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Reorganising Local Public Utilities: Where and Why We Can Argue for the Remunicipalization Trends?

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Abstract:

The paper is based on the use of evidence to scrutinise the effect of the Public-Private Partnership Act on the local public utility providers, where the context of the water and wastewater sector in Slovenia serves as an example. The Act affected the legal status of public enterprises, where solely public ownership was prescribed, and therefore demanded the reorganisation of existing public enterprises. The paper aims to evaluate the reorganisation process and the trend of remunicipalisation, the motives of reorganisation (political, pragmatic or transformative) and the advantages and disadvantages of the reorganisation process. A detailed, structured online questionnaire was designed and pretested for primary data collection to reach these aims. The questionnaire was sent to the Slovenian local public utility providers in water and wastewater management. The data was collated from 2018 to 2020. It was used in the analysis to provide evidence about the outcomes of the reorganisation process. The results show that new legislation contributed to increased public ownership in local public utility provision. The results also reveal that pragmatic motivating factors contributed to increased municipal buying out of private investors from (public) enterprises. The reorganisation process led municipalities into remunicipalisation, meaning that full municipal ownership and control increased.

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1. Introduction

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

The EU and national governments have emphasised and strengthened local-level service provision, primarily through environmental protection and renewable energy policies and measures. Dissatisfaction with the outcomes of privatisation has led to a reappraisal of the state and the public sector in the role of rectifying and remedying the shortcomings and failures connected with the market and private sector (Wollmann, 2018, p. 421). The trend has turned to reverse privatisation or remunicipalisation, as municipalities started to take the provision of local public services back into their own hands (Gradus & Budding, 2018, pp. 2–3; Gradus, Schoute & Budding, 2019, p. 1; McDonald, 2018b, p. 61; Wollmann, 2018, pp. 426). These shifts over time show that privatisation and contracting out are important phenomena and that remunicipalisation has become increasingly important (Gradus & Budding, 2018, p. 2).

Even though remunicipalisation is observed in numerous countries, there is a need for extensive research in the area to understand better the phenomenon, including the factors behind this trend, together with its strengths and weaknesses. Therefore, the paper aims to identify the outcomes of the reorganisation process of the local public utility providers in Slovenia, which was legalised with the adoption of the Public-Private Partnership Act (PPPA) in 2006. As the focus of the study is to perform outcome as well as impact evaluation, we seek to portray the experience with the remunicipalisation of local public utilities in the water and wastewater management field. The purpose of the paper is to define the changes in the ownership structure after the adoption of new

legislation (whether the municipal ownership has increased, which strengthened remunicipalisation trends), to elaborate on the major potential motivations that might have guided municipalities in buying the ownership shares (whether the motives are political, transformative or pragmatic), to detect the major advantages and disadvantages of the reorganisation process and to obtain the opinion whether new legislation and consequent reorganisation process influence the business performance of the existing public enterprises. In this context, the paper tries to answer three research questions: (1) Has the PPPA caused the reorganisation of existing public enterprises, increasing the presence of public ownership? (2) What were the most important motives for the changes in public ownership and were they primarily pragmatic or transformative? and (3) What are considered the most important advantages and disadvantages of the reorganisation process from the perspective of public enterprises? The answers to the posed research questions will contribute to the knowledge of whether the ownership reorganisation process has increased remunicipalisation in Slovenia and whether remunicipalisation has been transformative (politically oriented) or pragmatic (cost efficiency oriented). The theoretical foundations for these research questions are presented in the next section.

2. Theoretical background and literature review

Intense debate over the positive and negative effects of private participation in local public services continues. The findings by Soukopová et al. (2018) indicate that externalising services to private contractors face different problems, usually limited market competition and limited quality of contract management. Also, a meta-analysis by Bel et al. (2010) finds no systematic support for private service provision leading to cost reductions. On the other hand, Carvalho et al. (2012), in their meta-analysis determine that publicly owned utilities are more likely to suffer from diseconomies of scale and scope than privately owned ones. Opponents of privatisation defend public management as the best way of assuring universal access to public services and preventing abuse by private companies of their dominant position in a natural monopoly (González-Gómez et al., 2014, pp. 1–3). Also, providing, commissioning, and organising public services should remain as close as possible to the needs of the users (Wollmann, 2018, p. 421–422). Therefore, alternatives such as inter-municipal cooperation (Agiamoh, 2021; Meričková et al., 2022), remunicipalisation, and municipality-owned firms tended to be promoted (Gradus et al., 2019, p. 1). Remunicipalisation is described in different terms: de-privatisation, reclaiming public services, taking services back into public hands, and in-sourcing (McDonald, 2018b, p. 61). With remunicipalisation, municipalities strive to achieve greater municipal democracy and autonomy. Public ownership can benefit local communities, by lowering consumer costs, providing more access for underserved populations and providing social services, and the like. Further, public ownership can support economic

development, provide jobs, and enhance local control and participation in economic decision-making (Berlo et al., 2016, p. 1; Hanna, 2019, p. 45–46). As Kishimoto and Petitjean (2017) conclude the report of a major study on remunicipalisation, the remunicipalisation process reclaims and reinvents public services aiming to respond to common social and environmental challenges.

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

Remunicipalisation is also driven by the high costs of regulating and monitoring service providers, short-term contracts, diminished efficiency gains or, on the other hand, due to insufficient private-sector bidders for a contract. Private firms may also be unwilling to bid on what they see as unprofitable contracts, or may end contracts early (McDonald, 2018b, p. 62). Municipalities must also contend with costly teams of lawyers and bureaucrats required for contracting out, which reduces or reverses potential efficiency gains. Naturally, remunicipalisation is often opposed by private providers, who may employ various strategies to maintain their position and to delay the process of remunicipalisation (Berlo et al., 2016, p. 1; McDonald, 2018b, p. 62). Some authors argue that remunicipalisation blurs political intervention (McDonald, 2018b), expresses alternative political thinking, and transforms and socially empowers politics (Cumbers & Becker, 2018) to favour or strengthen local politics (Berlo et al., 2016). In contrast, remunicipalisation is also seen as an opportunity to enhance municipal and citizen influence and re-politicise urban utilities, which contributes to post-neoliberal urban governance (Becker et al., 2015); or as an opportunity to make policy in line with or beyond the norms of neo-liberal urban governance (Beveridge et al., 2014). Further on, Albalate & Bel (2020) conclude that politicians do not favour private service delivery as do bureaucrats. Gradus & Budding (2018) found that corporatisation is usually not particularly political. Voorn et al. (2020) conclude that remunicipalisation is not an ideologically oriented trend, as cost savings are a far more important factor than political ideology.

At this point, remunicipalisation is classified into two categories: pragmatic and

transformative remunicipalisation (Clifton et al., 2021; Voorn, 2021). Within the framework of the New Public Service Model, which, in particular, stresses democratic governance and citizen engagement (Denhardt & Denhardt, 2011), Voorn (2021) analyses political transformative and pragmatic variables as motivating factors for remunicipalisation. Pragmatic motives are traditional, connected to cost savings and efficiency, while transformative variables are political motives. He concludes that political motives are usually the proximate cause of remunicipalisation, while pragmatic motives are the ultimate cause. Similarly, a study by Clifton et al. (2021) confirms that remunicipalisation is primarily a pragmatic process, which happens due to privatisation failure, where local government consequentially terminates a contract or does not renew the contract when they strive to reduce transaction costs, and ensure service quality and costs savings. The study by Warner and Aldag (2019) also shows that remunicipalisation is primarily driven by pragmatic reasons (service quality, cost savings, efficiency) rather than political pressures.

On the other hand, Cumbers and Paul (2021) recognise remunicipalisation as a process of transformative political and social relations. Last but not least, Denhardt and Denhardt (2000, 2015) present the characteristics of the New Public Service Model, which are focused on democracy, citizenship and social equity. However, the principles of New Public Service Model are not found as a dominant paradigm in practice.

Municipalities have proceeded towards remunicipalisation either by repurchasing shares previously sold to private companies or by insourcing previously outsourced services. When the concession expires, municipalities decide for remunicipalisation as an opportunity to bring services back in-house without bearing any transaction costs. When the concession has not yet expired, possible compensations to private providers are an issue preventing earlier termination of the contract (Beveridge et al., 2014, p. 68; Hall et al., 2013, p. 206; Wollmann, 2018, p. 422). The negotiation process surrounding compensation is one of the key elements a municipality must consider when opting for remunicipalisation. Beyond the negotiation process, user involvement is also a key element, as it is fundamental for evaluating the private provider's performance and the benefits and risks of returning to public provision.

Nevertheless, the remunicipalisation process can vary according to the local context, the condition of public service, the involvement of the local government, the duration of the contract, the degree of private participation and the like. (Valdovinos, 2012, pp. 115–116). Nevertheless, most European studies on remunicipalisation focus on Germany, France, and Spain (Voorn et al., 2020). The remunicipalisation trend has mainly accelerated since 2010 (McDonald, 2018a), and water, waste disposal and energy sectors are mainly at focus (Busshardt, 2014; Voorn et al., 2020). Kishimoto and Petitjean (2017) also expose Germany and France as countries with the most profound trend of remunicipalisation, Germany mainly in the energy sector and France in the water sector. Although it is a widespread phenomenon (McDonald, 2018a), it is less commonly analysed in Central and Eastern European (CEE) countries with the exception of the study by Soukopová et al. (2022), which analyses the Czech Republic

and detects a possible beginning trend towards remunicipalisation in waste management. Our study aims at filling the gap in missing evidence for CEE countries by focusing on the Slovenian water utilities.

3. Methodology

3.1 Context of the study

European Directive 2006/111/EC on the transparency of financial relations between member states and public enterprises has affected the legal definition of a public enterprise in the individual EU member states, and it also contributed to the clarification of the legal status and definition of public enterprise (Trpin, 2007). Transparency of Financial Relations and the Separate Record of Various Activities Act was adopted in Slovenia in 2007 (Official Gazette of the Republic of Slovenia, No. 53/2007, 65/2008) based on this directive, which significantly changed the definition of the concept of public enterprise. Public enterprise was defined broadly, representing any enterprise over which the public authorities may exert a dominant influence (Brezovnik, 2009, p. 182; Trpin, 2007, pp. 6–7).

Slovenia adopted PPPA in 2006 (Official Gazette of the Republic of Slovenia, No. 127/06). Therefore, the rules for awarding works and service concessions were set per the EU Green Paper and EU Directive 2004/18/EC (Hrovatin, 2010, p. 95). Service concession arrangements had to follow also EU court practice in terms of the principles of the Treaty on the Functioning of the European Union (Burnik, 2017). Thus, the legislative solutions of the European Court practice were simultaneously integrated into PPPA, for example, the Stadt Halle case and the Teckal case, which ruled that only fully publicly owned enterprises can gain a concession without a tender and can be treated as an in-house operation. The Stadt Halle case explains that even a minority private shareholding makes it impossible for an entity to be treated as an in-house operator. The Teckal case explains that a contracting body (local authority) can assign a task without a competitive tendering to a third party when it can exercise control over that third party as it does over its own departments (an in-house entity). However, in the Parking Brixen case, the European Court ruled that an organisation, even with full municipal ownership, cannot be treated as an in-house entity when this organisation also carries out marketing activities (Šen Kreže, 2009).

Before the adoption of PPPA, the inclusion of the private sector in the traditional public sphere of public services was allowed by the Services of General Economic Interest Act (ZGJS, Official Gazette of RS, No. 32/93 and 30/98) for the provision of commercial (economic) public services used in the form of concessionary relationships and in the form of capital investment in the activities of private law; and by the Institutions Act, which has allowed awarding concessions for non-commercial public services provision (*Institute for Public-Private Partnership*, 2017). According to the Services of General Economic Interest Act, a public enterprise did not have its own

status, and could also have, as a commercial company, shared ownership. Therefore, the status of a public enterprise did not differentiate it from commercial companies. However, PPPA had considerable implications for the legal status of public enterprises, as they stipulate public enterprises need to be in full public ownership, and only fully publicly owned enterprises have a guaranteed concession without a public tender (Hrovatin, 2010, p. 102-104). PPPA also regulates the awarding of concessions to public enterprises, which are transformed into commercial companies. First, the founder shall award concessions without public tender to those commercial companies that were created out of public enterprises by withdrawing all private ownership shares. Second, public enterprises transformed into the legal status of private commercial companies must obtain a concession in compliance with the legislation. The concession should be awarded within one year by the founder of the enterprise through a bidding process on a public tender (Brezovnik, 2010, p. 24; Trpin, 2007, p. 6). To sum up, PPPA demanded the reorganisation of public enterprises with mixed ownership and awarded concessions to public enterprises that had transformed into commercial companies on a competitive basis.

3.2 Research design

We apply the positive approach to answer the research questions stated in the Introduction by using the survey results analysing ownership reorganisation of Slovenian public enterprises in water and wastewater management. The questionnaire is based on the literature review – content analysis (Petkovšek et al., 2021) which analyses the types of delivery mechanisms (in-house provision, private provision and inter-municipal cooperation) and the motives, factors influencing the local public services delivery mechanisms (the type, costs, economies of scale, efficiency, economic-political factors, economic-institutional-social factors and other economic factors, e.g. fiscal conditions, poverty, quality, corporatisation, competitive/non-competitive service markets, local stress, and the like), based on empirical and non-empirical country and cross-country studies from Europe and the USA. The questionnaire was pre-tested to gain an expert opinion on the relevance of the content and amended to account for country-specificities. The survey was conducted online by sending an email to the managing directors of all Slovenian public enterprises in water and wastewater management. The online questionnaire comprises a total of 102 questions.

The questionnaire covers five thematic parts, combining open-ended questions, multiple-choice answers, and a Likert scale of 1–5. We chose to use a Likert 5-point scale as it provides better quality data compared to a 7- or 11-point scale (Révilla et al., 2014). The first thematic part covers the primary respondent data, and the second is the provision of public utilities in drinking water supply and wastewater treatment, aiming to collate information on the public enterprise's legal status and on the range of their mandatory local public utility provision. The third part covers the ownership structure of the public utilities before adopting the new legislation, and the fourth part covers the changes resulting from the reorganisation of existing public enterprises and compliance

with the new act. The third and fourth parts aim to gain insight into the reorganisation process and its outcomes and serve to provide answers to elaborate on the major potential motivations that may have moved municipalities to buy shares in the mixed ownership enterprises, which was a necessary condition for the transformation of utilities into (pure) public enterprises. We were also interested in how concessions were obtained and the possible advantages and disadvantages brought about by the reorganisation, including the impact on the business performance of the existing public enterprises. The fifth part covers the setting of prices by the utilities. Due to the comprehensiveness of the questionnaire, we prolonged the surveying period to two years from 2018 to 2020, to increase the response rate. The collection time of two years did not affect the authenticity and comparability of the data among the respondents, as a specific focus was placed on the collection of answers related to past events. The study intended to explore the compliance of the reorganisation process with the new legislation and how the local public utility providers experienced the reorganisation. The survey results serve as an input for addressing our research questions based on the theoretical premises presented in section 2.

3.3 Research population

The study includes all public enterprises in water and wastewater management in Slovenia, more specifically, public enterprises providing drinking water supply, sewage and wastewater discharges and urban wastewater and sewage treatment. The small size of the country and the number of utilities ensured that we sent the questionnaire to all public enterprises in the water industry. The total population includes 72 public enterprises, of which 55 provide both drinking water and wastewater treatment, 11 wastewater treatment only and 6 drinking water treatment only.

Table 1:

Research population

Public enterprises	***Number***	***Share of the total population (%)***
Research population total	72	100
Provision of water and wastewater treatment	55	76.39
Provision of water treatment	6	8.33
Provision of wastewater treatment	11	15.28
Total no of responses	30	41.67
No of (almost) completed surveys	21	29.17
No of incomplete surveys	9	12.5

Source: Authors' calculations, 2023.

In total 30 public enterprises (41.67% of the total population) responded to the

online questionnaire, but only 21 public enterprises fully completed the survey (Table 1). The actual response rate to all questions in the survey is 29.17%, which could be considered sufficient to enable the generalisation of results for the whole country. The reason for the incomplete response rate might be attributed to the fact that the questionnaire is rather lengthy since it is aimed towards a detailed evaluation of the reorganisation process and its outcomes. The data analysis and results, which are presented in the following sections, consider all responses, from partly completed to fully completed questionnaires, therefore the total number of responses differs in the tables. Regarding the responses to the parts of the surveys, the first part (basic information of utilities), was fully answered by all firms, which is expected as the questions were relatively easy to answer. The questions in the other parts of the questionnaire were answered by a lower number of utilities, around 75% of all. This is not surprising because questions in those parts were more specific and required the respondents to search for the data or to verify the answers for example in their accounting office, which needed more of their time and effort.

4. Results and discussion

PPPA demanded the reorganisation of existing public enterprises with private equity stakes. On the one hand, the status of public enterprise can be retained with the transfer of the private ownership part to municipalities, and on the other hand, the public enterprise can be transformed into a commercial company per the Companies Act.

Table 2:

Ownership of public enterprises before and after PPPA

Ownership	*Ownership before PPPA*		*Ownership after PPPA*	
	No of utilities	*Share of utilities (%)*	*No of utilities*	*Share of utilities (%)*
100% public	17	77.27	21	91.3
Mixed	5	22.73	2	8.7
Private	0	0	0	0
	N=22		N=23	

Source: Authors' calculations, 2023.

Table 2 shows that most of those public enterprises that responded (77%) already had full public (municipal) ownership before adopting PPPA and retained their legal

status of public enterprise after adopting new legislation. After adopting PPPA, the share of full public ownership rose to 91%, showing that in the process of reorganisation some enterprises with mixed ownership transformed into fully publicly owned entities. Before adopting PPPA, mixed public enterprises represented almost 23% of all existing public enterprises; after adopting the new legislation their share fell to 8.7%. Respondents with full municipal ownership also provided information on whether retention or change in ownership structure was a consequence of adopting PPPA. Some 30% of respondent public enterprises confirmed that PPPA affected the decision on ownership. Roughly 60% of public enterprises did not have this information, and some (approximately 10%) stated that full municipal ownership was never in question, regardless of the new legislation. The ownership structure of retained mixed public enterprises did not change much after adopting PPPA. The average public share decreased from 66% to 59%, and the average private share increased from 34% to 42%. We may assume that retention of mixed ownership was due to the inability of a municipality to secure funds for the purchase of ownership shares and to the (dis)interest of owners and employees.

The changes in the legislation that came with adopting PPPA and harmonising the Slovenian Accounting Standard (SAS) with the International Financial Reporting Standards demanded the transfer of public infrastructure into municipal ownership. As a result, the relationship between the public infrastructure owner (the municipality) and the infrastructure manager (the public enterprise) had to be regulated, in the case of full municipal ownership of a public enterprise, by the end of 2009 (Ministrstvo za finance Republike Slovenije, 2009). The following possibilities for control over infrastructure before PPPA were as follows:

1. Transfer of public infrastructure to a controlling public utility provider
2. Transfer of public infrastructure to a public utility provider in lease or maintenance
3. Transfer of public infrastructure to a public utility provider as a non-cash contribution into the public enterprise

Research by Kavčič et al. (2002, p. 41) revealed that the most common form of regulation of public infrastructure ownership between the municipalities and the public utility providers before PPPA and before the harmonisation of SAS was the transfer of public infrastructure to public utility provider in control.

After PPPA and the harmonisation of SAS, municipalities had three options for transferring infrastructure to a public enterprise (the infrastructure manager). One option was to transfer it into the ownership of a public utility provider (public enterprise), while the other two options involved the lease of it – either in the form of a financial or business lease. Following the recommendation of the Slovenian Ministry of Finance, most of the municipalities decided on a business lease. In this case, PPPA allows for the direct conclusion of a contract with the public enterprise. In contrast, the financial lease requires many conditions, which are usually not fulfilled (Ministrstvo za finance Republike Slovenije, 2009).

Table 3:

The changes in ownership of public infrastructure

Ownership of public infrastructure	***Before PPPA***	***After PPPA***	***Relationship between the infrastructure owner and infrastructure manager after PPPA***	
	Share of utilities (%)	***Share of utilities (%)***	**Share of utilities (%)**	
Yes, full public enterprise ownership.	41.33			
No ownership.	58.67			
Transmission into full municipal ownership.		72.66	Ownership	5.77
			Financial lease	15.47
			Business lease	78.76
No transmission.		27.34		
	N=22	N=20	N=20	

Source: Authors' calculations, 2023.

Before PPPA, more than half of the respondent public enterprises (59%) did not own public infrastructure, while some 41% had full ownership of public infrastructure. There were no cases of mixed ownership of public infrastructure (Table 3). After PPPA, most of the respondent public enterprises (around 73%), which did not already have full municipal ownership of public infrastructure, transmitted the public infrastructure into municipal ownership to comply with the PPPA provisions. The remaining utilities (27%) stated that ownership of the public infrastructure was never in their domain and, thus, already owned by municipalities before PPPA. The table also reveals that after PPPA, the relationship was managed through the transfer of public infrastructure into a business lease of a public utility provider (79% - 83% of respondents for drinking water supply and 76.5% of respondents for sewage and wastewater discharges, and urban wastewater and sewage treatment). In less than 6% of cases, the relationship was managed through transfer into the ownership of a public utility provider, and in 15.5% of cases, through the transfer into the financial lease of a public utility provider. Overall, the results show that implementing PPPA contributed to increased public ownership in local public utility provision, confirming remunicipalisation trends.

The following, the drivers of remunicipalisation (poor private management, overpricing, rising contractual and transaction costs, deteriorating quality of service and the like), are closely connected to the motivating factors behind the reorganisation of local public utilities identified in our research. The results below list standard reasons for remunicipalisation in the field under investigation.

Table 4:

Motivating factors behind full municipal ownership of a public enterprise

Motivating factor	***Weighted average***
Management problems in enterprises with mixed ownership	4.3
Simpler regulation of the provider	4.0
Greater control over the provider	3.95
More possibilities to influence business operations	3.8
Greater rationality and efficiency of business	3.8
To use in-house orders	2.9
Easier to obtain EU funds	2.6
To avoid public tenders for concessions	2.45
To prevent employee dismissal	2.15
N = 20	

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

Source: Authors' calculations, 2023.

The most important motive behind the transformation to full municipal ownership of a public utility appears to be management problems in a mixed-ownership enterprise, closely followed by more straightforward regulation of the service provider, greater control over the service provider, more possibilities to influence business activities, and more rational and efficient business activities (Table 4). In contrast, preventing employee dismissal and avoiding public tenders for concession are found to be the least important motives. We can assume that avoiding public tenders for concession was not seen as an important factor, given the small share of public utility provision via the awarding of concessions in general, and, more specifically, due to the even smaller share of provision via direct, horizontal concessions without a public tender. Public enterprises transformed into full public ownership have either retained the concession for the provision of a local public utility or vice versa, as the shares of both groups are slightly less than 50 % in both instances. The share of horizontal concessions is highest in the provision of drinking water supply, where 50% of respondent public enterprises have retained it. Only around 30% of respondent public enterprises have retained concession as a horizontal concession for the provision of sewage and wastewater discharges, and only around 15% of respondent enterprises for urban wastewater and sewage treatment. Public enterprises that have not retained the concession as a horizontal concession explained that the enterprise provides the public utility only for their municipality and that the concession is granted to a public enterprise with the ordinance of the individual municipality. To sum up, the evidence

portrays the prevalence of standard theoretical reasons for remunicipalisation. The reasons identified herein consist of management problems in a mixed-ownership enterprise, regulation of the service provider, control over the service provider, influencing the business activities, and more rational and efficient business activities.

Next, we turn to the analysis of both the advantages and disadvantages of the reorganisation process. Table 5 reveals that public enterprises perceive the municipality's ability to monitor the enterprise's business activities under the decree as the most important advantage of reorganisation, followed by the possibility of the municipality having full control over the performance of public utility providers.

Table 5:

Advantages of the reorganisation of public enterprises

Advantage	***Weighted average***
The municipality monitors the business of the enterprise under the decree	4.06
The municipality has full control over the performance of public utility	3.63
Institutional, corporate, and governmental rights are prescribed by municipal decree	3.5
Better cooperation between the enterprise and the local community	3.44
Developing expertise and increasing the quality of the services provided	3.13
Better use of labour and capital	2.75
Better job performance	2.63
Better organisation of work	2.63
Lower costs of service provision / Lower transaction costs	2.5
Acquisition of additional municipal financial sources	2.5
Easier to obtain European funds	2.44
Lower labour costs	2.31
Total profit from a public enterprise is transferred to the budget and devoted to investment in infrastructure	2.31
N = 16	

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

Source: Authors' calculations, 2023.

In contrast, turning to potential disadvantages, some were identified but are perceived as less important, as the magnitudes are smaller. Table 6 reveals that utility providers perceive the most significant disadvantage in the arrangement of a concession relationship, which requires the regulation of many legal acts. Besides, they agree that regulatory pricing policy, higher costs for the utility provider due to municipal control, visible lack of experience of municipal control over the concessions and no possibility

of control over the concessionaire through founding and corporate rights also present disadvantages.

Table 6:

Disadvantages of the reorganisation of public enterprises

Disadvantage	***Weighted Average***
The arrangement of a concession relationship requires the regulation of many legal acts	3.75
Regulatory pricing policy	3.5
Higher costs for the utility provider due to municipal control	3.0
The municipality does not have control over the concessionaire through founding and corporate rights	3.0
Lack of municipal experience in providing control over the concession in terms of maintaining the high quality of service for citizens, and maintaining and increasing the value of the property for the municipality at justifiable service prices	3.0
Higher transaction costs due to public tenders for concessions	2.75
Higher transaction costs for the municipality in terms of controlling the concessionaire	2.75
Higher public utility prices	2.5
Poorer quality of public utility	2.5
N = 13	

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

Source: Authors' calculations, 2023.

Even though the respondent public enterprises point to more rational and efficient business as an important advantage of the reorganisation process, they do not find any particularly essential changes in the effectiveness of their business after the reorganisation, as around two-thirds of them share the perception that their business performance has not deteriorated. The above may be connected to the fact that most public enterprises were already in full public ownership before the reorganisation process. As a result, the effectiveness and efficiency of the business remained relatively the same with reorganisation. To sum up, we might argue that the reorganisation process brought several advantages, the most important being the ability of municipalities to monitor the business activities of the enterprise under the decree. For the potential disadvantages, they could be more explicit. However, if put forward, the most important one might be portrayed as the arrangement of concession relationships, which requires the regulation of many legal acts.

The reorganisation process of public enterprises in the water industry in Slovenia contributed to increased municipal ownership in utility provision, thus providing evidence for the remunicipalisation trends in this industry, which corresponds to the

findings of Kishimoto and Petitjean (2017). Remunicipalisation brings benefits to both local communities and to the local population. The literature points out lower consumer costs, more access to services for deprived populations, more jobs and improved overall economic development, more local control over the provision of public utilities, financial gains for local authorities, and more empowered municipalities and local inhabitants (Becker et al., 2015; Hanna, 2019; Wollmann, 2018). These benefits of remunicipalisation can also be observed in our research.

The literature review on remunicipalisation suggests various pragmatic and transformative motives for bringing service provision back into the public sector (Clifton et al., 2021; Gradus & Budding, 2018; Gradus et al., 2019; McDonald, 2018b; Voorn, 2021; Wollmann, 2018). As remunicipalisation is usually intentional and is affected by terminating a contract with a private provider, the most frequently cited motive is dissatisfaction with the private provision or provider (Bel, 2020; Busshardt, 2014; Clifton et al., 2021; McDonald, 2018a; Lindholst, 2019; Ulmer & Gerlak, 2019; Valdovinos, 2012; Voorn, 2021), evidenced by poor private management, overpricing, increased contractual and transaction costs, financial failures, deteriorating quality of service, public mistrust, operative failures and the like, which all point to the pragmatic reasons for the remunicipalisation process. Similar pragmatic motives behind the decision to remunicipalise were also identified by our research, which aligns with other studies (i.e. Clifton et al., 2021; Voorn, 2021, and others). By identifying the pragmatic reasons as key drivers, our results also contrast the findings of some other studies (i.e. Cumbers & Paul, 2021) placing political transformative motives or those associated with the New Public Service Model (i.e. Denhardt & Denhardt, 2015) among primary reasons. As these are traditional reasons for remunicipalisation, we can argue that legal amendments in the form of the PPPA introduction have contributed to the trend towards remunicipalisation in the water industry in Slovenia, and not vice versa, as assumed by the policymakers when developing policies and (legal) regulations.

Literature highlights that remunicipalisation is driven by the high cost of monitoring, short-term contracts, deteriorating efficiency, insufficient private-sector bidders for a contract, and the like. (Berlo et al., 2016; McDonald, 2018b). Our research identified advantages of the reorganisation process, i.e. the municipality can monitor the business activities of the enterprise under the decree, the municipality has complete control over the performance of public utility providers; a municipal decree prescribes institutional, corporate, and governmental rights; better cooperation between the enterprise and the local community, and the like. Thus, we can find empirical support that the high costs of monitoring and regulating private contracts drive municipalities to remunicipalise (Bel, 2020; Busshardt, 2014; Clifton et al., 2019; Gradus & Budding, 2018; Gradus et al., 2019; Hanna, 2019; Ulmer & Gerlak, 2019; Valdovinos, 2012; Wollmann, 2018).

The literature review also points out that it is necessary to evaluate the private provider's performance and the benefits and risks of returning to public provision (Beveridge et al., 2014; Friedländer et al., 2021; Hall et al., Lobina & Terhorst 2013;

Valdovinos, 2012; Wollmann, 2018). According to the respondents in our research, the reorganisation process did not bring any essential changes to the effectiveness of the business. Thus, we can at least argue that we cannot support the assumption that remunicipalisation deteriorated performance.

5. Conclusion

Implementing PPPA in Slovenia led to increased public ownership of public utilities, naturally influencing the trend toward remunicipalisation in the water industry. Using primary data collection, we explored compliance of the reorganisation process with the new legislative provisions and the experiences of local public utility providers with this process. To address the research questions, we can argue that the reorganisation process increased (full) municipal ownership of public utilities in this industry, thus evidencing the trend towards remunicipalisation. The results also confirm the shift of public infrastructure to full municipal ownership, where the relationship between the infrastructure owner (municipality) and the infrastructure operator (public enterprise) is arranged through a business lease to the public utility provider. The motivating factors behind municipal ownership are confirmed as being pragmatic rather than transformative. They are justified in management problems, regulation of the service provider, control over the service provider, influence on the business activities, and more rational and efficient business activities. The advantages of the reorganisation process are seen in the potential ability of the municipality to monitor the enterprise's business activities under the decree and complete municipal control over the performance of the public utility. Even though we have confronted some obstacles and limiting factors in our empirical research, which were related to the complexity of the questionnaire at most, we were able to provide some valuable and unique empirical insights. The results also provide helpful information for municipalities, local public utility providers, and public policymakers when designing policies and regulations. Further research in other domains of public utilities would be highly warranted, both in the traditionally local utilities (e.g. waste management) and in the traditionally national utilities (energy sector and the like).

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