

New Public Management Principles and Practices in Producing Public Utilities and Services

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Abstract: *Corporate governance models, private-sector management practices and reducing the public sector role in service production are principles that have been guided modernization of public sector in many western countries during two decades. This article concentrates mainly at the Finnish reform policy and cases. Research objectives are to review why countries reform their utility and service sectors and what drives the search for market solutions, and also to introduce new principles for the management of public utilities and services.*

New Public Management has been the main contributor in Finnish public sector modernization. During the reform era, the ideas of what services and utilities the public sector should carry out itself and, especially what it has not, are clarified. It has become more acceptable to provide them in the market. This rethinking of the role, functions and responsibilities of the public sector has engendered new kinds of operation models in which public services and utilities are provided.

In discussing the application of different types of NPM arrangements, attention has focused mainly on the contracting out of municipal service production to private, for-profit organizations. The government is still responsible for the financing of the services and it has to guarantee quality, cost efficiency and accessibility to public services.

In many countries public-private partnerships (PPP) have become very fashionable, especially in the areas of urban regeneration, transportation and other infrastructure. Collaboration between public and private sector brings many profits. It combines talents from government and the market sector to carry out public purposes. Also attracting private finance and risk shifting are remarkable incentives for partnering.

Keywords: *Marketization, public utility, public service, outsourcing, Public Private Partnerships*

1. Welfare political view on the modernization of the public sector

The clamor for better and smaller governments has led many countries to carry out huge public sector reforms. The rise of New Public Management (NPM) has been one of the most striking international trends in the contemporary public sector, and it has served as a model for administrative reforms in numerous countries and democracies. Behind the rise of NPM are many factors: claims for cutting public expenditure and greater competition, as well as reducing the size of the core public sector and rolling back the state. NPM focuses on corporate governance models and puts stress on private-sector management practices, reducing the public sector role in service production and achieving parsimony in the use of public resources. Managerial improvements have resulted in the utilization of market mechanisms. (Lähdesmäki 2003: 9–16, 240–243; more about NPM principles f.e.g. Hood 1991: 4–5, Pollitt & Bouckaert 2004: 6, 13.)

The focus of this article is on the following: 1) Why are countries reforming their utility and service sectors? 2) What drives the search for market solutions? 3) What new principles have been introduced for the management of public utilities and services?

The nature of the article is descriptive. We focus on a theoretical discussion of these topics; we also intend to examine them through examples, especially from Finnish public administration

practices. We concentrate primarily on new principles for the management of public utilities and services. Chapter 1 provides a short explanation of the history of reforms in Finnish public administration and introduces the division of choices to be taken into consideration when making political and administrative decisions about public services and utilities. Chapter 2 deals with new ways to produce public utilities and services. Chapter 3 describes Public Private Partnership (PPP), which is becoming a respectable solution to produce public infrastructure and buildings. In chapter 4 we will present some concluding remarks.

1.1 New Public Management and modernization of the public sector

The term modernization is used in different ways and in different spheres. In this case modernization describes changes intended to make public sector more efficient and accessible. (Colbjornsen 2004.)

NPM is a combination of interconnected reform ideas, which form an administrative political doctrine (cf. Temmes 1998). On the one hand it is based on problems and solutions, which have been met in governmental practice, on the other hand it rests on certain theoretical assumptions. These theories are Scientific Management, Public Choice theory and managerialism. (Lähdesmäki 2003: 36–52, 241.)

New Public Management has offered a sound foundation for the regime of public sector in developed countries. Its principles emphasize decentralization, self-government and devolution of state power to markets and society, and economy and efficiency. (Peters 2001: 120–123.)

It is also worth noticing that the public sector is beginning to be seen as a crucial factor making for a competitive economy and society. It has meant a huge challenge for reformers, how to build successful government, which is restricted, well-performing, transparent and responsible for results. (Lähdesmäki 2003: 241.)

NPM as a management doctrine has had a broad influence on the development of Finnish public administration and reforms. The development from resource governance to market governance has happened gradually since the mid-1980s. Changes in economical and societal conditions can also be conducive to reforms in the public sector. It has been claimed that the recession in the 1990s was the reason why the structural changes in Finnish economy were possible to that extent they were implemented. (Julkunen 2001: 106–110.) In Finland, radical reforms proceeded without major resistance (Alasuutari 2004). Political commitment and consensus of the vision and the goals of the modernization process were the characteristic features of public sector reforms. These reforms can be described as pragmatic, incremental and continuous between different governments. (Lähdesmäki 2003: 241–242.)

Radical reforms are no longer, but the government still encounters significant challenges in relation to the welfare sector. Prime Minister Matti Vanhanen's second Cabinet made a definition of future welfare policy. The new government programme (19.4.2007) pays more attention to welfare politics and how to produce equal social and health care. The emphasis is seen in the head note sentence of the Government Programme; “A Responsible, Caring and Rewarding Finland”. (Prime Minister Matti Vanhanen's second Cabinet 2007: 51–53.)

The modernization of the Finnish public sector has included strong efforts to promote marketization, to make the operations of government more efficient, to develop the management capabilities of higher civil servants, and to improve the economy and customer-orientation of public utilities and services. The commercialization of public agencies and turning them into public enterprises or companies (for example telecommunications, railways and postal office and numerous electricity and water companies at the municipal level) are both examples of the efforts made to increase market-orientation in the public sector. The commercialization of state services has improved overall efficiency, profitability and quality of service and increased competition. (Salminen & Viinamäki 2001: 32–36; Lähdesmäki 2003: 167–168, 240–243; OECD 2003: 13–14.)

Public Private Partnership (PPP), with its different applications, is found to be an especially interesting solution in large scale infrastructure and building operations. Earlier, a large number of infrastructure activities were owned, managed and financed by the public sector. A market change in thinking and practice has replaced the consensus that infrastructure has to be provided by government-owned enterprises. Questions of ownership, financing and risk-sharing between public and private parties are crucial to address. (Grimsey & Lewis 2004: 27; Evans & Bowman 2005: 62, 67.) These models involve technical solutions, but it has to be considered how they serve public interests.

1.2 Services and welfare for citizens

In the Nordic welfare model, and especially in the Finnish welfare model, public services have been produced only by government agencies. During the past twenty years, that tradition has changed due to extensive reforms in the public sector. The normative foundation of the Nordic welfare model has been based on four specific elements which are large-scale public responsibility, social-political equality, full employment, and strong income redistribution. In the case of Finland, changes in the normative basis of the welfare model have occurred in the partial abatement of regional equality, full employment and income redistribution. However, publicly financed collective responsibility for welfare is still a very strongly rooted value in Finland. (Heikkilä 2005: 1.)

In welfare societies, the government is responsible for creating and sustaining economical and social welfare for its citizens. High-level politicians and administrators face several difficult choices. They have to commit themselves to the following, at the very least:

1. How to share service production between the public and private sectors. Scarcity is considered to be one of the basic problems in any economy. Scarcity refers to the gap between citizens' needs and the supply of goods. Demand is always bigger than supply. In the public sector, scarcity takes place when claiming that 'the tax rate cannot be raised' or 'the public sector cannot be expanded'. From the viewpoint of scarcity, service production should be arranged by the sector that makes it most effective. During the past twenty years the tendency has been toward private sector service production. The reasons for this have been both economical and political.

2. How to allocate scarce public resources to satisfy different needs.

According to theory resources should be exploited where they generate the biggest benefit. In practice it is usually very difficult to compare where to get more benefit. Nonetheless, politicians have to allocate public resources annually in the context of the public budget. The process of allocating public resources has been criticized because all the functions and tasks aim to grow at the same scale despite the fact that needs vary in different areas.

3. What are the potential ways to produce public utilities and services as effectively and economically as possible (for example contracting out, procurements and partnership).

Every unit in the public sector should function as effectively as possible. Often profitability is very difficult to prove. Because of the problem of scarcity every unit should use limited resources as well as possible to fulfill citizens' needs. In business it is much easier to measure success. Possibly measuring is one reason why public services and goods are increasingly produced in the private sector.

4. Are the utilities and services chargeable or free of charge?

Chargeable and free of charge of services have influenced income distribution. A charge for services has been noticed to heighten the use of services. The effect is more profound and ideological than one assumes at first sight. Service producers have to think very carefully about the effects of this. At the same time the user could place more consideration on his/her need for that service if it is chargeable, even if it is only a nominal charge. (Meklin 2002: 29–30; 66–69.)

These dilemmas are highly topical, even today. The above mentioned classification forms the framework for our study, especially the first and third points are fundamental questions for the present study.

New market-based practices have spread little by little from state governance to municipal governance but the process is still going on and in some fields the process is just beginning. Strict

economical situations in municipalities force them to buy services from the private sector. There are substantial differences between the municipalities in Finland. Differences are, for the most part, based on the activity of each municipality, but also political power relationships cannot be disregarded. (Alasuutari 2004: 8; Haveri 2006.)

The role of the public sector is central in the maintenance and funding of services in a welfare society. Municipalities are responsible for providing citizens with public services (like health care, social services and education) guaranteed to them by the State (Helander 2003: 290). Municipalities have the possibility to arrange service production in alternative ways; they can arrange services by producing them themselves, through agreements with other municipalities, through membership in a joint municipal authority or by acquiring services, for example, from a private or third sector producer. (Salminen & Viinamäki 2001: 37.) For citizens, local public services represent stability, proximity and quality (Kettunen 2006: 333, Ikola- Norrbacka & Salminen 2007: 62).

Previously, social and health care had been produced by the municipal sector alone. Within the reforms during the 1990s, the responsibility to organize social and health care is still with the municipal sector, but today, a portion of these services is purchased from the private sector or the third sector. The aim of the government is to guarantee quality, responsiveness, cost efficiency and accessibility to public services. (Prime Minister Matti Vanhanen's second Cabinet 2007: 51–53.) The ethos of public responsibility is strongly represented in the government programme.

In order to ensure high-quality, effectiveness and availability of municipal services also in the future, The Ministry of Regional and Municipal Affairs launched a project to restructure local government and services. Behind the reforms in the fact are considerable differences between local authorities, particularly financial. It will be a huge challenge to provide welfare services in a situation where the population ages and internal migration increases. The project particularly focuses on the possibilities of local authorities to provide services, especially in the structural and financial foundations of the system. Local authorities have to create strategies for how services are arranged in the near future. The project aims to improve the manner in which services are produced and organized and at the same time to increase productivity and slow down the growth in local government expenditure. Under the proposal, the municipal structure would be strengthened by merging municipalities. (Local Finland 2007a, 2007b.)

2. Production of public utilities and services

In many welfare countries with a huge public sector, high-level decision makers have accepted the way of thinking that the public sector does not have to produce all the services and utilities for citizens itself, while it is responsible for financing, as well as the quality and availability of services. This rethinking of the role, functions and responsibilities of the public sector has engendered new kinds of operation models in which public services and utilities are provided.

These reforms which are continuing have certainly affected the border between the public and private sectors. For example privatizing, contracting out, public-private partnerships and different market-type mechanisms are new ways to produce public utilities and services. (Pollitt 2003: 19–20.) In the next section, we will examine them in more detail and give some examples from Finnish practices.

Privatization involves a conscious reform policy in Finland. The privatization of public companies has been quite active. The state has relinquished its ownership in full or at least its controlling interest in 22 companies during 1981–2006. In addition, ownership base has been expanded in some companies. (Ministry of Trade and Industry 2007.) The objective of privatization is to increase economic effectiveness and productivity by making the provision of services subject to free competition. Privatization has reduced the size of the public sector and its significance to a certain extent. However, there has not been any comprehensive privatization program. The implementation of privatization has happened on a case by case basis. The grounds for privatization have been economic,

especially ensuring the needs of the organizations for capital and the decrease of public spending. (Salminen & Viinamäki 2001: 21, 34-35, Lähdesmäki 2003: 147, 218-220; OECD 2003: 110–111.)

It has become more and more acceptable to provide services in the market. Contracting out means that the public authorities still retain responsibility for seeing that the service is provided, and still pay for it and set the standards and requirements for it, but the actual work of delivering the service is undertaken, on contract, by some other organization. Contracting refers to the design and implementation of contractual relationships between purchasers and suppliers. (Domberger 1998: 12.) In recent years there has been a growth of contracting out services also in Finland.

Local authorities (municipalities) also take care of promoting a healthy living environment. They are also responsible for water and energy supply, waste management, street and road maintenance and environmental protection. The living environment is affected by the municipal housing policy, public building, the maintenance of the transport infrastructure, public transport, parks and outdoor areas. (Local Finland 2006 a, b.) These technical and support services have the highest readiness for contracting out. The reason is that the technical sector has the longest experience of tendering and private service producers. Also these services are easier to define and turn into products. In technical services, the border between the public and private spheres is relatively thin. Municipalities prefer to purchase services rather than to maintain a large number of personnel for construction, transport and trash collection. Also small municipalities have been active in purchasing technical services from private companies. Because of the long tradition of using private producers, there is generally no shortage of enterprises. (Taipale 2003: 85–86; Kettunen 2006: 332–337.)

In the future, private service producers will be utilized more. Support services like information technology, catering, cleaning and real estate management are often considered to be well suited to tendering because they are easy to convert into products that are easy to price and easy to compare. There are also private service producers in this field. (Kettunen 2006: 334.)

The Association of Finnish Local and Regional Authorities made a study of how municipalities use alternative ways to produce public services and utilities (Lundström 2003). There are great differences between municipalities. In many cases, the primary reason for not using alternatives is the sheer lack of markets. The second reason is a disbelief that these would yield savings or the quality of services might worsen. Alternative forms of service production are often seen as a way to improve the economic situation. Fears might be justified, but sometimes low quality might be the consequence of local governments' inexperience in the field of contracting out services. A quite common reason for the reluctance to utilise alternative forms is the unwillingness or low ability to compare the costs of different forms of services. Also a wish for the municipality to retain its own personnel is one reason for not using alternative forms of production. (Kettunen 2006: 332–333, 337–338.)

Outsourcing refers to the process whereby activities traditionally carried out internally are contracted out to external providers. (Domberger 1998: 12.) However, the number of outsourced services has remained low in municipalities. Local governments still prefer to produce services in-house. In the future, the lack of a workforce will mean fewer opportunities to use in-house production and there will be a need to find other ways to produce services. (Kettunen 2006: 336–338.) Examples include outsourced cultural and recreational services, water and wastewater management, cleaning and janitorial services. (Kuntalehti 10/2005, 11/2005, Kuntaliitto 2005.)

Some municipalities have outsourced their medical services because of a labor shortage in medical doctors. Now a big private company produces all the medical services to the residents in some cities. Outsourcing has produced more efficiency, not necessarily cost savings. Municipal decision makers have mostly been satisfied with outsourcing. It has renewed the ways of acting and brought cost consciousness along with it. It has also enhanced the thinking that municipalities have to rearrange their duties and deliberate upon the services which can be outsourced. (Kuntalehti 10/2005, 11/2005, Kuntaliitto 2005.)

Public procurements are regulated by the European Union and domestic procurement legislation. The latter is more demanding in Finland. Public organizations are supposed to engage in a competitive bidding process in most of their procurement decisions. (Hyyryläinen 2004: 8.) Procurement legislation is quite complicated and it brings troubles for administrators in municipalities who implement procurement decisions. Administrators need to know how to arrange the competitive bidding process, choose producers, and make a contract. (Pihkala et al. 2005: 240–241.)

The amount of public procurement cases handled by the Market Court has grown significantly during the last few years. The Market Court is a special court for hearing market law, competition and public procurement cases. Partly it is due to an increase in public procurements. Approximately 30 % of petitions are approved. The cases are mostly related to different stages of the competitive bidding process; invitation to submit tenders, comparing bids and choosing the supplier. Municipalities as subscribers and purchasers need to be in command of the rules and legislation of public procurements. (Kuntalehti 20/2005; Markkinaoikeus 2007.)

The Finnish Business and Policy Forum EVA commits with its newest analysis on the Project to restructure local government and services. The analysis criticizes that municipalities focus too much on creating cooperation with other municipalities in service production instead of outsourcing and procurements from private sector firms. It inevitably means growth in the public sector. Analysts suggest that municipalities should focus on their core services (like education, social and health care) and make the most of purchaser provider model and private producers, even in their core services. (Ekström, Pohjonen & Haavisto 2007.)

Some countries have also developed market-type mechanisms for use within the public sector. These are devices which, in one way or another, oblige public sector organizations to compete with one another. The provider-purchaser model is based on the separation of the provider and the purchaser from each other. The purchaser is mostly responsible for the supervision and coordination of the service and the provider is responsible for the production and quality of the given service. (e.g. Salminen & Viinamäki 2001: 22.) Some of the biggest cities in Finland have introduced the provider-purchaser model to reorganize the administration and service production within their own organization. The central idea is that both sides (the provider and the purchaser) can focus on their key competency areas.

3. Using PPP in the management of public utilities

In the past few years Public Private Partnerships (PPPs) are the subject of much discussion in the fields of public management in Scandinavia. Practitioners of public administration are also interested in the different possibilities and solutions PPP can provide. The talk about partnerships has mostly concentrated on infrastructure. (Pollitt 2003: 19–20; Greve & Ejersbo 2005: 259). PPP is found to be interesting because it promises a new way of managing and governing organizations that deliver services to citizens (Greve & Hodge 2005: 2).

It is difficult to give an exhaustive definition of Public Private Partnership. Public Private Partnership can be loosely defined as cooperative institutional arrangements between public and private sector actors. However, beyond this, it can be defined in many ways. On the one hand it is a new governance tool that will replace the traditional method of contracting out for public services through competitive tendering. On the other hand it covers older established procedures involving private organizations in the delivery of public services. (Greve & Hodge 2005: 1.)

One attempt to try to define a PPP project is that it generally involves the design, construction, financing and maintenance and even operation of public infrastructure or a public facility by the private sector under a long term contract (often 25 to 35 years). (Grimsey & Lewis 2004: 33; the European Commission 2004; Greve & Godge 2005: 5.)

In a broad sense, PPP is a method of producing and delivering public services that brings together the public and private sectors in a long-term contractual relationship. Public and private sector resources are combined on the basis of a clearly defined division of tasks and risks. The purpose of this collaboration is to bring added value to infrastructure through innovation. PPPs are predicted on the assumption that in the private sector certain core competencies exist that can be drawn into infrastructure projects and that incentives can be written into the contractual arrangements to encourage the participants to find other parties who can bring extra value by way of complementary skills and synergies. PPPs are designed to maximize the use of private sector skills where these are needed to supplement the existing skills of the public sector, while ensuring clear accountability and risk transfer for both project delivery and operation. (Grimsey & Lewis 2004: 58 ; Greve & Ejersbo 2005: 257.)

Financing is only one element of PPP. The conception that PPP projects are principally about private sector financing of public infrastructure are not strictly correct. The essence of a PPP is that the public sector is purchasing a stream of services under specified terms and conditions. (Grimsey & Lewis 2004: 6.) Different motives for PPP can be classified, as Table 1 shows. PPPs can change the public sector in many ways. PPPs are a tool for management reform.

Motives for PPP

Table 1

Motive	Comment
1. Management reform and modernization	By working in partnership with the private sector, public managers will learn how to run programmes more flexibly and efficiently.
2. Attracting private finance	By partnering, public agencies will be able to tap into private finance, enabling them to pursue projects which could not (yet) be afforded from public budgets alone. Private sector organizations get new orders and secure new customers.
3. Public legitimacy	Participation in a partnership is seen as good in itself – symbolic of a pooling of talents from government, the market sector in the pursuit of worthy public purposes.
4. Risk shifting	Private partners assume part or the whole of the financial risk associated with projects.
5. Downsizing the public sector	Public-private partnerships may be seen as a way to get tasks which were formerly performed by public sector staff handed over to the staff of commercial organizations.
6. Power sharing	Partnerships may be seen as promoting more co-operative, ‘horizontal’, less authoritarian and hierarchical relationships.

(Sources: Pollitt 2003: 58; Grimsey & Lewis 2004: 58–59; Greve & Hodge 2005: 4, 10.)

Infrastructure PPP projects include the construction of buildings, tunnels, port development and sports stadiums and wastewater management schemes. PPPs have also been used in social policy areas including human services and welfare service provision. In the world of infrastructure projects, PPPs are seen as financial models that enable the public sector to make use of private finance capital

in a way that enhances the possibilities of both the regional government and the private company involved. (Greve & Hodge 2005: 4, 10.) Infrastructure usually involves very large investments. A high proportion of the total cost of a service has already been committed before the service is made available. (Grimsey & Lewis 2004: 29.)

Many countries initially develop PPPs in the transport sector and later extend their use to other sectors, once the value for money benefits are proven and public sector expertise is established. This might hold true in the Finnish PPP cases. PricewaterhouseCoopers classifies countries as how they use PPPs. Finland belongs to the group: "Low Usage: Limited resource to the PPP model but growing interest". There is potential for the PPP market to develop further. The Ministry of Transport has been the most active in developing PPP structures in Finland. (PricewaterhouseCoopers 2007: 42–43.)

Risk sharing is one of the big incentives for both parties. Both parties in a partnership come together on equal terms in the sense that both have to bear the risks involved. Such risks can be financial, democratic and political in nature. (Grimsey & Lewis 2004: 58–59; Greve & Hodge 2005: 4.)

Partnerships can be a vehicle for restructuring public services and streamlining administrative procedures. An ethos of cooperation and trust can replace the adversarial relations endemic in command-and-control regulation. Relationships between partners involve some mutually beneficial sharing of responsibility, knowledge, or risks. Each party is expected to bring something of value to the others to be exchanged. There is an expectation of give-and-take between the partners, negotiating differences that were otherwise litigated. (Grimsey & Lewis 2004: 58–59, also Hall 2001: 219–220, 230.)

PPP is presented as a new kind of practice. According to Wettenhall (2005) there is nothing new about the mixing of public-private endeavors (also Greve and Ejersbo 2005). There has always been some degree of public sector and private sector cooperation. Governments have contracted with the private sector for centuries. (Greve & Hodge 2005: 1–2.) The private sector has a long history of being involved in providing infrastructure facilities and services to the public (Grimsey & Lewis 2004: 20).

Most definitions of PPP emphasize that PPPs are established because they can benefit both the public sector and the private sector. Both sectors have specific qualities, and if those qualities are combined, then the end result will be better for all. The cooperation between private and public parties can result in a new product or a service that no one would have thought of if they had kept to themselves. (Greve & Hodge 2005: 4.)

Greve and Ejersbo (2005: 265–266) discuss notions of partnership. First, partnerships are to some extent dependent on the structure of the markets and partnerships need secure and stable conditions to thrive. Second, partnerships need time to build. Establishing trust-based relationships requires contractual negotiations where the partners get to know each other and their different views. Third, partnerships can be interrupted by external forces while partnerships are built and nurtured. (also Majamaa 2004; Pihkala et al. 2005: 242; Karisto & Lohivesi 2007: 30–31.)

Conditions for success in PPP projects are at least that key decisions need to be made at the beginning of a partnership and set out in a concrete plan. Lines of responsibility must be classified. Achievable goals should be identified and stated. Making clear agreements prevents interactions suddenly stagnating at a later stage. Partners need to get some incentives to pursue the goals. The whole operation requires systematic monitoring. (Pollitt 2003: 63; sited Rosenau 2000: 232–233; Klijn & Teisman 2005: 102, 113–115.)

PPPs have many advantages, but also challenges like PPP procurement can be lengthy and costly and it does not achieve absolute risk transfer. The private sector has a higher cost of finance. PPPs imply a loss of management control by the public sector. (PricewaterhouseCoopers 2007: 4.)

We have listed some examples of PPP projects in Finland. The Helsinki-Lahti motorway (begun in 1997) was the first and largest PPP in the country. It was completed ahead of time. The project became much more expensive for the public side (the State) than expected. Charges for the private company are based on usage and the motorway is busy. Afterwards PPP procurements have been used in similar freeway projects where the private partner is responsible for the planning, building and maintenance of the freeway. The PPP model is also used in designing, financing and building school buildings, public health clinics, day-care centers, public swimming halls, sewage

treatment plants and office buildings. The model has been criticized that the private finance is much more expensive than the public finance. However, thanks to private finance the undertakings can be entered into much earlier and be more resilient. Unfortunately there is very little research about the successes and losses of PPP in the country.

Concluding remarks

In this article, we tried to introduce market solutions for public utilities and services. From the welfare political view, politicians and administrators at the state level and municipalities at the local level have to make choices concerning utility and service production. In the first chapter we brought out the classification of different types of decision making situations that municipalities continuously face. At first, there is the question of how to exploit the distribution of public services between the public and private sectors. In addition part of the public services could be produced by the third sector. As we have noticed the distribution of public services and utilities are on the way to recovery. Practices are not become stable yet, but the trend is rising.

The transformation from publicly to privately organized production has been remarkable, especially in Nordic welfare countries where public utilities and services have traditionally been produced by municipal personnel. In this study we have concentrated mainly on the situation in Finland. As mentioned earlier, during the past twenty years the tendency in Finland has been strongly toward outsourcing public service production. However, the public sector still has the organizing responsibility.

The classification of different types of decision making involves the question of the potential ways to produce public utilities and services. Naturally the production should be arranged as economically as possible. Increasingly both public utilities and public services are organized in new ways, like contracting out and outsourcing, Public Private Partnership is engaged, because it enables the division of responsibilities and risks in big infrastructure and building projects. There is not just one way to organize public production but several models have been tested. Public production covers such a large range of duties that it is not possible to define one best way to produce them. All available methods or models should be considered on a case by case basis. Every unit in the public sector has to estimate what could be the appropriate solutions for their activities.

Cost savings are not necessarily the biggest motive for using private service producers. Efforts to enhance efficiency, flexibility and customer-orientation might be more important factors. The regulation of public procurements has been updated in few months ago. Ministry of Trade and Industry and the Association of Finnish Local and Regional Authorities maintain The Public Procurement Advisory Unit. The Advisory Unit serves authorities, enterprises and entrepreneurs by providing them with free advice on public procurement law, the application of the law and good practices in procurement. The strategic leadership for the provision and acquisition of services is important. Collaboration between public and private sector brings many profits. Mostly benefits of the collaboration of the public and private sector partnerships have considered from the public sector point of view. The benefits of collaboration, contracting and partnerships, should value more from the service users', citizens point of view.

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