, it is worthwhile to consider remunicipalisation in order to secure quality and socially oriented public services in the general interest in the long term.

END NOTES

1 see Transnational Institute (2017): 5; Terzic (2018): 66
2 Even intangible assets, such as the legal system (for example, regulatory regimes) or the education system, belong to public „capital“ and can be interpreted as infrastructure components. However, their influence on production and growth is mediated or indirect, so they need no further treatment here.
3 As a result, the terms of public capital stock, public capital, public assets and infrastructure are used synonymously.
4 see Aschauer (2000)
5 see Prud‘Homme (2004)
6 see Ratner (1983); Eberts (1986); Aschauer (1989)
7 The output elasticity of the public capital stock indicates the strength of the economic output (Y) responds to a (marginal) expansion of the public capital stock (Cp), that is, $(\Delta Y/Y)/(\Delta Cp/Cp)$.
8 The basis for this are 68 selected international studies on the economic significance of the public capital stock
9 see De Jong, Ferdinand, Funda (2018)
10 Components of public (and private) demand basically work systemically in the same direction. However, the multiplier effect is influenced in detail by which economic sectors have been activated by additional demand. This, in turn, depends on the type of the planned public infrastructure shares.
11 The sustainability of the effect or the impact duration of the investment depends in empirical studies on the theoretical growth model used (for example, exogenous or endogenous growth).
12 see IMF (2014)
13 Hedging measures and austerity measures in the course of crisis management (have) had high opportunity costs as a result of infrastructure spending being reduced or postponed to the future.
14 Arising in step with the construction of infrastructure projects.
15 see Seitz (2000): 260
16 By 2050, according to the United Nations Population Fund (UNFPA) forecast, this share will rise to almost 70% (2030: 60%). In 1950, around 750 million people lived in urban areas; by 2050, 5 billion people are expected in agglomerations.
17 see UNPFA et.al. (2013); UNPFA (2016); UNPFA (2018)
18 see Kurier (2018)
19 The use of social cost-benefit analyses as the primary instrument of the welfare economy is indispensable here. The economic calculus in this context: the social benefits must exceed the social costs (calculation of social values in cash terms)
20 In this context, the expansion of public capital has the same impact as technical progress.
21 The standard pricing model in most companies is (still) cost-up pricing. In this process, the determined costs of provision per item of profit shares (margins) are added.
22 Rising and decreasing economies of scale describe the phenomenon that the relationship between the level of the production process (fixed input relations) and the associated output is non-linear. With increasing economies of scale, the increase in production results in an increase in productivity of the process used (for example, via specialisation), which translates into disproportionate output gains. At the same time, on the cost side, this means that the average costs fall as the process level rises.
23 Material and immateriall
24 At this point, It should be noted that there are prominent examples of industrial districts that are not directly related to urban areas (for example, Silicon Valley and Route 128 in the US, Sophia-Antipolis in France or Jutland in Denmark). These are and remain exceptional phenomena and are partly explained by the history of the site (for example, military use in the case of Silicon Valley) or the presence of localisation advantages.
25 see Capello (2007): 176f
26 see Prud'Homme (2004): 19f
27 It should be noted here that the marketability of infrastructure services basically has no influence on their character as a public service (general interest). What is more relevant is the relationship between formulated basic needs in society and the provision in question. For this reason, for example, in the regulated retail markets for energy there are also stipulated pension obligations and the default option, local utilities.
28 see IMF (2014)
29 see Prud'Homme (2004): 29
30 In many cases, the specific investment needs are not fully understood at the time of the acquisition. Also, current public rates at the time of acquisition (as a rule) cannot be used as a reference value for the costs of the system.
31 We are always talking about a purely private solution that does not have to make any concessions to the public sector.
32 Elasticity along the demand curve of the relevant „market“ (relevant user group)
33 Since incomes make up only a small part of the production value and are only partially used (consumption quota) for consumption, the inductive effect subsides after a few „rounds“.
34 In the partially closed variant, parts of the exogenous sector (final demand) are „endogenised“. In this case, private households present the bulk of their final demand through their consumption..
35 Wollmann (2013): 38
36 Matecki, Schulten (2013): 10
37 see Röber (2012): 84
38 Streissler (2012): 20
39 see Schäfer (2012): 75
40 Bauer (2012): 23
41 see Schäfer (2012): 75
42 Röber (2012): 84
43 see Röber (2012): 84
44 Bauer (2012): 23
45 Libbe (2012)
46 see Libbe (2012)
47 Edeling (2006), cit. after Röber (2012): 86
48 see Bauer (2012): 23
49 see Libbe (2012)
50 see Difu-Papers (2009); 18; Friedrich Ebert Stiftung (2009): 2f
51 Libbe (2013): 19
52 Aden, Märtin (2013): 92
53 see Libbe (2012)
54 Aden, Märtin (2013): 84f.
55 see Röber (2012): 85
56 see Röber (2012): 84; Arbeiterkammer (2012)

57 Tagesspiegel (2009)
58 see Röber (2012): 85
59 Bauer (2012): 19
60 see Dipartimento per gli Affari Interni e Territoriali; Attac (2014)
61 Matecki/Schulten (2013): 14
62 Schäfer (2012): 75
63 Röber (2009): 82
64 Gecon (2007), cit. after Röber (2012): 85
65 see Schäfer (2012): 75
66 see Bauer (2012): 23
67 see Streissler (2012): 20; Avenir Suisse (2012)
68 see Bauer (2012): 23
69 Libbe (2013): 20
70 see Lobina (2018): 5
71 see Bauer (2012): 23
72 see Libbe (2012)
73 ÖGPP (2008): 8
74 SWR (2018)
75 see EE News (2018)
76 Die Wochenzeitung (2017)
77 ibid
78 ibid
79 Schwab (2012): 8
80 GEO
81 see Statista (I)
82 see Transnational Institute (2017): 6
83 see Tesche, Otto (2011)
84 GEO
85 see Stromauskunft
86 see Becker (2017): 120f
87 see ibid
88 see ibid
89 see Hall, Terhorst (2011)
90 see Transnational Institute (2017): 6
91 see Hall/Hobbs (2017): 136f
92 see Transnational Institute (2017): 6
93 see Die Welt (2012)
94 Deutschlandfunk (2010)
95 see Hamburg Energie
96 Wuppertaler Institut (2013): 4
97 see Hamburg Energie: Aktueller Geschäftsbericht
98 see Finanznachrichten.de (2013)
99 see Transnational Institute (2017): 127
100 Stromnetz Hamburg GmbH (2014): 3
101 see Stromnetz Hamburg GmbH (2016): 57; Zeitung für kommunale Wirtschaft (2018)
102 see Hamburg Zwei
103 see Zeit (2018)
104 Beckereit
105 see Transnational Institute (2017) : 49
106 ibid
107 see Reuters (2017)
108 see The Baltic Course (2018)
109 see Vilniaus šilumos tinklai
110 see The Baltic Course (2018)
111 see New Internationalist (2018)
112 Meissen Municipal Utility: 49 percent; Elbtal Municipal Utility: 30 percent; Freital Electricity + Gas: 30 percent; Pirna Power Supply: 49 percent; Pirna Gas Supply: 10.6 percent; Zittau Municipal Utility: 25.1 percent; Bautzen Energy and Waterworks: 49 percent.
113 see N24 (2010)
114 see Erneuerbare Energie Verbraucher-portal (2010)
115 see Drewag (2017)
116 see Sächsische (2018)
117 see Enso
118 see Berliner Wassertisch
119 Blickpunkt WiSo (2012)
120 Berliner Wassertisch
121 Stadt Solingen
122 ibid
123 Stadt Solingen (2012)
124 see Stadtwerke Solingen: Klimafreundliche Stromerzeugung
125 see Stadtwerke Solingen: Standortförderung
126 see Stadtwerke Solingen: Sponsoring
127 see Stadtwerke Solingen: Auszeichnungen
128 see Aden, Märtin (2013): 85
129 see Stadtwerke Springe
130 Aden, Märtin (2013): 86
131 Aden, Märtin (2013): 87
132 see Avacon (2017)
133 Aden, Märtin (2013): 90
134 see ibid
135 see Stadtwerke Springe: Grüner Strom für Springe
136 see Stadtwerke Springe: Bio-Wärme für Springe Süd
137 see Stadtwerke Springe
138 ibid
139 see Aden, Märtin (2013): 89
140 Stadtwerke Springe: Engagement für Springe
141 see Stadtwerke Springe
142 Aden, Märtin (2013): 85
143 Stadtwerk am See: Der Weg zum Stadtwerk
144 see Stadtwerk am See: Portrait
145 see Stadt+Werk (2013)
146 see B4B (2016)
147 see Stadt+Werk (2014)
148 see Stadt+Werk (2015)
149 see Stadt+Werk (2016); Stadt+Werk (2018/II)
150 see Stadt+Werk (2017)
151 see Stadt+Werk (2018/I)
152 see Stadtwerk am See: Unternehmensdaten
153 see Engartner (2010)
154 Frankfurter Allgemeine Zeitung (2007/I)
155 see Gemeindewerke Nümbrecht: Geschichte
156 Gemeindewerke Nümbrecht: die GWN
157 ibid
158 Frankfurter Allgemeine Zeitung (2007/I)
159 Gemeindewerke Nümbrecht: aktuell
160 Gemeindewerke Nümbrecht: 20 Jahre GWN
161 see Luzie Newsletter
162 Gemeindewerke Nümbrecht: aktuell
163 Frankfurter Allgemeine Zeitung (2007/I)
164 Gemeindewerke Nümbrecht: die GWN
165 ibid
166 Gemeindewerke Nümbrecht: Geschichte
167 ibid
168 ursprünglich Energie-Aktiengesellschaft Mitteldeutschland (heute E.ON Mitte)
169 see Verband kommunaler Unternehmen e.V.: Stadtwerke der Zukunft IV: 31f
170 see Stadtwerke Wolfhagen
171 see Verband kommunaler Unternehmen e.V.: Stadtwerke der Zukunft IV: 31f
172 Verband kommunaler Unternehmen e.V.:

Stadtwerke der Zukunft IV: 32
173 see Verband kommunaler Unternehmen e.V.: Stadtwerke der Zukunft IV: 31f
174 Stadtwerke Wolfhagen: Energie für den Klimaschutz
175 Rühl, Martin (2011)
176 ibid
177 ibid
178 Verband kommunaler Unternehmen e.V.: Stadtwerke der Zukunft IV: 34
179 see Stadtwerke Wolfhagen: Wind
180 Verband kommunaler Unternehmen e.V.: Stadtwerke der Zukunft IV: 33
181 ibid
182 Handelsblatt (2010)
183 Handelsblatt (2010)
184 ibid
185 see Frankfurter Allgemeine Zeitung (2013)
186 see Steag: Die Eigentümer von STEAG
187 see Westfälische Rundschau (2018)
188 see Handelsblatt (2010)
189 Steag: Zahlen + Fakten 2017
190 see ibid
191 RP Online (2015)
192 Handelsblatt (2012)
193 see Frankfurter Allgemeine Zeitung (2013); Handelsblatt (2012)
194 see WDR (2018)
195 WDR (2018/II)
196 see ibid
197 E.ON AG is formed from a merger of the two (2000) state-dominated majority owners of VIAG and VEBA.
198 see Die Welt (2009)
199 see Handelsblatt (2009)
200 see Spiegel (2009)
201 see Hall, Terhorst (2011)
202 see Die Thüga
203 see energate messenger (2017)
204 Hachfeld (2009): 87
205 ibid
206 ibid
207 see Veolia: Key Figures
208 see Transnational Institute (2017): 6
209 Wollmann (2013): 42
210 see Pigeon et al. (2012): 25f
211 Wollmann (2013): 42
212 ibid
213 Wollmann (2013): 43
214 see AK Wien (2018): 135
215 Libbe (2013): 26
216 see Transnational Institute (2017): 6
217 see AK Wien (2018): 122
218 see AK Wien (2018): 121
219 see AK Wien (2018): 122
220 see Transnational Institute (2017): 6
221 With a abrogative referendum, a law or part of it can be repealed if 50 percent of the voters take part and the majority votes in favour.
222 Hall, Lobina (2012): 29
223 see Water Remunicipalisation Tracker: Naples
224 see Transnational Institute (2017): 6
225 see AK Wien (2018): 224
226 see Water Remunicipalisation Tracker: Pecs; Hall, Lobina (2012): 30
227 see Hall, Lobina (2012): 30
228 see Transnational Institute (2017): 6
229 see Wasserkolloquium (2008): 61
230 see Wasserkolloquium (2008): 59
231 Wolf (2013): 95
232 see Wolf (2013): 100
233 Wolf (2013): 98
234 see Wolf (2013): 103
235 see TAZ (2010)
236 Wolf (2013): 104
237 see TAZ Rechercheblog (2010)
238 Wolf (2013): 105
239 see Berliner Morgenpost (2012)
240 Wolf (2013): 106
241 see Spiegel (2013)
242 see Stadt Berlin
243 see Wolf (2013): 103
244 see Wolf (2013): 95
245 ibid
246 see Der Tagesspiegel (2018)
247 see Berliner Zeitung (2018)
248 see Water Remunicipalisation Tracker: Paris
249 see Le Strat, Hitchman (2010)
250 ibid
251 Pigeon et al. (2012): 38
252 see Pigeon et al. (2012): 24ff
253 Forum für Berlin
254 see Pigeon et al. (2012): 35; Frankfurter Rundschau (2011)
255 see Eau de Paris: Une eau au juste prix
256 see Petitjean (2015): 80
257 see Water Remunicipalisation Tracker: Paris
258 see Wirtschaftsblatt (2012)
259 see Water Remunicipalisation Tracker: Budapest
260 see. Wirtschaftsblatt (2012)
261 see Wirtschaftsblatt (2012); Pester Lloyd (2012); Water Remunicipalisation Tracker: Budapest
262 see Water Remunicipalisation Tracker: Nice
263 see Petitjean (2015)
264 see Water Remunicipalisation Tracker: Nice
265 see Petitjean (2015)
266 see Water Remunicipalisation Tracker: Nice
267 see La ville an parle (2018)
268 ibid
269 see Water Remunicipalisation Tracker: Montpellier
270 see European Water Movement
271 see Actu environnement (2014)
272 see Midi Libre (2014)
273 see Le parisien (2014)
274 see European Water Movement
275 see Eau France: Services
276 see La ville an parle (2018)
277 see Asia Europa People's Forum (2018)
278 see Planas (2017): 150
279 see. Taula de l'aigua de Terrassa (2107)
280 see Planas (2017): 150
281 see Observatorio del Derecho Humano al Agua y al Saneamiento
282 see Nacio digital (2018)
283 see Bauer (2012):13; Hachfeld (2009): 90f
284 Bauer (2012): 14
285 see Die Zeit (2006/II); Bauer (2012): 13ff
286 Bauer (2012): 15

287 Hachfeld (2009): 91
288 ibid
289 ibid
290 Bauer (2012): 15
291 see Bauer (2012): 13ff, Hachfeld (2009): 91
292 Hachfeld (2009): 95
293 Hachfeld (2009): 92
294 see Stadtwerke Potsdam
295 see Bauer (2012): 13ff
296 see Wasserkolloquium (2008): 92f
297 ibid; Hachfeld (2009): 93
298 see Die Zeit (1995)
299 Hachfeld (2009): 93
300 see Water Remunicipalisation Tracker: Grenoble; Paffhausen (2010): 128ff
301 Hachfeld (2009): 93f
302 see Hachfeld (2009): 94
303 see Water Remunicipalisation Tracker: Grenoble
304 Hachfeld (2009): 94
305 see Gelsenwasser: Meilensteine
306 see Die Zeit (2006/I); Gelsenwasser: Meilensteine
307 see Manager Magazin (2003)
308 see Die Zeit (2003/I); Manager Magazin (2003)
309 see Die Zeit (2003/I)
310 see Gelsenwasser: Unternehmen
311 Die Zeit (2003/I)
312 ÖGPP (2008): 22
313 see Wiener Umweltanwaltschaft
314 see Kommunal (2017)
315 ibid
316 This analysis has the advantage of providing an overview of numerous previously created studies and thus of analysing the overall impact of privatisation irrespective of possible influences of the clients or self-interest.
317 Bel, Fageda, Warner (2008)
318 Bel, Mur (2009): 1
319 see Difu-Papers (2009): 16
320 see Wiener Umweltanwaltschaft
321 Difu-Papers (2009): 18
322 ibid
323 see Statista (II)
324 see Veolia: Veolia in brief
325 see Suez: Our global footprint
326 see Remondis: Standorte
327 see Transnational Institute (2017): 6
328 EU Recycling (2018)
329 ibid
330 see ibid
331 see Verband kommunaler Unternehmen (2011): 5
332 see Transnational Institute (2017): 6
333 ibid
334 ibid
335 see RegioEntsorgung: Ziele und Grundsätze
336 Difu-Papers (2009): 12
337 ibid
338 see Aachener Zeitung (2016)
339 RegioEntsorgung: RegioEntsorgung AöR
340 see RegioEntsorgung: Daten und Fakten
341 Difu-Papers (2011): 11
342 ibid
343 ibid
344 ibid
345 see Statistisk Sentralbyrå
346 see Fagbladet (2015)
347 ibid
348 see Dagbladet (2017)
349 ibid
350 see Petterson, Monsen (2017): 69f
351 see E24 (2017)
352 see Petterson, Monsen (2017): 69f
353 see Eisenmann (2012); Sendersky (2011)
354 Schönbuchlichtung is a region north of the Schönbuch Nature Park, which also includes several places outside of the Böblingen rural district. In the Böblingen Rural District, the Schönbuchlichtung region comprises several villages with a total of about 57,000 inhabitants.
355 Sendersky (2011)
356 Eisenmann (2012)
357 see ibid
358 Difu-Papers (2009): 10
359 ibid
360 Sendersky (2011)
361 Eisenmann (2012)
362 ibid
363 Sendersky (2011)
364 Eisenmann (2012)
365 Difu-Papers (2009): 11
366 Difu-Papers (2011): 10
367 Landkreis Böblingen: Abfallwirtschaftskonzept 2014
368 ibid
369 UNISON (2011): 29
370 UNISON (2011): 30
371 UNISON (2011): 29
372 see Der Tagesspiegel (2008)
373 Engartner (2010)
374 see Kommunalpolitisches Forum Land Brandenburg (2010)
375 see Der Tagesspiegel (2008)
376 Engartner (2010)
377 see Landkreis Uckermark Beteiligungbericht 2012
378 see Uckermärkische Dienstleistungsgesellschaft mBH (2011)
379 see Uckermärkische Dienstleistungsgesellschaft mBH (2015)
380 see Uckermärkische Dienstleistungsgesellschaft mBH (2017)
381 see Uckermärkische Dienstleistungsgesellschaft mBH
382 see MOZ (2018)
383 see Rhein-Zeitung (2012)
384 see Arenz (2010)
385 Forumromanum (2006)
386 ibid
387 see EPSA (2011); Forumromanum (2006)
388 Rhein-Zeitung (2012)
389 see Rhein-Zeitung (2011)
390 Rhein-Zeitung (2016)
391 Rhein-Zeitung (2012)
392 Forumromanum (2006)
393 Rhein-Zeitung (2011)
394 see Forumromanum (2006)
395 Rhein-Zeitung (2012)
396 see RheinHunsrück Entsorgung: Wir über uns
397 ebd.
398 Rhein-Zeitung (2011)

399 see Rhein-Zeitung (2012); RheinHunsrück Entsorgung: Wir über uns
400 see Deutsche Welle
401 see Rhein-Zeitung (2011)
402 see Schäfer (2012): 76
403 see Deutscher Gewerkschaftsbund (2012)
404 Waste collection included the collection and transport of residual waste ('grey bins'), organic waste ('green bins') and waste paper ('blue bins'), as well as bulk waste and green waste collection." (Schäfer)
405 see Peters (2010); see Schäfer
406 Schäfer
407 see Peters (2010)
408 Schäfer
409 ibid
410 see Peters (2010)
411 see Schäfer (2012): 76
412 Peters (2010)
413 see Stadt Bergkamen: Abfallentsorgung; Anfrage an EBB
414 see Peters (2010)
415 Stadt Bergkamen: Windeltonne
416 see Schäfer
417 see Transnational Institute (2017): 6
418 see Transport for London (2018)
419 Guardian (2007)
420 Frankfurter Allgemeine Zeitung (2007/II)
421 see Williams (2010): 2
422 see Frankfurter Allgemeine Zeitung (2007/II)
423 see Williams (2010): 1-3
424 see Williams (2010): 2
425 Williams (2010): 7
426 Frankfurter Allgemeine Zeitung (2007/II)
427 see Inthenews.co.uk (2008)
428 Williams (2010): 3
429 BBC News (2010)
430 see Centre for Public Impact (2018)
431 see Ayuntamiento de Madrid (2016)
432 see El pais (2008)
433 see El pais (2013)
434 see Eldiaro (2018/I)
435 see Estatutos de la Empresa Municipal de Servicios Funerarios y Cementerios de Madrid, S.A o.J.
436 see Ayuntamiento de Madrid (2016)
437 see Eldiaro (2018/II)
438 see ibid
439 see Eldiaro (2018/I)
440 see Diagonal (2016)
441 see Serrano 2017
442 see Eldiaro (2017/I)
443 see Eldiaro (2017/II)
444 ibid
445 see Samfunnsøkonomisk analyse (2018)
446 see Fagbladet (2016)
447 see NRK (2016)
448 see NRK (2015)
449 see. NRK (2017)
450 ibid
451 see Petterson, Monsen (2017): 71f
452 see Fagbladet (2016)
453 Deutschlandfunk (2008)
454 see ibid
455 Die Linke (2009)
456 Deutschlandfunk (2008)
457 ibid
458 see Verdi: Wilhelmshaven
459 ibid
460 see Wilhelmshavener Zeitung (2012)
461 see TAZ (2008)
462 see Kieler Nachrichten (2009/II); Kieler Nachrichten (2009/III)
463 see Kieler Nachrichten (2009/I)
464 see TAZ (2008)
465 see Kieler Nachrichten (2009/I); TAZ (2008)
466 see TAZ (2009)
467 see Kieler Nachrichten (2009/I)
468 TAZ (2009)
469 ibid
470 Kieler Nachrichten (2009/I)
471 see TAZ (2009)
472 see Kieler Verkehrsgesellschaft (2017)
473 ibid; Kieler Nachrichten (2008)
474 see SPD Kiel (2011)
475 UNISON (2011): 26
476 UNISON (2011): 27
477 A living wage is understood as a wage that sustains livelihood. The amount that is assumed to sustain livelihood is based on the living conditions of the respective country or region.
478 UNISON (2011): 26
479 UNISON (2011): 27
480 UNISON (2011): 28
481 see Lavanguardia (2017)
482 see Diario de Cadiz (2017)
483 see Teleprensa (2018)
484 see Diario Bahia de Cadiz (2017)
485 see Lavanguardia (2018)
486 see Aachener Zeitung (2012)
487 see Dürener Service Betrieb (I)
488 see ibid
489 Dürener Service Betrieb (II)
490 see Dürener Service Betrieb (I)
491 Dürener Service Betrieb (II)
492 see Aachener Zeitung (2012)
493 Dürener Service Betrieb (III)
494 see Der Tagesspiegel (2014)
495 see Arbeiterkammer (2013)
496 see ORF (2015)
497 see Die Zeit (2003/II)
498 see Mosaik-Blog (2015)
499 Verband kommunaler Unternehmen Österreichs (2017)
500 see Der Standard (2013)
501 see Arbeiterkammer Wien (2017): 16
502 Wiener Wohnen
503 see Burgenland Holding AG; Energie AG Oberösterreich; Energie Graz; Energie Steiermark; EVN: Aktionärsstruktur; EVN: EnBW Eigentümerstruktur; Illwerke; Kelag; Salzburg AG
504 see Transnational Institute (2017); Terzic (2018)
505 see Municipal Council of the Federal Capital Vienna (2007)
506 see Stadtrechnungshof Wien (2017)
507 ibid
508 ibid
509 Wiener Zeitung (2014)
510 see City Court of Auditors for Vienna (2017)
511 see Der Standard (2016/I)
512 Der Standard (2016/II)

513 Wiener Linien (2017/I)
514 see Wiener Linien (2017/II)
515 see Wien Geschichte Wiki (2017)
516 Auditing Office of the City of Vienna (2008/II)
517 Auditing Office of the City of Vienna (2006)
518 see Pronay/Stöphl Interview (2016)
519 Stadt Wien (2006)
520 see Boyer Interview (2016)
521 see Pronay/Stöphl Interview (2016)
522 see Boyer Interview (2016)
523 see Wiener Zeitung (2005)
524 Stadt Wien (2006)
525 see Boyer Interview (2016)
526 Die Presse (2008)
527 Der Standard (2009)
528 see ibid
529 see ibid
530 Der Standard (2010/I)
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Interviews

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Krammer, Werner (1 March 1 2018): Mayor of Waidhofen an der Ybbs (ÖVP- Austrian Peoples Party)

Pronay, Christian (5 December 2016): Managing Director of the Vienna Association of Theatres

Stöphl, Thomas (5 December 2016): Chairman of the Vienna Association of Theatres

Boyer, Dieter (16 November 2016): Expert and Cultural Policy Adviser for the City Council for Culture, Science and Sport in Vienna

Interview guidelines

- What exactly became (re-)municipalised, where, when, owner before/after
- Reasons and goals
- Type of implementation (purchase / concession transfer, legal and organisational form)
- Effects of (re-)municipalisation on:
    - Political control options
    - Financial: burden / discharge of the public budget, who pays benefits before/after or who makes profit
    - Customers
    - Employee
    - Enterprise policy (purely market-oriented vs. environmental/ social goals, transparency)
    - Co-determination possibilities of the citizens
    - Location (jobs, quality of life, etc.)
    - Other effects (environmental, economic, social, ...)
- What exactly became (re-)municipalised, where, when, owner before/after
- Actors in the project
- Sectors: Which ownership structures are usual? How have they changed in the last decade, why?
- Mistakes - what would you do differently today?
- Criticism - why, by whom?
- Exemplary character for other municipal authorities

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