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This document summarizes:

Brown, Trevor L. and Potoski, Matthew. "Managing the Public Service Market." *Public Administration Review*, Nov/Dec 2004; 656-668.

Government outsourcing too infrequently considers other government entities as collaborators or suppliers of other city services.

In this article, Brown and Potoski analyze the refuse collection market among various governments in the metro Columbus, Ohio, area. They focus on refuse collection as a study for contracting because of the rich market of vendors and easily measurable outcomes. In Columbus, the Solid Waste Authority of Central Ohio (SWACO) serves as the overseer of refuse collection. Of the nine city governments in the sample, only two do not contract out refuse-collection services, and the main difference between the different contracts is in duration. Shorter contracts stimulate competition while longer contracts may lower costs because vendors will lower their prices if they are sure of their future. Through their analysis, the authors found that the managers use the service network to increase the flow of information and, more importantly, stimulate market competition.

The article examines penalty clauses in contracts and the ways in which networks can promote competition. Penalty clauses play a vital role in Columbus, Ohio, refuse collection. The city of Westerville faced a series of complaints about Rumpke (the most frequently used contractor), but, because the bid was significantly lower than any other collector, the public service director continued to use them. He did, however, include a penalty clause in their contract that imposed financial penalties for underperformance. The operations manager of Rumpke commented, "I'd be lying to you if I said those clauses don't make us work harder to improve services." Because of its success, the penalty clause is now in place throughout the Columbus, Ohio, network.

The authors also look at the role of networks in stimulating market competition. Columbus' refuse collection is not inherently competitive. Governments combat this by soliciting bids from outside the current market. For example, the city of Worthington invited private firms from Cleveland and Cincinnati to bid on future contracts. In Hilliard, city officials used a local hauler instead of Rumpke in order to increase the competition. As Rumpke started to take on a more visible role in refuse collection, SWACO, supposedly the overseer of the market, started to view them as a competitor not a partner. This is helping to counteract Rumpke's dominance in the market.

Finally, the authors look at implications of contract management, and in particular, vendor management, market maintenance, and network maintenance. Vendor management includes monitoring performance and communication. Market maintenance includes all the factors that go into stimulating competition. Network maintenance

includes “activating” the network by identifying partners, “framing” the network with rules and goals, “synthesizing” the network by bridging connections between participants, and “mobilizing” the network into action. In this case study, SWACO handles the bulk of the network maintenance variables.

The case of Columbus refuse collection provides three key lessons for practitioners. First, network ties with other governments can provide help with contracting. For example, other governments within Columbus followed Westerville’s lead with penalty clauses. Second, service delivery markets can stimulate competition. Finally, occasionally relying on other governments requires relatively few additional resources. This article provides practitioners with a solid example of a successful service market network.