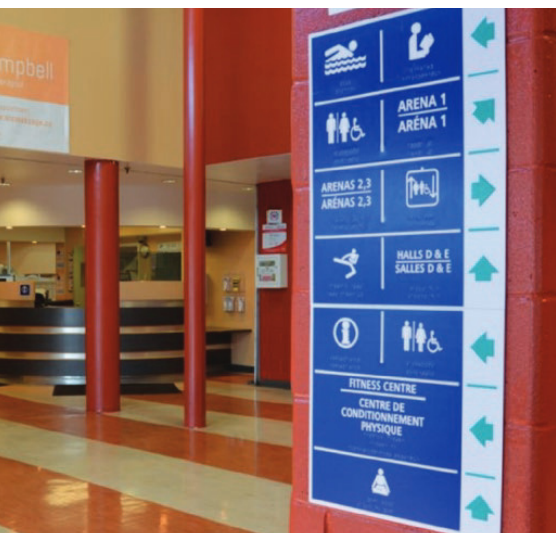
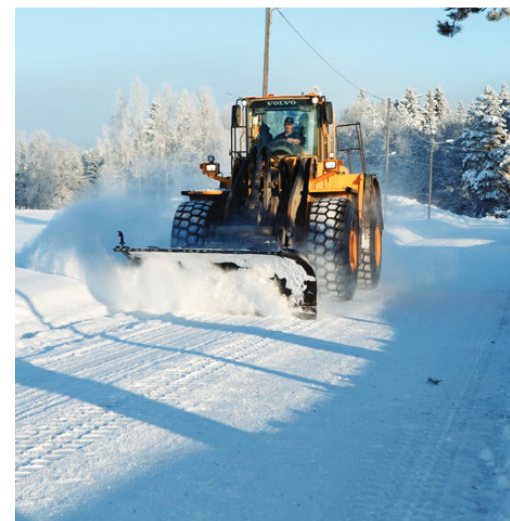


BACK IN HOUSE

WHY LOCAL GOVERNMENTS ARE BRINGING SERVICES HOME

by Keith Reynolds, Gaëtan Royer and Charley Beresford / 2016



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Introduction

BACK IN HOUSE: WHY LOCAL GOVERNMENTS ARE BRINGING SERVICES HOME

is about the emerging trend of remunicipalization. Services that were once outsourced are finding their way back home. Most often, they are coming home because in-house services cost less. The bottom-line premise of cost savings through outsourcing is not proving to be as advertised.

Other reasons for insourcing include better quality control, flexibility, efficiency in operations, problems with contractors, increased staff capacity, better staff morale, and better support for vulnerable citizens. When services are brought back in house, local governments re-establish community control of public service delivery.

The report examines the Canadian environment for local governments, shares 15 Canadian case studies about returning services, follows-up and reports out on two earlier studies promoting contracted out services, provides a scan of international findings, and shares some best practices and governance checkpoints for bringing services back in house.

Since the 1980s, governments, consultants, and lobby groups have authored or sponsored dozens of reports suggesting privatization of services is not just the best way to go, it is the only way.

There is a whole industry built around privatizing public services. Authors such as David Osborne and Ted Gaebler in their 1992 book *Reinventing Government* admonished local governments to “steer not row.” Consultants jumped on the bandwagon and privatization and contracting out became part of the inevitable template of advice from the major consulting firms to local governments. Big law firms too saw the money involved and major law firms often have a profitable public-private partnership (P3) practice.

Lobby groups like the Canadian Federation of Independent Business weighed in demanding services be privatized and their taxes cut. The Canadian Council for Public-Private Partnerships brought industry and governments together to lobby for public-private partnerships.



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For decades, local governments in Canada and around the world have felt pressure to contract out or privatize their services. In some cases, governments have made this either mandatory or nearly so.

Somewhere along the way, however, the pendulum has begun to swing back. In a number of Canadian communities, and other communities around the globe, services are coming back into the local government house.

Legislation, policies, and practices from other jurisdictions have influenced how Canadian municipalities deliver services over time.

Trend lines in a number of international jurisdictions show services being brought back in house as local governments reconsider previous decisions to outsource work.

Studies in the United States suggest the privatization of local government services peaked in the 1997 with insourcing subsequently exceeding outsourcing. European studies show hundreds of local governments taking back services, particularly in areas like water and energy services.

Public service delivery remains the most common form of service delivery in the United States. Despite pressure to contract out services, many local governments in the UK are moving services in house. In 2011, the Association for Public Service in the UK found that 67 per cent of the 140 local governments surveyed had either brought a service back in house, were in the process of insourcing, or were considering doing so. In France, there has been a major initiative since 2010 to bring public services back in house, with the largest being the conclusion of a 25-year contract with Suez and Veolia in Paris. The majority of electrical distribution in Germany is now municipal rather than private as municipalities bring their energy services back into public hands.

Until recently, the Canadian government required large municipal capital projects with federal funding to go through a public-private partnership (P3) screen. This requirement was removed in the fall of 2015, shortly after the federal election resulted in a change of government.

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OF THE 15 CASE STUDIES on bringing services back in house detailed in this report, 80 per cent were brought home, because—amidst other reasons—the price tag was better.

Of the 13 communities identified in two pro-contracting out studies, prepared for Canada’s Intergovernmental Committee on Urban and Regional Research in 1997, 40 per cent have now brought the work fully back in house.

Experience with out-of-house service delivery in Canada is showing that contracting out can be more costly, impact quality of service, remove services from community control, and reduce flexibility to meet changing governance needs.

And, as these Canadian stories of services returning home demonstrate, public delivery of public services is a model that has shown its worth. Public delivery of public services means local community control over quality, flexibility, and a contribution to the local economies. Very often with a better price tag too.

Services Come Home: 15 Canadian Stories

IN CANADIAN COMMUNITIES across the country, public services are finding their way home. Detailed in the pages that follow are 15 case studies from coast to coast, pulled from public sources of information and local government response to requests for information.

