

# Re-politicisation as post-NPM response?

## Municipal companies in a Norwegian context

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*ABSTRACT: This is an exploratory study of re-politicisation of municipal companies in one Norwegian municipality. Unlike re-municipalisation, which seems to imply the reversal of privatisation and out-contracting, and the reinstatement of municipal ownership, the Norwegian case demonstrates a continued adherence to the provision of certain public services through municipal companies. However, our study reveals increasing re-politicisation, especially with respect to board composition. The mechanisms behind this process seem first and foremost to be a post-NPM response (re-centring) combined with efforts of rebalancing NPM-inspired solutions without changing them in any fundamental way (learning from experience).*

**KEY WORDS:** agentification, corporatisation, re-politicisation, re-municipalisation, post-NPM, municipal companies.

### Introduction

Since the mid-1990s there has been a strong and rapid growth in the number of municipal companies in many countries (e.g. Grossi and Reichard 2008; Aars and Ringkjøb 2011; Ferreira da Cruz and Cunha Marques 2011; Citroni, Lippi, and Profeti 2012; Kallio and Kuoppakangas 2012). This phenomenon, which is usually seen in the context of New Public Management (NPM) and the doctrine that politicians should rule at 'arm's length' (Hood 1991; Majone 1997), has triggered the attention of numerous researchers within the public administration field, although under different theoretical labels such as 'corporatisation' (Grossi and Reichard 2008) and 'agentification' (Torsteinsen and Van Genugten 2016). There is, however, a growing debate about a possible post-NPM shift at the central level of government where attempts at political and administrative devolution are being reversed (Christensen and Lægveid 2007, 2011; Dahlström, Peters, and Pierre 2011). The reason is said to be the negative effects of devolution as fragmentation, coordination problems and political leaders having lost much of their

influence and governing capability (Christensen and Lægreid 2007, 2011). As such, post-NPM efforts can be seen as processes of re-politicisation, i.e. processes where politicians try to regain their influence and governing capability.

A similar, albeit not identical process termed re-municipalisation is observed at the local level in some European countries, partly considered a result of the financial crisis and partly one of a post-NPM shift. While re-municipalisation usually refers to a reversal of out-contracting and privatisation (e.g. German municipalities buying back shares from private electricity companies) combined with a growing scepticism towards privatisation (Wollmann and Marcou 2010; Florio 2013; Wollmann 2016), *re-politicisation* in the municipal context refers to a specific process where local politicians try to regain control over agentified entities generally, be it in-house firms, municipally owned enterprises or external, private partners. Consequently, re-politicisation *may* occur without re-municipalisation taking place, e.g. when the process is limited to in-house entities and municipal companies. Hence, re-politicisation is a narrower concept than re-municipalisation, covering specific *political* governing strategies and not municipal control in the broader sense. This process may be conceptualised as strengthening the political power of elected politicians and institutions, supported by vertical and horizontal coordination mechanisms (Dahlström, Peters, and Pierre 2011).

In this article, we describe and discuss re-politicisation processes in one Norwegian municipality where the local election of 2011 led to a change of political regime, from a long-term socialist to a liberal-conservative. Re-politicisation under the auspices of a right-wing regime seems rather paradoxical. Normally we would expect liberal-conservative regimes to embrace and hold on to the idea of arm's length steering. In their study of Norwegian municipalities Ringkjøb, Aars, and Vabo (2008) found that leftist parties were in favour of appointing politicians as board members, while right-wing parties, in accordance with the NPM-ideology, were more intent on constituting so-called professional boards. These usually

involve people with management experience from the private sector. However, a post-NPM response would dissolve such a paradox, i.e. if re-politicisation is justified by some negative effects of rule at ‘arm’s length’.

The contribution of the article is twofold. First and foremost, our study contributes to nuancing the rather broad and context-dependent concept of re-municipalisation, enabling us to compare and understand similar processes across countries and contexts. Studies of such processes at the local level are still few and include countries that have gone much further in their devolution of local public services than, say, Norway and other Nordic countries. In other parts of Europe, re-municipalisation primarily refers to municipalities taking back control over services, which they have previously sold or outsourced to private sector actors (Wollmann and Marcou 2010; Wollmann 2016). In Norway, re-municipalisation takes on another form, by re-asserting and re-centring the municipality’s power over agentified municipal entities, including municipal companies. What we observe in our study is a *political* re-centring process, which we label re-politicisation.

Second, we seek to uncover possible drivers or mechanisms behind the re-politicisation process, in terms of post-NPM, which so far is not well investigated and documented at the local level. The financial crisis did not hit Norway as hard as other European countries. Although some features of neo-Weberian post-NPM are visible, such as mergers, reducing the number of semi-autonomous in-house agencies and re-introducing the middle management level (Olsen and Torsteinsen 2012), it is not obvious that there has been a post-NPM shift at the local level in this country.<sup>1</sup> The number of municipal companies is still high and may even be increasing (Aars and Ringkjøb 2011; Bjørnsen, Klausen, and Winsvold 2015). Thus, a study of re-politicisation of municipal companies is particularly interesting because as a phenomenon it may deviate from the general pattern of weak post-NPM trends in Norwegian municipalities.

The structure of the article is as follows: After having elaborated the concepts ‘post-NPM’ and ‘governing strategy’, we present the municipal company in the Norwegian context. Further, we describe our methodological approach and the case municipality. We then move on to present and analyse the four selected municipal companies of our study. Finally, we discuss whether re-politicisation is a post-NPM response or if other explanations are plausible.

### **Post-NPM**

One of the main features of NPM is structural disaggregation of supposedly monolithic public organisations into smaller and more autonomous entities. The claim was that traditional bureaucracies had moved beyond political control and become instruments for bureaucratic elites and strong professional groups. By breaking up these structures politicians were supposed to regain control. Arm’s length steering became the new catchword: more ‘space’ for managers to manage, at the price of tighter performance requirements and accountability regimes (Ferlie et al. 1996).

Organisational fragmentation and coordination problems emerged as new issues of concern, especially in the English speaking countries that first and most enthusiastically had embraced NPM. In 1997, when Tony Blair became prime minister, he immediately started reversing the decentring policy and introduced a re-centring strategy. Important aspects of this strategy were re-politicisation and stronger vertical and horizontal coordination (Dahlström, Peters, and Pierre 2011). These efforts are usually summarized as a shift towards post-NPM (Bouckaert, Peters, and Verhoest 2010; Christensen and Lægreid 2007, Christensen and Lægreid 2011), and is often described as attempts by political executives to regain greater control over functions and arm-length public organisations: ‘.... taking back some power seems natural through post-NPM’ (Christensen 2012, 5). As such, post-NPM may be seen as efforts to correct the shortcomings of NPM reforms.

Fragmentation and coordination problems are met by vertical integration of devolved public service functions and horizontal integration of ‘hived-off’ functions formerly undertaken in separate organizations (Bouckaert, Peters, and Verhoest 2010; Christensen and Lægreid 2011, Christensen 2012). Hierarchy may be associated with the first mechanism and negotiated networks with the second. This implies that re-politicisation in the post-NPM era may follow (at least) two different trajectories, either the neo-Weberian road (NWS) or the new public governance route (NPG). Hybrid solutions are also possible, even with some elements of NPM being retained (Pollitt and Bouckaert 2011; Christensen and Lægreid 2011).

When it comes to local government, a somewhat similar trajectory applies, from NPM-inspired decentring to an increasing concern about fragmentation and loss of political control due to agentification (Torsteinsen and Van Genugten 2016) and corporatisation (Grossi and Reichard 2008). Whether this concern has actually led to re-municipalisation, is a matter of dispute, or at least, it seems to vary between countries. So far, Germany has shown the clearest signs of re-municipalisation (Wollmann 2016).

### **Governing strategies**

In this section, we outline our dependent variable: re-politicisation. According to Aars and Ringkjøb (2011), political governing of municipal companies varies along two dimensions; *the strength of steering*, i.e. the extent to which the owner-municipality signals or exercises direct control over companies, and *the formalisation of steering*, i.e. the extent to which the municipality has established institutional arrangements for governing and controlling their companies. The first dimension may be specified as political intervention in terms of appointment of politicians to and reshuffling of the boards, signals or directives in particular cases and the direct influence through political advisors. The second dimension may be linked to the presentation of ownership reports to the local council, the existence of an administrative

support function to monitor the companies and develop the municipality's ownership policy, and finally, the performance of regular meetings between leading politicians and the companies. The selection of these indicators is inspired by former empirical studies (Aars and Ringkjøb 2011; Ringkjøb, Aars, and Vabo 2008). The combination of the two dimensions produces four key governing strategies, 'remote', 'tight', 'detached' and 'pragmatic activism'.

*Remote steering*, a combination of strong formalisation and weak governing, is based on contracts and statutes designed before the company was established. Steering at arm's length is the prototype of this governing strategy. Aars and Ringkjøb (2011) believe this strategy is most likely when the company's operations do not involve politically sensitive matters. Besides, politicians may assume that organising municipal tasks at arm's length will enable them to spend more time on genuine political issues.

*Tight steering* combines strong formalisation and strong political control. This may indicate distrust. However, if a newly established company becomes subject to this type of governing, corporatisation seems to be more symbolic than instrumental. Tight steering could reflect an intention among leading politicians to demonstrate political control. The risk is conflict between an interventionist strategy and a formalised ownership policy.

*Detached steering* means both weak formalisation and weak political control. The company enjoys high autonomy, with the owners paying little or no attention to its work. According to Aars and Ringkjøb (2011), this strategy can be appropriate when dealing with politically controversial tasks, making it possible for politicians to avoid being blamed. This strategy also seems appropriate when dealing with tasks of little or no political controversy.

*Pragmatic activism* is characterised by weak formalisation and 'hands-on' political control. Board membership is considered attractive as well as of strategic importance. Hence, key politicians are usually appointed to these positions. The municipality also shows great willingness to intervene if the company should engage in politically important issues or receive

negative media attention. This resembles a fire-fighting logic, with a touch of opportunism and symbolic politics.

In conclusion, re-politicisation will entail a movement from detached and remote steering to pragmatic activism and tight steering. To be more specific: increased tight steering and pragmatic activism indicate ‘strong re-politicisation’, remote steering ‘medium re-politicisation’, and detached steering ‘lack of re-politicisation’. Table 1 sums up the governing strategies and describes how they are operationalized in terms of two dimensions (‘strength of steering’ and ‘formalisation of steering’) and six indicators (cf. the cell with values ‘direct’ and ‘strong’).

**TABLE 1 HERE**

### **Company forms in Norway**

The term ‘municipal company’ includes various organisational solutions: limited companies (AS), municipal ‘in-house’ firms (KF), inter-municipal companies (IKS), foundations and §27/§28 companies.<sup>2</sup> In Norway, the limited company is the most prevalent form. Currently, it constitutes approximately 85 per cent of the total number of municipal companies, compared to 66 per cent in 2003 (Aars and Ringkjøb 2011; Statistics Norway 2013).

Together the different company forms cover various tasks, such as real estate and business-related functions, power generation, transportation, waste management and health care services. The limited company dominates in most categories of tasks, whereas the municipal firm is most prevalent in port and transport services, and the inter-municipal company within waste management (Torsteinsen and Bjørnå 2012). In the following, we elaborate the description of municipal firms and limited companies, which are the types of companies most relevant in ‘our’ municipality.

Because the municipal firm (KF) is part of the municipal organisation and reports directly to the local council, the formal steering and control of this type of company is easier than of limited companies, which are separate legal entities. This means that the council sets the framework for its operations, appoints the board, approves the budget and is responsible for its liabilities. The municipal CEO cannot, however, interfere in the company's management, but he/she may require that the implementation of specific decisions must be postponed until they have been discussed in the council (LGA, §72). The limited company, on the other hand, may undertake independent obligations for which the municipality has limited liability. In the limited company, the annual general meeting (AGM) is the highest authority. The general rule is that the AGM elects the board and adopts by-laws and the board's instructions. The municipality may exercise its powers as owner through the AGM, for example by instructing its representative (s). In limited companies owned 100 percent by the municipality, the AGM typically is the mayor.

However, studies show that there is little variation in Norwegian municipalities' governing strategies towards the two types of companies. Opedal, Blomgren, and Holmen (2012) found that the local council primarily controls the companies by formulating goals and performance requirements, determining statutes, and by appointing board members. They also found that CEOs rarely required board resolutions of municipal firms to be postponed. These findings are largely consistent with those reported by Aars and Ringkjøb (2011).

### **Research methods and data collection**

Our research approach is exploratory and based on a single case. Since the research on local re-politicisation and re-municipalisation is still in its infancy, we have concentrated on one municipality, using both documentary and interview data. We studied four municipal companies and conducted 14 interviews from December 2012 to March-April 2013. The



documentary material, covering the period 2006-2015, consists of ownership reports (2006, 2008, 2013, 2014 and 2015), municipal position papers and some Annual Reports. The interviews not only provided factual information on the re-politicisation of municipal companies, e.g. replacement of board members; they also made it possible to elicit the personal perceptions of the process among key actors.

The reason for choosing this specific municipality is first and foremost the paradox of re-politicisation under the auspices of a right-wing city government. Hence, the municipality deviates from other (Norwegian) municipalities and thereby represents a most likely critical case (Eckstein 1975; Gerring 2007) particularly suited for ‘testing’ the post-NPM hypothesis. Second, the municipality is quite typical in the Norwegian context in the sense that it embraces municipal companies as a model for local service provision. Thereby, our study allows for comparing similar processes across countries.

Further, the concurrence in time between re-politicisation and political regime change, from left-wing rule to a right-wing political majority after the local election in September 2011, allows for the exploration of another explanation, i.e. re-politicisation processes as a result of the ‘symbolic’ uses of politics (Edelman 1967).

Finally, the municipality is an interesting case because of its transition from the Aldermen system to the parliamentary governance model, decided by a bipartisan majority a few months before the local election in 2011. This transition in itself represents a form of re-politicisation, which in turn increases the possibilities for such processes. Although the timing of the parliamentary model in this municipality matches the post-NPM shift, concurrence in time does not confirm any causal relationship.

Two of the four companies selected for our study are limited companies and two are municipal firms. First, these types represent the most prevalent company forms in this specific municipality over the past 10 years as well as among the most prevalent company forms in

Norwegian municipalities in general. Second, choosing different types of companies makes it possible to illuminate the different manifestations of re-municipalisation strategies.

We have interviewed company managers, board chairs, local politicians (both from the position and the opposition), a senior staff member of the municipal administration, and a former mayor who is currently chair of several municipal companies, altogether 14 people. All interviews were conducted face-to-face, in most cases in the informant's office or the company premises. In some cases, both researchers were present, in other cases only one. Some of the interviews were tape recorded and transcribed *in extenso*, while others were documented by handwritten notes taken during the interviews and elaborated and transcribed immediately afterwards. Most of the interviews lasted 1.5 hours. The governing strategies suggested by Aars and Ringkjøb (2011) and elaborated by us (cf. Table 1) have informed the issues and questions raised in the interviews.

### **The municipality**

With its more than 70,000 inhabitants 'our' municipality is a large one in the Norwegian context.<sup>3</sup> As already mentioned, a parliamentary governance model was adopted in the autumn of 2011. As the third municipality in Norway, it replaced the traditional Aldermen system with a parliamentary model. This governance model introduces a clear distinction between the ruling majority and the opposition, with the intention of clarifying political responsibility. The municipal CEO is replaced by a municipal (or city) government, which can be removed through a vote of no confidence in the local council.

However, the first parliamentary government of this municipality after the election of 2011 was based on a majority coalition of the Conservative Party (Høyre), the Progress Party (Fremskrittspartiet) and the Liberal Party (Venstre). According to a pre-election deal, the conservatives got the mayor and the 'prime minister', and the Progress Party the deputy mayor. Within the parliamentary model, the municipal council retains the superior authority over all

activities of the municipality, while the municipal government has the executive responsibility for ongoing operations and administration. The government holds the authority that used to reside in the hands of the Aldermen committee and the municipal CEO. It puts forward propositions and motions to the council, and is responsible for monitoring the implementation process. The municipal government consists of the ‘prime minister’ (byrådsleder) and five ‘ministers’ (fagbyråd). In addition, there are six political advisers. The individual ‘minister’ is ultimately responsible for a ‘ministry’ (byrådsavdeling), while the ‘prime minister’s office’ administers the ownership of municipal companies.

Like many Norwegian municipalities, this municipality replaced its traditional administrative structure in 2002 with an agency model, going from four departments to 128 agencies, 114 service-providing units and 14 staff and support units.<sup>4</sup> Currently, it has 74 and six, respectively. The number of agencies has therefore decreased noticeably in 15 years. In 2002, the municipality had seven municipal firms, while currently it only has two. Moreover, the municipality is shareholder in 20 limited companies and is majority or sole owner in eight of them. In 2006, the first ownership report was published; a milestone in the city's effort to design an ownership policy. The plan was to make it an annual publication, but this was not followed up on a regular basis. The next reports came in 2008, 2013, 2014 and 2015.

In the 2006 report, the focus was municipal firms, general guidelines for financial management and dividend policy, as well as guidelines for the gender composition of boards. In the wake of this, the contact with these companies was delegated from the mayor to the municipal CEO. The CEO established regular meetings with the firms, and the directors of the firms were invited to the CEO’s monthly meetings with the agency managers. Otherwise, politicians were mostly concerned with the potential profits that could be made to strengthen municipal budgets. In the 2008 report, the main issues were formal control options for different types of companies, the dilemmas of municipal ownership, as well as the pros and cons of the

different types of companies. The discussion about purpose and strategy for the companies was pushed forward in time.

However, this discussion did not occur until the publication of the ownership reports of 2013, 2014 and 2015 in which the city government repeated its ambition to exercise a stronger professional ownership, first expressed in its inaugural address in 2011. In the 2013 report, the government stated that with the purpose of ‘formulating a clear and precise ownership strategy for the companies’ (13), ‘we will review the companies and evaluate the goals and strategies for the larger ones’ (14). The report also contained a description of how to formalise the ownership policy further by linking it to the recurring annual processes.

The 2014 report indicated increased attention from the city government towards the municipality’s ownership policy. It referred to a decision made by the city government in 2013 to establish a multidisciplinary ownership team (OT): ‘the OT shall monitor the municipal companies and contribute to the planning and administration of the municipality’s ownership strategy’ (5). Further, ‘we will create a new position with a specific responsibility for the ownership policy and the daily affairs of the OT’ (5). These measures were first implemented after the publication of the 2015 report in which the need for further formalisation is emphasised; ‘strengthening the management dialogue’, ‘regular meetings’ with the companies (2) and mandatory bylaws for all municipal corporate boards (10).

### **Processes of re-politicisation**

In this section we give a detailed description of possible signs of re-politicisation processes of the four companies we have studied, followed by a discussion of how these processes can be explained.

*Parking KF*

Parking KF was established as a traditional in-house entity in 1978 and converted to a municipal firm in 2002. In 2014 the KF was turned into an AS. The company, which has 15 employees, operates at a profit. The municipality has not adopted a specific set of bylaws for the firm. Its relationship with the municipality is therefore regulated through general municipal bylaws, the Road Traffic Act and agreements ‘at the micro level ... with the municipality’. Parking KF did not produce separate annual reports at the time we did the interviews, but as an AS it is obliged to do so.

Since the establishment of the firm in 2002, the board has primarily been composed of people from local businesses and has retained the same person as chair. The chair, a businessperson with close relations to the Labour Party had a reputation for being business oriented: ‘he did not allow politicians to interfere’. Thus, the continuity of the board has been strong, while the municipality’s steering seems to have been detached.

After the 2011 election, however, the entire board was replaced by what the CEO described as ‘a political board’ with only active politicians. The new chair represents the Conservative party and is also political advisor to the ‘minister’ of finance. This means that the current chair holds a central political position and that the company therefore is closely linked to the political leadership. The firm’s CEO perceives this change as a sign of more active and direct political control from the new municipal government and as a ‘take-over by party politics’. The radical reshuffling of the board indicates a political interventionist strategy associated with pragmatic activism. In sum, steering is direct while formalisation is still weak although increasing.

### *Port Authority KF*

Port Authority KF was converted to a municipal firm in 2003. It currently has 25 employees and generate large profits. However, the Port Act regulates and limits the municipality’s

authority over the company. The municipality may not, for example, take dividends. In the autumn of 2010, the municipal council adopted new bylaws for the firm, which came into force in 2011. The company has produced annual reports since 2003.

Again, the new regime replaced all board members. Four of the current members, including the chair, are members of the municipal council. Two of them represent the opposition, while the fifth comes from a local business. However, unlike Parking KF, the port company has always had a board of active politicians, with members from the political position as well as the opposition. In this way, the change of board members does not in itself indicate more direct political steering. Nonetheless, the CEO of the KF perceives that the new political regime wants stronger control than before:

The new board represents a 'we will manage the company' - thinking ... Even though we are trying to suggest that it is the company's interests that should be safeguarded, someone obviously brings the owner's policy into the board.

One of the politicians representing the new regime confirms that stronger control of Port Authority KF is preferred and admits that 'the former arm's length was longer than today'. Furthermore, the CEO of the firm now usually communicates with the 'prime minister' and the relevant 'minister', whereas earlier he communicated with the mayor and the municipal CEO. That in itself makes the relationship appear more politicised. Due to the parliamentary model the distance to the political leadership is shorter, and the new regime seems more action-oriented than the preceding one. As a result, the autonomy of the company seems to have been reduced.

Based on the fact that the new political regime has replaced all the board members, taken over the chair position and expressed their explicit ambition to gain stronger control over the Port Authority, the governing strategy seems to be one of moving from remote to, if not tight,

then at least to a more direct form of steering. Combined with the generally increasing formalisation, this indicates re-politicisation.

### *Waste AS*

Waste AS, established in 2010, has about 85 employees and is organised as a corporation with a parent company and three subsidiaries.<sup>5</sup> All four entities are organised as limited companies. The group, which is owned by the municipality, except for 1/5000 share held by a small neighbouring municipality, provides statutory waste services to households in the area, as well as commercial waste solutions to the community. It has gradually moved from being an in-house entity, via a semi-autonomous agency and municipal firm, to a limited company. The municipalities have not adopted a set of bylaws for the group, but have signed a seven-year contract with Household AS for handling household waste. The group publishes its own annual reports.

Although the replacement of board members has been modest compared to that of Parking KF and Port Authority KF, the new political regime appears to have taken a stronger grip on the company. The regime is – inter alia – described as a more ‘active and interested owner’. On the one hand, the new political regime has demonstrated its stronger grip on the company by replacing two of its board members. On the other hand, the relationship between the municipality and the company, which until now has been perceived as informal, has gone through a formalisation process. As an example, the CEO mentioned an incident where he had wanted to raise a question directly with the ‘minister’ of finance, but was told that ‘... it must go through the chair’.

As for the two other companies presented, we find that the described changes for Waste AS indicates a re-politicisation process. The relationship between the municipality and the company, previously somewhat detached now aligns more clearly with remote steering; the

formalisation has increased and active politicians on the board are avoided. There are, however, some signs of more direct steering. Board members are replaced and the responsibility for Waste AS is located closer to the political leadership, the ‘minister’ of finance.

### *Product AS*

Product AS was established in 1968 as a rehabilitation company and provider of employment for persons outside the ordinary labour market. The municipality owns approximately 26 per cent of the shares and holds a majority, together with the county. The company, which has about 600 employees, is engaged in the operation of and vocational training in canteens, firewood production, technical aid service etc. The company provides rehabilitation services for the municipality on a contractual basis. Much of the business is subject to strong national regulation. As with the Port Authority KF the municipality cannot take dividends from the company.

Except from replacing the former chair of the board, recruited from the local business community, by an active politician, a councillor from the majority coalition, the intervention of the city government has been modest. On the other hand, while the company is described as always having ‘lived a life of its own’ without much political attention, the new regime is perceived as ‘more interested in us’. The company CEO, however, claims that this does not imply tighter municipal control. According to him, the contact with the owners takes place, mainly through the AGM. In this way, the governing of the company seems to have moved from detached to remote steering.

There are in other words, signs of re-politicisation of Product AS, specifically indicated by the direct political initiative to replace the chair of the board. Formalisation is still weak, although growing. Nevertheless, in sum re-politicisation is not strong. This may be because the municipality does not have the opportunity to take action against the company without having



to deal with the other owners, particularly the county. In other words, there are some transaction costs attached to being a minority owner, creating a threshold for active re-politicisation. This means that such companies have greater leeway than companies with only one owner.

### **Summary: political intervention and formalisation**

Although the governing strategy varies between the companies we have studied, the general impression is a much ‘tighter’ political control than that of the former left-wing regime. The governing strategy towards the companies has become more interventionist and formalised. A tighter grip on the boards and increased political attention to the individual company points in that direction. The municipality has also previously taken steps that may be described as ‘pragmatic activism’. However, with the new regime, this approach has increased and become more dominant. The former Labour Party mayor also confirmed that there had been a change in governing strategy towards the municipal companies. His attitude was trying to avoid politicians on the boards. ‘I preferred skills and not party membership’. Moreover, re-politicisation seems to be a general strategy of the ruling right-wing coalition. This impression is confirmed by the late ownership reports and by the recent implementation of more formalised steering of the municipal companies.

The parliamentary model has undoubtedly made it easier for the new regime to introduce a tighter steering of the municipal companies. The model has also resulted in companies gaining closer links to the political leadership than previously, which in itself fosters a tighter steering of the companies. Saxi (2011) emphasises, for example, that the municipal PM has far greater power than the mayor of the Aldermen model, including direct control over the municipal administration. Several informants, politicians and representatives of companies alike, have pointed out that the parliamentary model allows for closer contact between the companies and the political leadership. An illustrative example is this quote from one of the political advisers:

...there is probably a lot more political involvement (in companies) now. Now there is a minister for each ministry serving as the administrative head. While politically appointed ... you probably have a lot more ... democratic governance. Previously there have been department heads, the municipal administration, which certainly has not had the will of the people behind them ... it's a shorter distance between the funding authority and daily follow-up. And you may as well spend a little time to follow up these companies as part of your job ... it is clear that the policy is more 'hands-on' in this model.

### **Re-politicisation: A Post-NPM response?**

Re-politicisation may indicate the new government's need to demonstrate that a new regime means a new political course. If so, this strategy has more to do with producing political symbols than a genuine desire to micro-manage the companies. Such 'symbolic uses of politics' (Edelman 1967) may dissolve the paradox of re-politicisation after the non-socialist takeover. Board members in all four companies were replaced in spite of the fact that all of them were well run. This seems to support the 'symbolic uses of politics' explanation since there was no obvious need to execute these changes. Nevertheless, with their 'own' politicians on the boards, the current regime comes closer to the companies' daily operations and enjoys greater access to information. The fact that the chair of Parking KF is the political adviser to the finance 'minister', therefore, draws one towards another and perhaps equally plausible explanation beyond symbolic board activism: re-politicisation may be motivated by the companies' control over significant financial resources and will presumably give the municipality easier access to these resources. A statement from the municipal PM's political adviser strengthens the plausibility of this assumption: 'We will probably suggest a fixed percentage of dividends from the limited companies'. The fact that the new regime has chosen to increase the dividends from Parking KF points in the same direction. Overall, it is striking, but not surprising how keen municipal politicians are to extract economic gains from the municipal companies (Torsteinsen and Bjørnå 2012).

However, the new city government argues that the re-politicisation is both a political ‘clean-up’ after the previous regime, a necessary measure beyond symbolic celebration of the new political majority, and a trial-and-error or learning process over time. While the first explanation aligns with a post-NPM shift, the second fits well within the NPM-framework. In the following, we will elaborate these two explanations further.

The political ‘clean-up’ was justified by financial scandals followed by extensive media coverage related to other municipal companies, particularly an inter-municipal cinema company and, recently, a power company. These scandals, the new regime argues, were caused by deficient ownership control. Although these arguments do not explicitly relate to negative consequences of agentification and corporatisation as such, they indirectly support the interpretation of re-politicisation as a post-NPM response aimed at rectifying negative consequences of NPM-inspired governance, specifically lack of political control. In addition, there are other signs supporting the post-NPM re-politicisation interpretation. First, the creation of the ownership team in the staff of the city government, and second, the increased emphasis on producing annual ownership reports (in 2013, 2014 and 2015). Both measures can be seen as a grip to secure stronger political control through more direct and formalised steering. Overall, there has been an institutional deficit in the governing and strategic development of the municipal companies. The lack of administrative support and follow-up of the companies has been a serious weakness, undermining political control

When it comes to learning, the municipality gradually has gained experience in municipal corporate governance, strengthening its capacity to make more informed choices regarding company form and governance strategy. Therefore, it is now better prepared to act as a professional owner. This is not surprising. As Aars and Ringkjøb (2011) have pointed out, several municipalities have not been fully aware of what they wanted with the companies and the various types of companies: ‘Only subsequently, through trial and error, do local authorities

sort out the aims of various companies and how to govern them' (841). To act as a professional owner requires a critical review of the existing companies and the forms chosen for the performance of their respective tasks. In the words of one of the political advisers:

There have been processes of growing awareness and learning ... there has probably been much unawareness about the question of company form ... and no one has tried to categorise them in any way ... Why choose the limited company form? And why is the municipality involved in this? Is there a social aspect to it, because it creates something positive for society, or is it purely of commercial interest?

The same person also emphasised that the current regime considers municipal firms a tool for politics and limited companies a tool for business. He also mentioned what he perceived as negative aspects of the Port Authority KF engaging in business-related activities, particularly property development:

In municipal firms it is more evident that political representatives are put there to govern on behalf of someone. Not so in a limited company. Municipal firms are not supposed to do business, but governmental tasks. The problem is that municipal firms try to compete with the private sector companies. That is inappropriate, unfair competition ... It would be more proper if the Port Authority was organised as a limited company or a municipal firm with distinctive rights.

However, the transition from a 'business board' to a 'political board' in Parking KF and now its transition from KF to AS, poses a dilemma: Its dual role of public authority and commercial player makes the choice of organisational form neither obvious or easy.

As we can see, the new regime of 2011 seemed to embrace the company model and as such the NPM-thinking. NPM-thinking has in fact had and still has a strong position in this municipality. This is supported by a long time bipartisan agreement on NPM-inspired reforms. When the number of municipal companies started to grow at the beginning of the 2000s, NPM-inspired reforms had already become popular in Norway (Christensen and Læg Reid 2007) as

well as in this particular municipality. Despite a leftist majority in the municipal council and executive committee until September 2011, one of our informants claimed that NPM was almost a 'religion' in the municipality and that 'one believed in this philosophy wholeheartedly'. It was emphasised that even 'the Labour Party went very far in thinking that one should sell out', i.e. corporatise. Such bipartisan consensus may have limited the opportunities to mark the change of regime clearly, which may explain the needs of the new majority to engage in symbolic board activism.

A former mayor representing the Labour Party (1999-2007) supports this narrative and underlines that the choice of the municipal firm model initially came because one did not consider the time ripe for the limited company. 'The Progress Party wanted even then an AS ... but you have to gain experience first', he said. The municipal firm virtually became the compromise between the parties on the left and the right. Interviews with opposition politicians (2011-2015) also support the impression of a bipartisan consensus on the usefulness and necessity of municipal companies, although they emphasise the democratic challenges of this organisational form: '... that elected officials get less access to information'. Over time, experience with the limited company model has made politicians, regardless of party colour, more sympathetic to corporatisation. However, while the limited company model has a stronger ideological footing on the non-socialist side, politicians on the left express a more pragmatic perspective. For them, the municipal firm is generally preferable, but '[w]e decide from case to case', as a politician from the Socialist Party expressed it (cf. Waste AS). At the outset of corporatisation, for the left-wing parties, preference for the in-house KF-model was more of an ideological issue than it is today.

In the Ownership Report of 2013, the new regime states that 'the most fundamental question is whether the municipality should own a specific company or not' (5). This can be interpreted as a signal of a policy limiting the municipality's involvement in commercial

activities, thus reaffirming the new regime's adherence to the NPM-ideology, reflecting a neo-liberal notion of the minimal state. One of the political advisers pinpointed the need for deciding 'what a municipality should be doing and what it should leave to others'. So far, this has not led to any significant policy changes.

### **Concluding discussion**

Our study shows processes of re-politicisation in the selected municipality, although they differ in strength between the four companies. As such, we have added to a more nuanced understanding of what characterises re-municipalisation. It may manifest itself in many different ways – varying from regaining ownership over formerly outsourced companies to re-politicisation of internal and external municipal corporate governance. The intriguing question is: Why does this happen under the auspices of a right-wing city government?

One obvious explanation for the re-politicisation was the need for the city government to demonstrate that a new regime means a new policy. The introduction of the parliamentary model prior to the local election in 2011 paved the way for any victor to pursue political ambitions more forcefully than the Aldermen model allows. Thus, the parliamentary rule opened a window of opportunity for re-politicisation, which the new regime could not resist. Feeling free to choose a new strategy for governing municipal companies may however, have laid the municipality bare for contemporary ideas of post-NPM, e.g. neo-Weberianism (Pollitt and Bouckaert 2011).

Although 'the symbolic uses of politics' may be an element here, our informants pointed to a far more instrumental reason, the need for a real 'clean-up' in the governing of municipal companies. Budget deficits and failed investments in some companies (especially the power company), with dramatic consequences for the municipality's economy are examples of what they saw as leftover from the former left-wing regime. As such our study indicates that re-politicisation may emanate from a desire to remedy experienced or potential negative

consequences of NPM-inspired arm's length organisational structures. This interpretation points towards a decisive post-NPM shift, which dissolves the paradox of a right-wing majority pushing so hard for re-politicisation. Another explanation is more pragmatic and linked to the companies' economic potential. Obviously, with the perception of constant financial austerity the prospect of collecting dividends from seemingly prosperous municipal companies is tempting.

On the other hand, our informants from the city government seem to perceive re-politicisation as a temporary grip, as a necessary transition from 'chaos' to a more formalised and 'ordered' governance system where arm's length principles can be reinstated. The NPM-ideology is still very much alive in this municipality, illustrated by the strong bipartisan consensus on the desirability to use companies in municipal service provision. The municipal company is here to stay, as it has become a taken-for-granted organisational tool suitable to a variety of functions and situations. If this interpretation is correct, talking about post-NPM would be misleading. The fact that the study also indicates that re-politicisation may emanate from a learning process where the municipality over time has become more conscious about what it means to be a professional owner, supports this conclusion. Consequently, our basic finding is that re-politicisation happens *in spite of* weak post-NPM. As such, this study aligns with findings from studies of changes towards a 'whole-of government approach' at the central level, showing that instead of transforming the main features of NPM, it could be seen as re-balancing the NPM-system without changing it in any fundamental way (Christensen and Lægreid 2007, 2011). Wollmann (2016) has recently presented similar findings from the local government level indicating the emergence of a more complex and hybrid reality where organisational forms and operational logics blend across traditional institutional borders. However, empirical evidence is still scarce, opening up a new avenue for research.

## Post script

In September 2015, a socialist coalition won the local election, ousting the right-wing majority from the city government. The new government decided to abolish the parliamentary model from July 2016 and reintroduce the Aldermen system. The new government was also very active in replacing chairs of the municipal corporate boards while the parliamentary model was still in place.

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## Footnotes

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<sup>1</sup> In Norway, the term 'resultatenhet' is used. Directly translated it means something like 'performance unit'. It is a NPM-inspired concept for service-providing institutions such as schools, kindergartens, elderly homes, home nursing units etc. In this article, we use the term 'agency'.

<sup>2</sup> Paragraphs refer to the Local Government Act (LGA). According to the Freedom of Information Act, any separate legal entity is regarded as public if the state, county or municipality, directly or indirectly, owns or controls more than 50 per cent of the company (§2).

<sup>3</sup> The average size is almost 12,000 inhabitants, and the median is approximately 4,660 (2014).

<sup>4</sup> More than 40 percent of Norwegian municipalities (N=428) have opted for the agency model over a 15 year period. Concurrently, there has been an increase in the number of municipal companies.

<sup>5</sup> Household AS and Commercial Waste AS take care of waste collection, and Production AS is responsible for treating the waste collected by these companies.