

## **Privatizing Street Lighting in Vienna?**

Susanne Lettner, the director of municipal department 33 (which is responsible for all street lights) in the city of Vienna, Austria was meeting with her team. The magistrate director of Vienna, the highest civil servant of the city and the equivalent to a Chief Executive Officer in the private sector, had asked her to take a position concerning the potential privatization of public lighting in the city. He specifically asked her to develop a presentation focusing on the public value they provide, their organizational capacity, and if the municipal department should be organized as a public or private enterprise.

### **Background**

Susanne Lettner was in charge of a department with 135 employees and a budget of around € 25 Million per year. She was responsible for 151.000 lamps with 243.000 individual light bulbs. They had worked to continuously modernize the system. In 1923, the municipal administration decided to replace gas lighting with electric lighting on all streets. In 1953, the 50.000th electric street lamp was installed. Major thoroughfares were fitted with low-pressure mercury vapor lamps. In 1974, the 200.000th bulb was installed and as many as 93% were already fluorescent lamps (reducing energy costs even further). In 2006, Susanne was facing technical and management challenges on the operational level: The industry was constantly developing new lamps and illuminants with higher light yields, lower emission levels, and longer useful life-span promising reductions of management and electricity costs. Staying on top of new trends and deciding when to make the capital investments into new systems was a big challenge. And she had a policy analysis on her desk done by her department that suggested that the individual exchange of illuminants currently practiced in Vienna could be replaced by a collective exchange. Even though, it would require a substantial capital investment and would decrease the actual lifespan of individual lamps, it would decrease maintenance costs as fewer individual bulbs would fail. Because of similar technological and management challenges, several big cities in Europe had privatized lighting in the early 2000s. Most of the privatization had occurred through long-term concession contracts between cities and transnational energy industry enterprises that could leverage their experience and economics of scale. In Berlin "Stadtlicht" is responsible for all public lighting. Stadtlicht is part of a Dutch enterprise - Nuon. Only a few months ago, Bremen had sold their public lighting company outright.

### **Making her Point**

Until this meeting with the magistrate director Susanne had been confident that the future investments could be paid out of the regular budget and that her team was efficient enough to be competitive with any private sector firm. She wondered how to make the argument that they are providing an important public service, the cost-savings of privatization were not substantial, the necessity to regulate a private sector firm would outweigh the benefits of privatizing, deciding capital-investments would become more complicated, etc. While she was thinking, Helena, a member of her staff and recent graduate from the Erfurt School of Public Policy, asked, "What again is the public value we provide? And why are we more effective and efficient in providing it than the private sector?"