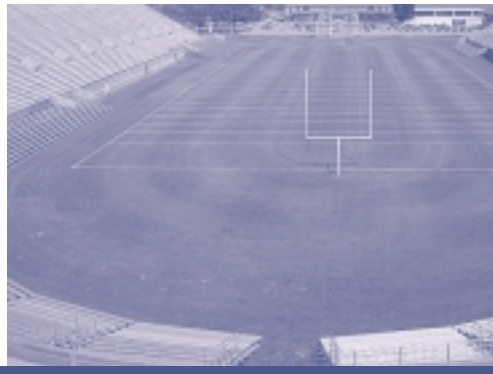
Grant Report

November 1999

Determining a Level Playing Field for Public-Private Competition



Lawrence L. Martin
Associate Professor
School of Social Work
Columbia University

The PricewaterhouseCoopers Endowment for
The Business of Government

The PricewaterhouseCoopers Endowment for

The Business of Government

About The Endowment

Through grants for Research, Thought Leadership Forums, and the SES Leadership Program, The PricewaterhouseCoopers Endowment for The Business of Government stimulates research and facilitates discussion on new approaches to improving the effectiveness of government at the federal, state, local, and international levels. All grants are competitive.

Founded in 1998 by PricewaterhouseCoopers, The Endowment is one of the ways that PricewaterhouseCoopers seeks to advance knowledge on how to improve public sector effectiveness. The PricewaterhouseCoopers Endowment focuses on the future of the operation and management of the public sector.

Determining a Level Playing Field for Public-Private Competition

Lawrence L. Martin
Associate Professor
School of Social Work
Columbia University

November 1999

TABLE OF CONTENTS

Foreword

November 1999

On behalf of The PricewaterhouseCoopers Endowment for The Business of Government, we are pleased to publish this report by Lawrence L. Martin entitled, "Determining a Level Playing Field for Public-Private Competition." This report comes at a time when government at all levels is turning to competition as a way to reduce costs and improve service delivery. Many argue that it is competition itself that reduces costs and improves service delivery, not whether a public or private sector entity ends up winning the competition.

While the use of competition is increasing, there is continued concern that a "level playing field" may not always exist. Depending on where one sits, there is wide disagreement about whether the "playing field" is tilted to one sector or another. To help create "level playing fields," Professor Martin has created the "Level Playing Field Checklist," the most comprehensive list yet developed for the specific purpose of evaluating the extent to which public-private competitions are being conducted on a level playing field.

Professor Martin's "Level Playing Field Checklist" can be used to evaluate the extent to which public-private competition is being conducted in a fair manner, and to ensure that neither public nor private entities are enjoying an inherent competitive advantage in the bid to provide government services. His checklist is a comprehensive, well-researched set of criteria that can be used in evaluating the level playing field for competitive bidding of government services.

When The Endowment began a little over one year ago, one of our principal goals was to publish research reports that would not only be useful and insightful into government management issues and approaches, but also provide government practitioners with practical tools to help them perform their jobs more effectively. Through his research, Dr. Martin has developed such a tool. We trust that you find this report and the "Level Playing Field Checklist" informative and helpful.

Paul Lawrence
Partner, PricewaterhouseCoopers
Co-Chair, Endowment Advisory Board
paul.lawrence@us.pwcglobal.com

Ian Littman
Partner, PricewaterhouseCoopers
Co-Chair, Endowment Advisory Board
ian.littman@us.pwcglobal.com

Executive Summary

The purpose of this study is the development of an assessment instrument, the "Level Playing Field Checklist," that can be used to evaluate the extent to which public-private competition is conducted on a ***level playing field.*** The underlining premise of a level playing field is that public-private competition should be conducted in a transparent (open) and fair manner so that the process does not provide an inherent competitive advantage to either the public sector or the private sector. The checklist represents the first time that a comprehensive set of assessment criteria has been proposed for the specific purpose of evaluating a level playing field. The checklist can be used by governments, public employees, public-employee unions, private sector businesses, and firms and others to evaluate the extent to which an individual public-private competition or a government's overall public-private competition policy achieves a level playing field.

In conducting the study, the theoretical and empirical literature on public-private competition and level playing field issues was consulted; the actual public-private competition policies of some 30 national and sub-governments in the Commonwealth of Australia, the United Kingdom, and the United States were reviewed; and telephone and e-mail interviews were conducted with a number of state and local government officials in the United States. The study identifies 13 major level playing field issues that confront governments when implementing public-private competition. The 13 major level playing field issues are grouped into three categories: *process* issues, *costing* issues and *contract administration* issues (see Figure 1).

A detailed discussion of the Level Playing Field Checklist including the 13 major issues, the various

Figure 1

Major Level Playing Field Issues

Process Issues

1. Type of Competition
2. Public Sector Access to Outside Consultants
3. Independent Review of Public Sector Benchmarks, Bids & Proposals
4. Separation of the Purchaser & Provider Functions

Costing Issues

5. Mandated Private Sector Wage Scales
6. Mandated Private Sector Employee Benefits
7. Minimum Cost Savings Thresholds
8. Cost Comparison Approach
9. Transition Costs
10. Contract Administration & Monitoring Costs

Contract Administration Issues

11. Public Sector Memorandum of Understanding
12. Penalties for Public Sector Failure to Perform
13. Provisions for Monitoring

government responses or positions to each of these 13 major issues, and the level playing field implications are presented in the body of the study.

The majority of the 13 major level playing field issues concern the treatment of the public sector. The reasons are twofold. First, long-standing government procurement and contracting policies and procedures govern private sector competitors in public-private competition. Second, public-private competition is still in what might be called the "research and development stage," with many issues relating to the participation of the public sector still unresolved.

A conclusion of the study, and a caution suggested when utilizing the Level Playing Field Checklist, is that no single government response or position on any one of the 13 major issues should be considered sufficient by itself to create a level playing field or to tip the playing field in favor of either the public sector or the private sector. Rather, it is the cumulative effect of a government's responses or positions to all 13 major level playing field issues that should be considered.

A copy of the Level Playing Field Checklist, which can be duplicated and used in conducting level playing field evaluations, is included at the end of this report.

Introduction

Today governments at all levels (federal, state, and local) are making increased use of public-private competition as a way of attempting to reduce the costs and improve the quality of government service delivery. A recent study conducted by the International City/County Management Association finds that over 30 percent of municipal and county governments nationwide are utilizing public-private competition (Martin, 1999a). A similar study conducted by the Council of State Governments notes an increase in the use of public-private competition on the part of state departments and agencies (Chi & Jasper, 1998).

Public-private competition is not restricted to just state and local governments. The federal government has an active public-private competition program in place operating under policies prescribed by the Office of Management & Budget Circular A-76 (OMB, 1996). National and sub-national governments in the Commonwealth of Australia (Industrial Commission, 1996; Domberger, Hall & Jeffries, 1996; Domberger & Hall, 1995) and in the United Kingdom (Martin, 1997; Walsh, K. 1995; Rao, & Young, 1995; Walsh & Davis, 1993) also make significant use of public-private competition, or what they call: "competitive tendering."

What is Public-Private Competition?

Public-private competition can be defined as government procurement and quasi-procurement type situations in which the public sector competes with the private sector to provide government services. Public-private competition usually takes one of three forms: the *ad-hoc approach, informal bidding,* or *formal bidding* (see Figure 2). This study is concerned with the latter two forms of public-private competition.

Public-private competition can be seen as an extension, or perhaps more correctly as the maturation, of the privatization and contracting out

Figure 2

Definition of Public-Private Competition: Government procurement and quasi-procurement type situations in which the public sector competes with the private sector to provide government services.

Forms of Public-Private Competition

Ad-Hoc Approach	Public sector service delivery is simply compared to private sector service delivery.
Informal Bidding	Public sector submits informal bids or proposals (sometimes called "benchmarks") that are compared to formal bids and proposals submitted by the private sector.
Formal Bidding	The public sector submits formal bids and proposals that are compared with formal bids and proposals submitted by the private sector (Martin, 1993a).

policies adopted by many governments during the 1980s. Governments first experienced the benefits of competitive service delivery, generally lower service costs, and equal or better service quality as a result of adopting policies promoting privatization and contracting out (e.g., GAO, 1998; Chi & Jasper, 1998; Stone, Bell & Pool, 1997; Martin, 1997; Johnson & Walzer, 1996; Hodge, 1996; Industrial Commission, 1996; Kettner and Martin, 1996).

But privatization and contracting out policies are subject to a major theoretical criticism: They assume *a priori* that private sector service delivery is always less costly and is always of an equal or better quality than public sector service delivery. Public-private competition makes no such ideological value judgement, but rather treats the question as an empirical one subject to testing. Public-private competition is predicated on the notion that it is not the mode of service delivery (public or private) that leads to improved service quality and lower service costs, but rather the presence and degree of competition.

The Quest for a Level Playing Field

The experiences of governments in the United Kingdom and the United States (e.g., Phoenix, Arizona; Indianapolis, Indiana; Charlotte, North Carolina; Philadelphia, Pennsylvania; and San Diego County, California) suggest that the public sector (including public-employee unions) and the private sector are quite willing to participate in public-private competition, *provided* they both perceive the process to be transparent (open) and fair (Martin, 1999a, 1999b, 1997; Walsh, 1995; Walsh & Davis, 1993). When public-private competition is perceived as not being transparent and fair, either the public sector or the private sector, or both, may withdraw from the process or seek judicial or legislative relief.

For example, public employees and public-employee unions have successfully challenged privatization policies in the states of California, Colorado, and Hawaii at least in part because these states did not allow the equal participation of the public sector (California Supreme Court, 1997; Colorado Commission on Privatization, 1997; *Privatization Watch*, 1997). Likewise, public-employee unions in Philadelphia, Pennsylvania believed that the city's contracting out policies discriminated against them. The union response was to include a provision in their collective bargaining agreement requiring the city to change to a policy of public-private competition (Martin, 1999b; City of Philadelphia, undated). In a similar vein, private sector concerns that OMB Circular A-76 tilts the playing field in favor of the public sector has led to two legislative attempts (unsuccessful) to make changes: "The Freedom From Government Competition Act of 1997," and its offspring, "The Competition in Commercial Activities Act of 1998."

The experiences of national and sub-national governments in Australia, the United Kingdom and the United States suggest that the best way of making public-private competition transparent and fair is by the creation of a ***level playing field.*** A level playing field is a public-private competition that is structured in such a fashion as to be competitively neutral. In a situation of competitive neutrality, the public-private competition process itself should not provide either the public sector or the private sector with an inherent competitive advantage.

Exactly when the term "level playing field," first appeared in the lexicon of public-private competition is unclear. What is clear, however, is that the terms "level playing field," and, "competitive neutrality" (the Australian and United Kingdom equivalent), are heard today with increasing frequency. Competitive neutrality between the public and private sectors is an express national policy *(National Competition Policy)* of the Commonwealth of Australia that affects not only the national government but also state and local governments (Department of Finance & Administration 1998a, 1998b; Althaus, 1996).

One of the stated reasons for the most recent changes to OMB Circular A-76 is to, "provide a level playing field between the public and private offerors to a competition" (OMB, 1996, p. iii). The public-private competition policies of several local governments have as their express goal: the creation of a level playing field between the public and private sectors (e.g., City of Charlotte, 1994; City of Sunnyvale, 1998; City of San Jose, undated). Also noteworthy is the position of the American Bar Association's Section on Public Contract Law, which supports the concept of a level playing field in public-private competition (see Figure 3).

Figure 3

Position of the American Bar Association

Section on Public Contract Law

"To the extent that public-private competitions take place, there should be a level playing field when private industry and Government agencies compete. The selection process should be fair, open and unbiased to both public and private offerors." (Madsen, 1998)

What does a level playing field look like? How can a government go about creating a level playing field? The answer to these questions is that no one truly knows for sure, although ideas and practices abound. Public-private competition represents one of those interesting government phenomenon that arise from time to time where administrative practice has outpaced theory. Many of the early adopters of public-private competition in the United States (e.g. Phoenix, Arizona; Indianapolis, Indiana; and Philadelphia, Pennsylvania) essentially had to "invent" their processes. A few models of public-private competition did exist, such as competitive tendering in the United Kingdom and federal OMB Circular A-76. However, information about the United Kingdom's experience with public-private competition has not been readily available in the United States, and OMB Circular A-76 is considered to be overly complicated (Kettl, 1993).

To date, no truly comprehensive study has been undertaken on the issue of creating a level playing field for public-private competition. Additionally, no previous attempt has been made to develop an assessment instrument that can be used to evaluate the extent to which a level playing field is achieved.

Study Objectives & Methods

The purpose of this study is the development of an evaluation instrument, the "Level Playing Field Checklist." The checklist can be used by governments, public employees, public employee unions, private sector businesses and firms, and others to evaluate the extent to which an individual public-private competition or a government's overall public-private competition policy achieves a level playing field.

In developing the checklist, this study reviewed the theoretical and empirical literature on public-private competition and level playing field issues and examined the public-private competition policies of some 30 national and sub-national governments in the Commonwealth of Australia, the United Kingdom, and the United States (see Appendix). Telephone and e-mail interviews were also conducted with a number of state and local government officials in the United States.

Specifically, this study:

- *identifies* 13 major level playing field issues that confront governments when implementing public-private competition;
- *discusses* the most frequent government responses or positions taken on each of the 13 major level playing field issues;
- *classifies* the government responses or positions as competitively neutral, tends to favor the public sector, or tends to favor the private sector, and;
- *presents* the "Level Playing Field Checklist," which can be used to assess the extent to which an individual public-private competition or a government's overall public-private competition policy achieves a level playing field.

The Level Playing Field Checklist

When implementing public-private competition, a government is confronted with a number of level playing field issues. The study identifies 13 major level playing field issues. Each level playing field issue has two or more responses or positions that a government can adopt. Each government response or position can be classified as competitively neutral, tends to favor the public sector, or tends to favor the private sector. The extent to which an individual public-private competition or a government's overall public-private competition achieves a level playing field is determined by the cumulative effects of the responses or positions taken on all 13 major level playing field issues.

The 13 major level playing field issues are discussed in the following sections. As part of the discussion, the rational for each issue's inclusion is presented together with the most common government responses or positions. Each government response or position is classified as being competitively neutral, tends to favor the public sector, or tends to favor the private sector. The 13 major level playing field issues are grouped into three categories: *process* issues, *costing* issues, and *contract administration* issues.

Process Issues

A number of level playing field issues deal with the process of public-private competition (see Figure 4). Since most governments have detailed procurement policies that govern the process for the private sector, the process issues identified here are concerned primarily with the way in which governments treat and deal with the public sector.

1. Type of Competition

Public-private competition can be implemented using either a sequential process or a parallel process (Department of Finance & Administration, 1998a; San Diego County, 1998a). In a sequential process, the public sector is usually allowed a period of time prior to the actual competition to rethink and reengineer its organizational structures, staffing patterns, and service delivery approaches. In a parallel process, both the public sector and the private sector have the same specified period of time to develop their benchmarks, bids or proposals.

The usual justification for the adoption of a sequential process is that the public sector needs additional time to become competitive with the private sector. Regardless of the merits of this argument, a sequential process tends to tilt the playing field in favor of the public sector. Conversely, a parallel process is a competitively neutral position in that no competitive advantage accrues to either the public sector or the private sector.

2. Public Sector Access to Outside Consultants

The private sector sometimes retains the services of consultants during public-private competition. The public sector should be afforded the same

Figure 4

Level Playing Field Checklist

Process Issues	Tends to Favor the Public Sector	Competitively Neutral	Tends to Favor the Private Sector
1. Type of Competition			
Sequential Process	✔		
Parallel Process		✔	
2. Public Sector Access to Outside Consultants			
YES		✔	
NO			✔
3. Independent Review of Public Sector Benchmarks, Bids & Proposals			
YES		✔	
NO	✔		
4. Separation of Purchaser & Provider Functions			
YES		✔	
NO	✔		

opportunity to access outside expertise (Eggers, 1998). The public sector may be new to operating in a competitive environment, may lack experience in cost analysis and cost accounting, or may not be totally conversant with new technologies or state-of-the-art service delivery strategies.

The inability of the public sector to access outside consultants tends to tilt the playing field in favor of the private sector. The ability of the public sector to access outside consultants is a competitively neutral position.

3. Independent Review of Public Sector Benchmarks, Bids & Proposals

Public sector submissions in public-private competition usually take one of three forms: a benchmark, a bid, or a proposal (Martin, 1993a). With a benchmark, the public sector prepares a cost estimate that is sealed and subsequently compared against the lowest private sector bid or the most advantageous private sector proposal. With a bid or a proposal, the public sector submits a formal bid or proposal in the same fashion as private sector bidders and proposers. The form of public sector submissions does not appear to have level playing field implications, but the independent verification of public sector submissions, or the absence thereof, does (Raffel, Auger & Denhardt, 1997).

Public sector benchmarks, bids, or proposals that are not reviewed and verified by an independent third party provide no assurances that service delivery strategies, staffing patterns, and cost estimates are realistic and accurate. When the public sector knows that its benchmarks, bids, or proposals will not be subjected to independent scrutiny, a temptation may exist to understate staffing needs, underestimate costs, or overestimate productivity increases due to new technologies or reengineering efforts.

A common practice (e.g., City of Tempe, 1998; San Diego County, 1998a, 1998b; Office of the

Massachusetts State Auditor, 1994; City of Phoenix, undated) is to have public sector benchmarks, bids, and proposals reviewed and verified by an independent audit department. The requirement that public sector submissions be subjected to an independent review is a competitively neutral position; the absence of such an independent review tends to tip the playing field in favor of the public sector.

4. Separation of the Purchaser & Provider Functions

This issue relates to the ability of government to create a "quasi arm's length transaction" between those in-house units and employees involved in public-private competition (the provider function) and those in-house units and employees that oversee the competition and monitor the resulting service provision (the purchaser function). When government does not organizationally separate the purchaser and provider functions, no assurances exist that the public sector will be treated the same as the private sector, either during the conduct of public-private competition or during service delivery (Martin, 1997; Walsh & Davis, 1995; Wilson & Game, 1994; Shaw, Fenwick & Foreman, 1993). For example, without a clear separation of the purchaser and provider functions, the public sector may be able to gain access to information during a public-private competition that is not readily available to the private sector. During service delivery, the private sector may also be held to lower standards.

The failure to separate the purchaser and provider functions can also lead to conflict of interest situations where public sector employees involved in a public-private competition (the provider function) also participate in the review and evaluation (the purchaser function) of private sector bids and proposals. Because of conflict of interest problems, the Comptroller General of the United States has recently ruled that federal government employees involved in a public-private competition under the provisions of OMB Circular A-76 cannot also be involved in the review and evaluation of competing private sector bids and proposals (Comptroller General, 1999).

Local governments in the United Kingdom have experimented successfully with several methods of separating the purchaser and provider functions by, for example, designating a single government unit (frequently the procurement department) to conduct the public-private competition and to monitor and oversee service delivery or by the creation of a governmental committee that performs the same functions (Martin, 1997; Walsh & Davis, 1993). The absence of a purchaser/provider separation tends to tilt the playing field in favor of the public sector. Separation of the purchaser and provider functions is a competitively neutral position.

Costing Issues

When implementing public-private competition, governments are confronted with a number of costing issues (see Figure 5). Many of these costing issues have level playing field considerations. Since one of the major reasons for government use of public-private competition is to reduce service delivery costs, government responses or positions on these costing issues take on an added importance.

5. Mandated Private Sector Wage Scales

Some governments mandate that the private sector use prevailing wage or comparable wage scales (sometimes-called "living wage" scales) when preparing bids and proposals under public-private competition (Martin, 1999a; Swope, 1998). Prevailing wage and comparable wage scales clearly have level playing field implications. Regardless of whether public sector wage scales are higher or lower than those of the private sector, the public sector is artificially made more competitive by such requirements without the need to improve service quality or to reduce service delivery costs.

Mandated private sector wage scales, as well as mandated private sector employee benefits (see Figure 5), are prime examples of public policies adopted for non-public-private competition reasons that have level playing field implications. While many good reasons exist for mandated private sector wage scales, including federal and state laws and regulations as well as a desire to promote "social justice," such mandates tend to tilt the playing field in favor of the public sector. The absence of mandated private sector prevailing wage and comparable wage scales is a competitive neutral position.

Figure 5

Level Playing Field Checklist

Costing Issues	Tends to Favor the Public Sector	Competitively Neutral	Tends to Favor the Private Sector
5. Mandated Private Sector Wage Scales			
YES	✔		
NO		✔	
6. Mandated Private Sector Employee Benefits			
YES	✔		
NO		✔	
7. Minimum Cost Savings Threshold			
YES	✔		
NO		✔	
8. Cost Comparison Approach			
Fully Allocated Costs Approach			✔
Avoidable Costs Approach	✔		
The State of Texas Approach (unavoidable costs and contractor costs)		✔	
9. Transition Costs			
Included for Private Sector only (when service delivery is currently public sector)	✔		
Included for Public Sector (when service delivery is currently private sector) and included for Private Sector (when service delivery is currently public sector)		✔	
Excluded for both		✔	
10. Contract Administration & Monitoring Costs			
Included for Private Sector only	✔		
Included for Both Public Sector & Private Sector		✔	
Excluded		✔	

6. Mandated Private Sector Employee Benefits
Mandates that the private sector provide specific benefits to employees working under contracts resulting from public-private competition also have clear level playing field implications. Mandated private sector employee benefits are treated separately from mandated private sector wage scales because governments are known to mandate one and not the other. Mandated employee benefits frequently mirror those provided to public sector employees. The result is that the public sector is again given a competitive advantage by placing the private sector in a less competitive position.

Mandates that the private sector provide specific employee benefits tends to tilt the playing field in favor of the public sector. The absence of mandated private sector employee benefits is a competitively neutral position.

7. Minimum Cost Savings Threshold
The requirement that the cost of private sector service delivery must be lower than the cost of public sector service delivery by some specified minimum threshold (e.g., 5 percent, 10 percent) in order for the private sector to win a public-private competition has obvious level playing field implications. For example, under OMB Circular A-76, the private sector's bid or proposal must be at least 10 percent less than the public sector's personnel costs or $10 million (OMB, 1996:28).

While arguments can be made that a change in the service delivery mode for less than a 5 or 10 percent cost savings may be questionable, minimum cost savings thresholds nevertheless give the public sector a significant competitive advantage, particularly when large multi-million dollar public-private competitions are involved. Minimums cost saving thresholds of any kind tend to tilt the playing field in favor of the public sector. The absence of minimum cost savings thresholds is a competitively neutral position.

8. Cost Comparison Approach
The method used by governments to compare the cost of public sector service delivery with private sector service delivery is perhaps the most important of all the 13 major level playing field issues (Chi & Jasper, 1998; The Civic Federation; 1996; McGillicuddy, 1996; Martin, 1993b). The selection of a cost comparison approach may ultimately determine who wins and who loses a public-private competition. Computing the cost of private sector service delivery is a relatively straightforward proposition in that the cost is identified in private sector bids and proposals. Computing the cost of public sector service delivery is also relatively straightforward, at least in theory if not in actual practice. The cost of public sector service delivery is the sum of the applicable direct costs plus an allocated proportion of indirect, or overhead, costs. The problem in making cost comparisons lies in determining which public sector costs will be included in the cost comparison analysis.

Governments usually adopt one of two methodologies or approaches in making cost comparisons between public sector and private sector service delivery: the "fully allocated costs" approach or the "avoidable costs" approach (see Figure 6). Most state and local governments (e.g., Arizona Governor's Office of Management & Budget, undated; Office of the Texas State Auditor, 1996; City of Charlotte, 1994, 1995; Office of the Portland City Auditor, 1995; City of Phoenix, undated; San Diego County, 1998) use the avoidable costs approach. A few states, such as Colorado (Colorado State Auditor's Office, 1997) and Virginia (Virginia Commonwealth Competition Council, undated), use the fully allocated costs approach. The federal government has used both approaches. The 1983 Supplement to OMB Circular A-76 required the use of the avoidable costs approach; the 1996 Supplement (OMB, 1996) now requires the use of the fully allocated costs approach (Martin, 1998). Governments in the Commonwealth of Australia use "net avoidable costs," while governments in the United Kingdom use "the full cost of net marginal activities," both of which have the same meaning as avoidable costs (e.g., Department of Finance & Administration, 1998a; New South Wales, 1997a, 1997b; Chartered Institute of Public Finance & Accountancy 1995).

The fully allocated costs approach involves comparing the total cost, or full cost, of public sector service delivery with private sector costs. The avoidable costs approach begins by first deter-

Figure 6

Costing Definitions

Contractor Costs	the total cost, or full cost, of private sector delivery as identified in the contractor's bid or proposal.
Fully Allocated Costs	the total cost, or full cost (all direct and indirect, or overhead, costs) associated with public sector service delivery.
Avoidable Costs	the costs that a government will avoid (usually the direct costs plus a portion of the indirect or overhead costs) if a government service or activity is contracted to the private sector.
Unavoidable Costs	those costs (fully allocated minus avoidable costs) that a government cannot avoid regardless of the service delivery mode (public or private).
The State of Texas Approach	the unavoidable costs are added to the contractor costs.

mining the fully allocated costs of public sector service delivery, but then subtracts out the unavoidable costs. The remainder — the avoidable costs — are then compared to the cost of private sector service delivery. The level playing field issue here is that the fully allocated costs approach increases and perhaps overstates the cost of public sector service delivery, while the avoidable costs approach decreases and perhaps understates the cost. A solution to this problem has been proposed by the Texas Council on Competitive Government (1996).

Under the suggested state of Texas approach, the fully allocated costs, avoidable costs, and unavoidable costs associated with public sector service delivery are all computed. The fully allocated costs approach is then used to determine the cost of public sector service delivery. Finally — and this is the innovation contained in the State of Texas approach — the unavoidable costs of public sector service delivery are then also added to the cost of private sector service delivery. This interesting innovation provides a defensible solution to the fully allocated costs/avoidable costs dilemma.

The unavoidable costs associated with public sector service delivery represent those costs that will be incurred by a government regardless of whether the service is provided by the public sector or the private sector. Thus, unavoidable costs should rightfully be included in computing both the cost of private sector service delivery as well as the cost of public sector service delivery. The logic of the state of Texas approach appears sound. ***If,*** as government managerial accounting texts state (e.g., Anthony & Young, 1999), the full cost, or total cost, of any government service is the sum of its direct costs plus an allocated portion of indirect or overhead costs, ***then*** the proposition should hold regardless of the service delivery mode (public or private).

Making cost comparisons between public sector and private sector service delivery using the avoidable costs approach tends to tip the playing field in favor of the public sector. Making cost comparisons using the fully allocated costs approach tends to tip the playing field in favor of the private sector. Making cost comparisons using the suggested state of Texas approach is a competitively neutral position.

9. Transition Costs

Transition costs, also called "one time conversion" costs, have traditionally been thought of as those costs that a government incurs when changing from public sector service delivery to private sector service delivery. Examples of transition costs include: unemployment compensation, accrued vacation and sick leave, other benefits that must be paid to government employees displaced by the loss of a public-private competition, and the costs of preparing and transferring necessary government furnished property to the private sector business or firm that wins a public-private competition.

Some governments add transition costs to the cost of private sector service delivery. The level playing field issue here is that transition costs are generally considered to be unidirectional (i.e., they are

considered relevant only when the service delivery mode is changed from public sector to private sector and not the reverse). The costing literature on privatization, contracting out and public-private competition is generally consistent in stating that transition costs are relevant considerations in "make or buy" situations (Eggers, 1998; Texas Council on Competitive Government, 1996; Office of the Massachusetts State Auditor, 1994; Martin, 1993b). However, this literature generally fails to consider situations, such as can occur with public-private competition, where the mode of service delivery can change from public sector to private sector and back again to public sector. The reality of this possibility has been dramatically demonstrated by the case of solid waste collection services in the City of Phoenix, Arizona.

If transition costs are relevant considerations when the mode of service delivery changes from public sector to private sector, they should likewise be relevant when changing from private sector to public sector delivery. Governments must incur at least some transition costs, or one-time conversion costs, when taking over a service previously provided by the private sector. For example, since services are by their nature labor intensive, additional recruitment and hiring work would almost certainly be required of government human resource departments. The problem is that transition costs are difficult to compute when the mode of service delivery changes from public sector to private sector; they may be doubly difficult to compute when the service delivery mode changes from private sector to public sector.

The consideration of transition costs as an "add on" only to the cost of private sector service delivery when the service is currently provided by the public sector tends to tip the playing field in favor of the public sector. A competitively neutral position is to include transition costs as an "add on" to the cost of private sector service delivery when the service is currently provided by the public sector and as an "add on" to the cost of public sector service delivery when the service is currently provided by the private sector. Another competitively neutral position is to simply exclude the consideration of transaction costs in public-private competition.

10. Contract Administration & Monitoring Costs
The privatization, contracting out, and public-private competition literature is also generally consistent in maintaining that contract administration and monitoring costs are relevant considerations in "make or buy" situations (e.g. Colorado State Auditor's Office, 1997; Florida State Council on Competitive Government, 1995; Office of the Massachusetts State Auditor, 1994; Arizona Governor's Office of Management & Budget, undated; Martin, 1993b; City of Cincinnati, 1985).

Some state and local governments include contract administration and monitoring costs as an "add on" to the cost of private sector service delivery, but not public sector service delivery (e.g., Commonwealth of Virginia; City of Cincinnati, 1985). Other state and local governments exclude consideration of contract administration and monitoring costs (City of Phoenix, undated; Martin, 1993b; Rehfuss, 1989). San Diego County, California considers contract administration and monitoring costs to be applicable to both the public and private sectors (San Diego County, 1998b).

The argument can be made that if a government incurs costs in administering and monitoring private sector service delivery, then at least some costs must also be incurred in administering and monitoring public sector service delivery. The inclusion of contract administration and monitoring costs as an "add on" only to the cost of private sector service delivery tends to tip the playing field in favor of the public sector. The inclusion of contract administration and monitoring costs as an "add on" to the cost to both public sector and private sector service delivery is a competitively neutral position. The exclusion altogether of contract administration and monitoring costs as "add on" costs is likewise a competitively neutral position.

Contract Administration Issues

Contract administration is a broad term used to cover all those activities involved in managing, overseeing, and monitoring service delivery resulting from public-private competition. Some aspects of contract administration have level playing field implications (see Figure 7).

Figure 7

Level Playing Field Checklist

Contract Administration Issues	Tends to Favor the Public Sector	Competitively Neutral	Tends to Favor the Private Sector
11. Public Sector Memorandum of Understanding YES		✔	
NO	✔		
12. Penalties for Public Sector Failure to Perform YES		✔	
NO	✔		
13. Provisions for Monitoring Private Sector Only	✔		
Public Sector & Private Sector		✔	

11. Public Sector Memorandum of Understanding
When a public-private competition is won by the private sector, a contract is entered into that specifies the duties and obligations of the private sector business or firm. Many governments develop a "memorandum of understanding" or some other quasi-contractual document that likewise specifies the duties and obligations of the public sector when its wins a public-private competition. For example, all state agencies and departments in the Commonwealth of Massachusetts (Office of the Massachusetts State Auditor, 1994) are required by law to develop such memoranda.

The development of memoranda of understanding facilitates service monitoring and helps insure that the public sector is held to the same standards as the private sector. Without such memoranda, the duties and responsibilities of the public sector may be subject to dispute, and service monitoring may be less stringent. A memorandum of understanding requirement for the public sector when it wins a public-private competition is a competitively neutral position. The lack of a memorandum of understanding requirement tends to tilt the playing field in favor of the public sector.

12. Penalties for Public Sector Failure to Perform
Government contracts frequently include penalties (e.g., withholding of final payment, forfeiture of a performance bond, monetary deductions for failure to meet quality standards, etc.) in the event that a private sector business or firm that wins a public-private competition fails to provide the service or accomplish the work as agreed upon. Few governments appear to have considered the use of penalties when the public sector fails to perform or exceeds the costs of its benchmark, bid, or proposal (Eggers, 1998; Raffel, Auger & Denhardt, 1997). When penalties are non-existent, the public sector is essentially held harmless for performance failure and for cost overages.

Examples of penalties that could be imposed include adding any cost overages to subsequent public-sector benchmarks, bids, or proposals or the exclusion of the public sector from participation in any future public-private competition for a specified period of time (e.g., six months, one year). Penalties can be spelled out in a memorandum of understanding. The existence of penalties for the failure of the public sector to perform or for public sector cost overages is a competitively neutral posi-

tion. The lack of public sector penalties for failure to perform or for cost overages tends to tip the playing field in favor of the public sector.

13. Provisions for Monitoring

The literature on procurement, government contracting, and public-private competition has been consistent over time in maintaining that service delivery must be monitored to insure compliance with service and quality standards (e.g., City of Tempe, 1998; Raffel, Auger & Denhardt, 1997; Hanson, 1992; Rehfuss, 1989). Governments generally have detailed policies and procedures pertaining to the monitoring of private sector businesses and firms that provide services resulting from public-private competition, but they do not always have such policies and procedures for the public sector.

The existence of monitoring policies and procedures only for the private sector tends to tilt the playing field in favor of the public sector. The existence of monitoring policies and procedures covering both the public and private sectors is a competitively neutral position.

Using and Interpreting the Level Playing Field Checklist

In using the Level Playing Field Checklist, the point is again stressed that the focus should be on the cumulative effect of a government's responses or positions to all 13 major level playing field issues. Caution should also be exercised in interpreting the results because no validated cut-off points exist and because some of the 13 major level playing field issues can be considered more significant than others. Nevertheless, some general guidelines can be suggested:

- ***If*** all, or nearly all (11 or more), of the responses or positions on the 13 major level playing field issues are competitively neutral, ***then*** an individual public-private competition or a government's overall public-private competition policy *has achieved a level playing field.*
- ***If*** a large majority (8 - 10) of the responses or positions on the 13 major level playing field issues is competitively neutral, ***then*** an individual public-private competition or a government's overall public-private competition policy *approximates a level playing field.*
- ***If*** a significant number (6 or more) of the responses or positions on the 13 major level playing field issues are not competitively neutral, ***then*** an individual public-private competition or a government's overall public-private competition policy *neither achieves nor approximates a level playing field.*

Determining the extent to which an individual public-private competition or a government's overall public-private competition policy achieves a level playing field is far from being an exact science. While representing current research and best practices in this area, the 13 major level playing field issues and the government responses or positions identified in this study do not necessarily represent a definitive set.

As more governments adopt public-private competition and as the body of research knowledge continues to accumulate, additional insights into the determinants of a level playing field may well be discovered. In the interim, it is hoped that this study and the "Level Playing Field Checklist" will be of assistance to governments and other interested parties in thinking about level playing field issues in public-private competition.

Level Playing Field Checklist

Level Playing Field Issues	Tends to Favor the Public Sector	Competitively Neutral	Tends to Favor the Private Sector
1. Type of Competition Sequential Process			
Parallel Process			
2. Public Sector Access to Outside Consultants YES			
NO			
3. Independent Review of Public Sector Benchmarks, Bids & Proposals YES			
NO			
4. Separation of Purchaser & Provider Functions YES			
NO			
5. Mandated Private Sector Wage Scales YES			
NO			
6. Mandated Private Sector Employee Benefits YES			
NO			
7. Minimum Cost Savings Threshold YES			
NO			
8. Cost Comparison Approach Fully Allocated Costs Approach			
Avoidable Costs Approach			
The State of Texas Approach (unavoidable costs and contractor costs)			

Level Playing Field Checklist (continued)

Level Playing Field Issues	Tends to Favor the Public Sector	Competitively Neutral	Tends to Favor the Private Sector
9. Transition Costs Included for Private Sector only (when service delivery is currently public sector)			
Included only for Public Sector (when service delivery is currently private sector) and included for Private Sector (when service delivery is currently public sector)			
Excluded for both			
10. Contract Administration & Monitoring Costs Included for Private Sector only			
Included for Both Public Sector & Private Sector			
Excluded			
11. Public Sector Memorandum of Understanding YES			
NO			
12. Penalties for Public Sector Failure to Perform YES			
NO			
13. Provisions for Monitoring Private Sector Only			
Public Sector & Private Sector			

From Lawrence L. Martin, Determining a Level Playing Field for Public-Private Competition. *Arlington, VA: The PricewaterhouseCoopers Endowment for The Business of Government, 1999.*

Selected Bibliography

Althaus, C. (1996) "National Competition Policy: Progress & Prospects." *Australian Journal of Public Administration* 55:65-76.

Anthony, R. & Young, D. (1999). *Management Control in Nonprofit Organizations.* Boston: Irwin-McGraw-Hill.

Chi, K. & Jasper, C. (1998). *Private Practices: A Review of Privatization in State Government.* Lexington: The Council of State Governments.

Domberger, S., Hall, C. & Jeffries, M. (1996). *Competitive Tendering & Contracting in Commonwealth Government Agencies: The 1995 Survey Findings.* Sydney: CTC Research Center, Graduate School of Business, University of Sydney.

Domberger, S. & Hall, C. (1995). *The Contracting Casebook: Competitive Tendering in Action.* Canberra: Australian Government Printing Service.

Eggers, W. (1998). *Competitive Neutrality: Ensuring A Level Playing Field in Managed Competitions.* Los Angeles: The Reason Public Policy Institute.

Harney, D. (1992). *Service Contracting: A Local Government Guide.* Washington, D.C.: International City/ County Management Association.

Hodge, G. (1996). *Contracting Out Government Services: A Review of the International Evidence.* Montech Graduate School of Government. Melbourne: Monash University.

Johnson, R. & Walzer, N. (1996). *Competition for City Services: Has the Time Arrived?* Macomb: Illinois Institute for Rural Affairs.

Kettl, D. (1993). *Sharing Power.* Washington, D.C.: The Brookings Institution.

Kettner, P. & Martin, L. L. (1996). "Purchase of Service Contracting Versus Government Service Delivery: The Views of State Human Service Administrators." *Journal of Sociology & Social Welfare* 23:107-119.

Madsen, M. (undated). "Letter from Marcia G. Madsen, Section on Public Contract Law of the American Bar Association to Representative Stephen Horn, Chairman, Sub-Committee on Government Management & Information Technology, House Committee on Government Reform & Oversight." <http://www.abanet.org/contract/federal/regscomm/emerging_002.html> (8/01/99).

Martin, L. L. (1999a). *Contracting For Service Delivery: Local Government Choices.* Washington, D.C.: International City/County Management Association.

Martin, L. L. (1999b). "Public-Private Competition: A Public Employee Alternative to Privatization." *Review of Public Personnel Management* 19 (1): 59-70.

Martin, L. L. (1998). "Privatization or Public-Private Competition." *The Public Manager* 27 (3):51-53.

Martin, L. L. (1997). "Public-Private Competition in the United Kingdom: Lessons for American Local Government." *State & Local Government Review* 29 (2):81-89.

Martin, L. L. (1996). *Selecting Services For Public-Private Competition.* MIS Report, Vol. 28. No. 3, Washington, D.C.: International City/County Management Association.

Martin, L. L. (1993a). *Bidding on Service Delivery: Public-Private Competition.* MIS Report, Vol. 25, No. 11. Washington, D.C.: International City/County Management Association.

Martin, L. L. (1993b). *How To Compare Costs Between In-House & Contract Service Delivery.* Los Angeles: The Reason Foundation.

McGillicuddy, J. (1996). "A Blueprint for Privatization And Contracting." *Public Management* (November):8-13.

Privatization Watch (1997). "State Court Rulings Thwart Privatization." No. 246 (June):7.

Quiggin, J. (1996). "Competitive Tendering & Contracting in the Australian Public Sector." *Australian Journal of Public Administration* 55 (3):49-57.

Raffel, J., Auger, D. & Denhardt, K. (1997). *Competition & Privatization Options: Enhancing Efficiency & Effectiveness in State Government.* Institute for Public Administration, University of Delaware.

Rao, N. & Young, K. (1995). *Competition, Contracts and Change: The Local Authority Experience of CCT.* London: Joseph Rowntree Foundation.

Rehfuss, J. (1989). *Contracting Out in Government.* San Francisco: Jossey-Bass.

Shaw, K., Fenwick, J. & Foreman, A. (1993). "Client and Contractor Roles in Local Government: Some Observations on Managing the Split." *Local Government Policy Making.* 20 (October):22-27.

Smyth, J. (1997). "Competition as a Means of Procuring Public Services: Lessons from the UK and the US Experience." *International Journal of Public Sector Management* 10 (1/2):21-28.

Stone, M., Bell, A. & Poole, J. (1997). *Perspectives on Privatization by Municipal Governments.* Washington, D.C.: National League of Cities.

Swope, C. (1998). "The Living-Wage Wars." *Governing* 12 (December):23-25.

The Civic Federation (1996). *From Privatization to Innovation: A Study of 16 U.S. Cities.* Chicago: Author.

Walsh, K. (1995). *Public Services & Market Mechanisms: Competition, Contracting & The New Public Management.* New York: St. Martin's Press.

Walsh, K. & Davis, H. (1993). *Competition & Service: The Impact of the Local Government Act of 1988.* London: Her Majesty's Stationary Office (HMSO).

Wilson, D. & Game, C. (1994). "The Impact of Compulsory Competitive Tendering." In *Local Government in the United Kingdom.* London: MacMillian, pp. 324-339.

Appendix:
Selected Government Documents Relating To Public-Private Competition Policies

California Supreme Court. (1997). "Professional Engineers in California Government et al. v. Department of Transportation et al." California Supreme Court Decision No. SO42591, May 15.

City of Charlotte. (1995). *Competition Process Handbook.* Charlotte: Author.

City of Charlotte, Privatization/Competition Advisory Committee. (1994). *Guidelines For Service Contracting & Asset Management.* Charlotte: Author.

City of Cincinnati, Office of Research, Evaluation & Budget (1985). *Privatization Study Handbook.* Cincinnati: Author.

City of Irving (1997). *Managed Competition Manual.* Irving: Author.

City of New York, Office of Management & Budget. (1995). *OMB Cost Manual: A Guide to Determining the Cost of City Services.* New York: Author.

City of Philadelphia. (undated). *A Manager's Guide to the New Memorandum of Agreement: City of Philadelphia & AFSCME District Councils 33 & 47.* Philadelphia: Author.

City of Phoenix. (undated). *City of Phoenix Public/Private Competitive Process Overview.* Phoenix: Author.

City of Portland, Office of the City Auditor. (1995). *Competitive Contracting: Opportunities to Improve Service Delivery & Save Money.* Portland: Author.

City of San Jose. (undated). *Competition Policy.* <http://www.ci.san-jose.ca.us/quest/sjpolicy.htm> (9/01/98).

City of Sunnyvale. (undated). *Managed Competition: The Work Plan.* Sunnyvale: Author.

City of Tempe, Internal Audit & Consulting Office. (1998). *Public-Private Competition Process.* Tempe: Author.

Commonwealth of Massachusetts. (1993). *Massachusetts General Laws Annotated. Part I. Administration of the Government, Title II, Executive & Administrative Officers of the Commonwealth, Chapter 7. Executive Office for Administration & Finance of Privatization Contracts.*

Commonwealth of Massachusetts, Office of the State Auditor. (1994). *Guidelines for Implementing the Commonwealth's Privatization Law.* Boston: Author.

Commonwealth of Virginia, Virginia Commonwealth Competition Council. (undated). *Public/Private Performance Analysis.* Richmond: Author.

Comptroller General of the United States. (1999). "Comptroller General Decision in DZS/Baker LLC; Morrison Knudsen Corporation, B-281224 - B-281224.6, January 12. <http:www.access.gpo.gov/ su_dics/aces/aces170.shtml> (8/26/99).

County of Miami-Dade. (1999). "Managed Competition Initiatives: Recommended Guidelines." Memorandum from the County Manager to the Board of County Commissioners, January 21.

County of San Diego. (1998a). *Managed Competition Guide.* San Diego: Author.

County of San Diego. (1998b). *Cost Comparison Guide.* San Diego: Author.

Department of Finance & Administration. (1998a). *Competitive Tendering and Contracting: Guidance For Managers.* Canberra: Author.

Department of Finance & Administration. (1998b). *The Performance Improvement Cycle: Guidance for Managers.* Canberra: Author.

General Accounting Office. (1998). *OMB Circular A-76: Oversight and Implementation Issues.* Washington, D.C.: Author.

Industrial Commission. (1996). *Competitive Tendering & Contracting By Public Sector Agencies.* Melbourne: Australian Government Printing Service.

New South Wales. (1997a). *Service Competition Guidelines.* <http.www.occg.new.gov.au/pubs/servcomp/guidelines/index.html> (4/21/99).

New South Wales. (1997b). *Memorandum 97-24 Service Competition Guidelines.* <http://www.occg.nsw.gov/pubs/servcomp/policy.html> (4/19/99).

Office of Management & Budget (OMB). (1996). *Circular A-76: Revised Supplemental Handbook Performance of Commercial Activities.* Washington, D.C.: Author.

State of Arizona, Arizona Governor's Office of Management & Budget. (Undated). *Competitive Government Handbook.* Phoenix: Author.

State of Colorado, Colorado Commission on Privatization. (1997). *Promoting a More Competitive Government: A Report to the General Assembly by the Commission on Privatization.* <http://www.state.co.us/gov_dir/gss/eod/pri/privtext.htm> (5/04/98).

State of Colorado, Colorado State Auditor's Office. (1997). *Privatization Assessment Workbook.* Denver: Author.

State of Florida, Florida State Council on Competitive Government. (1995). *Procedures & Guidelines.* Tallahassee: Author.

State of Georgia, Governor's Commission on Privatization of Government Services. (1995). *Cost Allocation Methodology For Potential Privatization Projects.* Atlanta: Author.

State of Iowa, Department of Transportation. (1996). *Managed Competition Pilot Projects.* Ames: Author.

State of Texas, Texas Council on Competitive Government. (1996). *Council on Competitive Government Cost Methodology.* <http://www.gsc.state.tx.us/ccg/ccgweb/html> (4/25/99).

State of Texas, Office of the State Auditor. (1994). *Least Cost Review Program: Building Public-Private Partnerships in Texas.* Austin: Author.

Department of the Environment. (1996). *Guidance on the Conduct of Compulsory Competitive Tendering.* Circular 5/96.

Chartered Institute of Public Finance & Accountancy. (1995). *Code of Practice for Compulsory Competitive Tendering.* London: Author.

Victoria Department of Treasury & Finance. (undated). *Competition Policy: A Guide to Implementing Competitively Neutral Pricing Policies.* East Melbourne: Author.

About the Author

Lawrence L. (Larry) Martin is an Associate Professor at the Columbia University School of Social Work, where he also serves as Director of the Social Administration Program. From 1988 to 1994, he was on the faculty of Florida Atlantic University's School of Public Administration.

He is a graduate of Carl Hayden High School in Phoenix, Arizona, and earned his B.S., M.S.W. and Ph.D. from Arizona State University. He received his M.I.M. from the the American Graduate School of International Management.

Dr. Martin has served in a variety of state and local government administrative positions including Director of Aging Programs for the Arizona Department of Economic Security (1976-1978), Assistant Director & Deputy Director of the Maricopa County (Phoenix, Arizona) Human Resources Department (1980-1982) and Director of the Maricopa County (Phoenix, Arizona) Office of Management Analysis (1984-1988).

Dr. Martin is the author of *Contracting for Service Delivery: Local Government Choices* (1999) and *Total Quality Management in Human Service Organizations* (1993); the co-author of *Designing & Managing Programs: An Effectiveness Based Approach* (1999), *Measuring the Performance of Human Service Programs* (1996) and *Purchase of Service Contracting* (1987); and the co-editor of *Handbook of Comparative Public Budgeting & Financial Management* (1993). In addition, he has published over 60 articles and book chapters dealing with public-private competition, privatization, contracting, financial management, performance measurement, and human service administration.

Dr. Martin has taught courses in social administration, financial management, program evaluation and performance measurement, public management, and state and local government. He has served as a consultant to numerous state and local governments and non-profit organizations and has conducted professional training seminars on public-private competition, service contracting, performance contracting, and contract administration and performance measurement.

Key Contact Information

To contact the author:

Lawrence L. Martin
Associate Professor
Columbia University
School of Social Work
622 West 113th Street
New York, NY 10025
(212) 854-2735

e-mail: LLM15@columbia.edu

ENDOWMENT REPORTS AVAILABLE

Managing Workfare: The Case of the Work Experience Program in the New York City Parks Department (June 1999)

Steven Cohen
Columbia University

Results of the Government Leadership Survey: A 1999 Survey of Federal Executives (June 1999)

Mark A. Abramson
Steven A. Clyburn
Elizabeth Mercier
PricewaterhouseCoopers

Credit Scoring and Loan Scoring: Tools for Improved Management of Federal Credit Programs (July 1999)

Thomas H. Stanton
Johns Hopkins University

The Importance of Leadership: The Role of School Principals (September 1999)

Paul Teske
Mark Schneider
State University of New York at Stony Brook

Leadership for Change: Case Studies in American Local Government (September 1999)

Robert B. Denhardt
Janet Vinzant Denhardt
Arizona State University

Managing Decentralized Departments: The Case of the U.S. Department of Health and Human Services (October 1999)

Beryl A. Radin
State University of New York at Albany

New Tools for Improving Government Regulation: An Assessment of Emissions Trading and Other Market-Based Regulatory Tools (October 1999)

Gary C. Bryner
University of Colorado School of Law

Determining a Level Playing Field for Public-Private Competition (November 1999)

Lawrence L. Martin
Columbia University

An Assessment of Brownfield Redevelopment Policies: The Michigan Experience (November 1999)

Richard C. Hula
Michigan State University

Religious Organizations, Anti-Poverty Relief, and Charitable Choice: A Feasibility Study of Faith-Based Welfare Reform in Mississippi (November 1999)

John P. Bartkowski
Mississippi State University
Helen A. Regis
Louisiana State University

Business Improvement Districts and Innovative Service Delivery (November 1999)

Jerry Mitchell
Baruch College, The City University of New York

Profiles in Excellence: Conversations with the Best of America's Career Executive Service (November 1999)

Mark W. Huddleston
University of Delaware

To download or order a copy of these reports, visit the Endowment website at: endowment.pwcglobal.com

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwcglobal.com) is the world's leading professional services organization. Drawing on the knowledge and skills of 150,000 people in 150 countries, we help our clients solve complex business problems and measurably enhance their ability to build value, manage risk and improve performance. PricewaterhouseCoopers refers to the US firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

For additional information, contact:
Mark A. Abramson
Executive Director
The PricewaterhouseCoopers Endowment for
The Business of Government
1616 North Fort Myer Drive
Arlington, VA 22209

(703) 741-1077
fax: (703) 741-1076
e-mail: endowment@us.pwcglobal.com
website: endowment.pwcglobal.com

PRICEWATERHOUSECOOPERS

The PricewaterhouseCoopers Endowment for
The Business of Government

1616 North Fort Myer Drive
Arlington, VA 22209-3195

Bulk Rate
US Postage
PAID
Permit 1112
Merrifield, VA