

**Can You Save Money and  
Still Save Lives?**  
The Debate Over  
Fire Department Privatization

*By Julia Lave Johnston*

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## SUMMARY

With the passage of California's Proposition 13 in 1978, local government's interest in contracting out or privatizing government services increased as a way to contend with reduced revenues. Nationwide local government has been increasing the number of services that they contract out since the recessions of the early 80s and 90s. By the 1990s researchers have estimated that the average U.S. city contracted out 27 percent of its municipal services for a savings of between 15 and 50 percent.

Privatization is a term that includes competitive contracting as well as deregulation, divestiture, franchises, grants and subsidies, leases, public/private partnerships, service shedding (where a private firm assumes the ownership, control and delivery of a service), sale of assets, and vouchers. The privatization of government services can be broken down into levels based on how much responsibility government turns over to private firms. The most common level is when government maintains overall responsibility of services but contracts out auxiliary services such as accounting, billing or data base maintenance. The next level is the contracting out of day to day management while maintaining overall responsibility such as garbage and recycling in some communities. The final level, as mentioned above, is service shedding where a private firm both owns and manages the service provision of what many consider a government service, such as public utilities.

Technically, privatization means the transition of a service from being government operated to being run by a private firm. The term has also come to describe the provision of what is traditionally considered a public service by a private firm, whether or not a particular local government ever provided that service. For example, if a city never had a fire department of its own and hired a private firm to provide the service, even though the city's fire service did not convert from public to private provision, the act of using a private firm for the service might be described as privatization. In the context of this paper, this is how the term privatization will be used.

The proponents of privatization argue that it will improve service and lower costs mainly by encouraging competition. Opponents claim that privatization reduces important public services to a commodity and as such, quality will suffer as private companies try to increase their profits. Those against privatization also argue that private firms will only serve those that are easiest to serve, undermining the democratic ideals and values of our society.

Fire protection service has proved difficult to privatize, both because of community and firefighter resistance. There are no communities in California with private fire protection service. The State has a strong history of municipal fire service and private companies usually try to avoid communities with established municipal fire departments.

Some public services lend themselves more easily to privatization than others. The more valued a service is to society, and the greater the consequences if quality is not

maintained and service not provided to all, the less likely that service is to be privatized. This may well be the case with the privatization of fire protection service.

All communities have different fire service needs and private companies often base their service levels on these needs as well as the level of service for which the community is willing to pay. This has made it difficult to compare private and municipal fire protection services though it is generally believed that private companies are more cost effective for a number of reasons. Many proponents of privatization argue that service provision by private providers alone does not reduce costs. Instead, it is competition that encourages effectiveness in both public and private service provisions.

More municipal services are adopting the practices ascribed to private fire companies as they contend with changes in the nature of firefighting. In California, with its strong tradition of municipal service, other cost savings options are being developed including consolidation and intergovernmental contracting. Ultimately, reductions in the number of fires, as well as competition among public fire service and the threat of privatization, may create the needed incentives and competition that lead to effectiveness in fire protection service in the State.

## **WHY LOCAL GOVERNMENTS PRIVATIZE SERVICES**

In California, there is a tendency to start discussions of current local government activities and finances with the 1978 passage of Proposition 13. Although privatization, the provision of what are considered public services provided by private firms, is not a new concept in California, many of the concerns addressed by the proposition are similar to those that are said to be remedied by privatization. One of the arguments for Proposition 13 was that local governments were wasting taxpayer dollars through inefficiency. The belief was that local government had the funds to adequately provide services but that there was no incentive to use the funds wisely or efficiently. The passage of Proposition 13 cut local government revenues, dramatically altering how local governments finance themselves and pressuring them to reduce their costs while maintaining service levels.

This search for efficient ways to provide services was not limited to California. Nationwide, contracts between local government and private firms tripled from 1972 to 1982 increasing from \$22 billion to \$65 billion, after adjusting for inflation. Some experts estimate that during this time the practice of contracting out grew at 16 percent a year.<sup>1</sup>

This interest in improving efficiency increased with the recessions of the early 80s and 90s. During this time, local government struggled to adjust to its decreasing fortunes, even as citizens continued to demand high quality services and voted to minimize additional local government revenue sources. The increase in privatization was further encouraged by the policies and actions of the Reagan administration that made privatization more attractive to the private sector, reduced federal funds available to local government for service provision, and promoted privatization.<sup>2</sup> By the early 1990s, one

researcher reported that the average U.S. city contracted out 27 percent of its municipal services in whole or in part to private firms, with all cities contracting out at least one service.<sup>3</sup> Several reports say that by doing so cities saved, on average, between 15 and 50 percent on these services.<sup>4</sup>

A National League of Cities survey conducted in 1991, during the depths of the recession, reported that one in four cities showed a gap between their revenues and expenditures of more than five percent. In some cases this was due to a decrease in revenues and in other cases to expenditures that increased more rapidly than revenues. The survey also found that smaller communities were more likely to have a larger gap and that this gap could seriously affect their ability to provide municipal services.<sup>5</sup> The prospect of closing this gap by saving 15 to 50 percent through service privatization was very attractive to local governments.

## **HISTORY OF PRIVATIZATION**

Researchers have traced the origins of privatization to the seventeenth century.<sup>6</sup> At that time, Britain commissioned “privateers,” or pirates, to help them maintain their control of the high seas by collecting government imposed taxes or duties from ships. In the United States, the use of private firms to provide what we now consider public services predates the U.S. Constitution with the provision of postal service. The provision of public services by private firms was common in U.S. cities in the early part of the 20<sup>th</sup> century, especially for garbage collection and local streetcar systems.

Progressive reformers in the 1920s led a push to institutionalize service delivery within government. They were motivated by the belief that widespread corruption was enabled by the contracting out of government services and this was undermining the efficiency and integrity of government. It was not until after World War II that the privatization of government services started to become popular again.

Local governments now contract out for a myriad of services, including tree trimming, garbage pickup, wastewater treatment, street maintenance, data entry, and janitorial services, to name only a few. In the last decade, privatization has continued to expand in areas that we traditionally consider the realm of government such as prisons, social services, and public safety. Attempts to privatize fire protection services have proven to be especially controversial. The local newspaper in one community said the debate over the privatization of its fire department had “split the city like a civil war.”<sup>7</sup>

## **FOR AND AGAINST PRIVATIZATION**

The main argument put forth by the proponents of privatization is that it improves service and lowers costs through competition. Improved service includes the ability to bring in experts, to incorporate the newest technology, and to avoid time-consuming red tape that hinders innovative approaches. Accountability is ensured because government has the ability to select and cancel services and the threat of losing a contract will encourage accountability and quality service from private contractors. This assumes that competition exists and that alternative service providers are available.

On the other side, opponents of privatization argue that public sector jobs will be lost and service quality will suffer, especially for clients or residents that are more difficult to serve, as private firms will always work to reduce their costs even at the expense of quality and equity. They point out that there are no safeguards to prevent private companies from working to reduce competition or creating monopolies, and no guarantee of consistent service, since a private contractor could decide not to renew its contract if it is no longer profitable. The contractor could also go out of business or change owners, all of which could threaten the provision of consistent, quality service. In addition, the fear of corruption is still a concern, as it was in the 1920s. There are studies that support the assertions of both sides, which will be reviewed later in this report.

<b>Major Potential Advantages and Problems with Delivery of Public Services by For-Profit Companies</b>	
<b>Potential Advantages</b>	<b>Potential Problems</b>
<ul style="list-style-type: none"> <li>• Less red tape and bureaucracy.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher potential for corruption because of lack of oversight.</li> </ul>
<ul style="list-style-type: none"> <li>• More competition leading to increased efficiency and cost savings for both private and public service providers.</li> </ul>	<ul style="list-style-type: none"> <li>• Incentives to reduce service quality.</li> </ul>
<ul style="list-style-type: none"> <li>• Improved service quality and expertise.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased chance of service interruptions due to contract cancellations, negotiations, strikes, or business failure.</li> </ul>
<ul style="list-style-type: none"> <li>• Lower unit costs because of ability to buy in quantity if operating in multiple jurisdictions.</li> </ul>	<ul style="list-style-type: none"> <li>• Labor conflicts because of the loss of public sector jobs.</li> </ul>
<ul style="list-style-type: none"> <li>• Savings can be used to fund other important local services.</li> </ul>	<ul style="list-style-type: none"> <li>• Savings benefit private companies not taxpayers.</li> </ul>

Many who have studied privatization believe that one sector is not superior to the other. They claim that the public and private sectors have different strengths and weaknesses and neither is innately better or worse than the other is. Privatization can maximize the strengths of both sectors. David Osborne and Ted Gaebler write in their popular book *Reinventing Government*:

Business does some things better than government, but government does some things better than business. The public sector tends to be better, for instance, at policy management, regulation, ensuring equity, preventing discrimination or exploitation, ensuring continuity and stability of services, and ensuring social cohesion . . . . Business tends to be better at performing economic tasks, innovating, replicating successful experiments, adapting to rapid change, abandoning unsuccessful or obsolete activities, and performing complex or technical tasks.<sup>8</sup>

However, the argument goes deeper than a discussion of measurable strengths and weakness to the question of the true role of government. Those that favor privatization agree with E. S. Savas of Baruch College, an expert on privatization of government services. He states:

Privatization not only saves money, it restores government to its fundamental purpose, governing, by relieving it of tasks like collecting trash, repairing streets and mowing grass that a competitive private sector—under public control—does better and more cheaply.<sup>9</sup>

Those who are opposed to privatization believe that certain government services are rights that we are all entitled to and privatization threatens the equal provision of these services by encouraging efficiency at the expense of quality and removing public oversight. Opponents contend that private firms do not answer to the public, and, that their practices and policies are not as open to public view as are those of the public sector. This lack of information could reduce the ability of citizens to participate in policy formation, monitoring, or regulation. This in turn diminishes democracy by separating government from citizens and undermining democratic participation.

David Morris of the Institute of Local Self Reliance, a not-for-profit organization that promotes sustainable community practices, argues for a more careful evaluation of privatization rather than just cost reduction. In his 1996 article, "The Dark Side of Privatization," he asks, "Does privatization affect our sense of community? Our concept of citizenship?" He laments; "Almost 100 percent of the privatization debate revolves around a discussion of dollars and cents. This is unfortunate. There is a lot more at stake here. We should discuss privatization's impact on democracy as well as efficiency."<sup>10</sup>

A 1986 *Business Week* article talks about the sometimes fragile balance between democracy and capitalism that is highlighted by privatization. The author writes, "We Americans are not just buyers and sellers; we are also citizens."<sup>11</sup> As citizens, he explains, we qualify for some services that as consumers we could not afford to purchase. Government's role, he argues, is to maintain the balance between our social/political ideals and economic ideals by providing these services based on our citizenship, not our ability to pay.

The social cost argument against privatization continues in the vein that cost of service should not be the only consideration in whether or not government provides services or contracts out. This viewpoint contends that there are other costs that should be considered in the equation. Private firms pay lower wages, healthcare, and retirement benefits than municipal government. These cost savings for private companies are then passed on to government and taxpayers at a later date, undermining the true cost savings of privatization. The other argument presented by proponents of the social cost argument is that public sector jobs provide access to social mobility for minorities, new immigrants, and the poor. They believe that because private firms do not have the same requirements to diversify staff, these firms do not provide this opportunity. Most proponents of privatization would argue, however, that privatization of service does not mean that government abdicates the responsibilities of providing equitable, quality services. Contracts with private firms can include provisions for performance and service quality levels. They can also require a certain level of benefits and equal employment.

## **FIRE DEPARTMENT PRIVATIZATION**

An estimated 25 percent of cities contract with private ambulance services.<sup>12</sup> The bed capacity of U.S. private prisons has increased from 15,300 in 1990 to 145,160 in 1999.<sup>13</sup> These are only two of the multitude of public services that local governments regularly contract out. For the most part, the privatization of government services has occurred

without the public outcry or political fallout that seems to have accompanied attempts to privatize fire protection services. Communities become battlegrounds, friendships are ruined, and city council members find themselves making unplanned career changes when a community considers privatizing its fire protection services.

What are the concerns surrounding fire protection privatization and are they valid? Fire department privatization faces much the same criticism as the privatization of other government services. It focuses on the fear that private companies will pursue cost savings at the expense of quality services, which in the case of fire protection could jeopardize public safety. The other major barrier to privatization is the loss of public employee jobs. While the public may have misgivings about private fire protection, the firefighters' unions are adamant in their resistance.

Because there are few examples in the United States of private fire protection service, this paper looks at examples of both private fire service provision and the private provision of other government services. Following is some of the data that reflects privatization's impact on the issues of cost savings, quality of service, and job loss.

## SAVINGS

When looking at a variety of services, studies have found that privatization saves local governments money. A 1990 study by the International City/County Managers Association (ICMA) found that 40 percent of local governments saved between 10 and 19 percent through privatization.<sup>14</sup> Another 40 percent saved more than 20 percent, and some governments reported cost savings as high as 40 percent.

Some argue that this is because privatization encourages competition, which in turn fosters efficiency. Others argue that savings are at the expense of employees who are paid less or receive fewer benefits. As mentioned, some believe this is not true savings because it could increase social costs by passing on health and retirement costs to government and taxpayers.

James Mercer, President and CEO of the Georgia based Mercer Group which studies some private service provision for government, identifies the following reasons that privatization is able to reduce costs for local government.<sup>15</sup>

- **Reduced personnel and equipment needs.** Government can hire fewer employees and invest in less equipment, reducing infrastructure and maintenance costs. This attribute is especially valuable when it comes to new technology because government takes more time to upgrade and can be outpaced by the speed of innovation. Government can also gain access to expertise they may not otherwise be able to afford if they had to hire a full-time employee.
- **Ability to pay only for work done.** Government can pay for a service from a private company and not make the investment in hiring, education, and salaries. It also allows government to meet uneven work flows without hiring

new employees that they may not need normally. In the case of fire fighters, there is a lot of down time. Private companies use this time for other profitable activities and can pass the savings on to their clients.

- **More work for same amount of dollars.** Private employees work longer hours for the same salary.
- **No start-up costs.** Initial investment in infrastructure is often costly and can be prohibitive to government.
- **Reduced internal workload.** By contracting out services, government staff can focus on priorities.

Private fire service cost reductions is also believed to stem from these categories. The Reason Institute, in a 1992 policy study<sup>16</sup> on fire department privatization, highlights four major reasons that private fire companies can provide fire protection service for less than a municipal department.

1. Private fire departments spend less on labor and other personnel costs by using a mixed force of full-time paid firefighters and reservists. Labor costs typically account for 70-90 percent of a paid department's expenses. Although salaries for private companies are usually comparable or slightly higher, they often reflect longer work hours. Pensions and other benefits also tend to be reduced in the private sector although some private companies do have profit sharing plans.
2. Firefighters typically have a lot of down time when they are not fighting fires. Private companies use this time to provide other job-related services that either bring in revenue or reduce firefighting costs. These could include ambulance and paramedic services, the developing of fire safety plans, conducting fire safety audits of buildings, training industrial fire brigades, installing and monitoring alarms, and education and fire prevention campaigns.
3. They use innovative strategies and technologies to prevent and combat fires. Rural/Metro, the large private fire protection company that is based in Scottsdale, Arizona, worked to have laws passed in Scottsdale requiring residential, industrial and commercial sprinklers, which considerably reduced the costs of fighting fires. This effort benefited the community by reducing fire insurance costs for homeowners about 75 percent.<sup>17</sup> The National Fire Protection Association recommends sprinkler installation but adoption is optional. In California, sprinkler requirements are decided at the local level and their adoption is far from uniform. Rural/Metro has also designed some of its fire trucks to meet its specific needs.
4. Finally, larger private companies have more purchasing flexibility and less procedures for purchasing than municipalities, which allows them to take advantage of opportunities for savings.

Many people seem to make the general assumption that private companies can provide service more cheaply than government because they consistently use the above listed

measures from the Reason Foundation. The Mercer Group privatization study from 1997 found that many experts and state and local government officials did not see higher costs as being related to public versus private, but as a result of the existence of public monopolies and the absence of competition.<sup>18</sup> This sentiment is echoed by many that argue for more efficient government. However, as opponents of privatization point out, both public and private services can become monopolies. This implies that both private and public fire protection services that look for ways to reduce costs, or are prompted to do so by competition, may be capable of providing more efficient service.

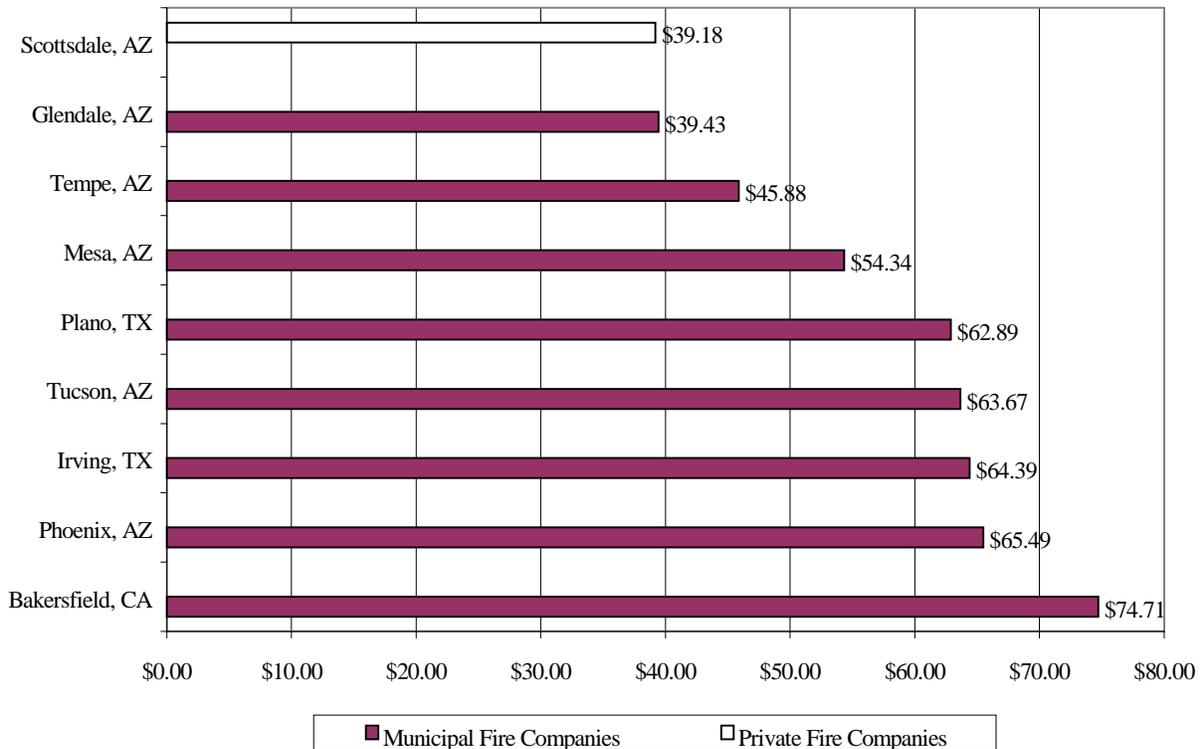
There is nothing to prevent public fire companies from using the same cost reductions as private firms and some do. Researchers often cite case studies that public services can compete with private firms if they strive for efficiency. Some cities, such as Phoenix, Arizona, have instituted private/public competition or managed competition. This method of contracting out lets a city department bid against private contractors. Managed competition is thought to provide an incentive to public departments to increase their efficiency, while maintaining institutional knowledge in the city, and reducing city employee resistance to privatization. The City of Phoenix is estimated to have saved \$30 million dollars as of 1998 by using this process.<sup>19</sup>

In the case of the City of Westminster, California, which is discussed later in this paper, the city accepted bids from both public and private fire protection services. The Orange County Fire Authority, a public agency, underbid Rural/Metro, the large private company that started in Scottsdale, Arizona by \$500,000 for a five-year fire protection contract. Service provided by Orange County may have been cheaper for some of the same reasons that private firms can be less expensive; it already operated in the area and benefited from its scale and existing infrastructure.

There is some difficulty in comparing costs between public and private fire protection primarily because a community does not seriously consider a private company unless there are cost savings. Communities also have different fire protection needs and different characteristics, so it is difficult to compare cities.

One of the earliest studies of a private fire department was a 1973 analysis of the Rural/Metro Company in Scottsdale. The study found that the city paid 47 percent less to Rural/Metro than it would to support a public department.<sup>20</sup> In a 1977 study of Rural/Metro done by the now disbanded Institute for Local Self Governance, Scottsdale was compared to the cities of Tempe, Glendale, and Mesa, all of which are in the Phoenix metropolitan area. The Institute's study chose these cities because they have similar landscapes, geographic area, population, and median income level. Scottsdale did, however, have the highest median income, the largest geographic area and the least population density. Income and low density can be associated with reduced fire risk, while larger areas can increase cost and risk.

**Figure 1: Per Capita Spending on Fire Protection**



Source: *Fire and Emergency Medical Services Assessment Scottsdale, Arizona*. University City Science Center, 1989.

In 1989, the City of Scottsdale hired an independent management and technical consulting team, the University City Science Center (UCSC) to analyze whether Scottsdale was receiving appropriate levels of fire and emergency services from its private providers. The consultants compared Rural/Metro to nine municipal fire companies in Arizona, Texas, and California. These cities were selected based on comparable population and land area. Because the UCSC study did not report using city selection criteria other than population and city size in acreage, it is hard to compare the quality of fire service for the cities in its study. Age and cost of houses, as well as types of land use patterns and industry in these cities could all have an impact on their cost of fighting fires. The three cities from the Institute for Local Self Governance’s study did number among the UCSC comparison cities and there is more detail on those cities, but it dates from 1977 and may be outdated by the 1989 study.

The UCSC report did look at land patterns and land usage in its study and states that at the time of the study, Scottsdale had a very low risk for fire. Almost entirely built since World War II in a suburban style, construction in the city was spread out with few contiguous buildings and few buildings over three stories tall, many of which had sprinklers. Scottsdale also had a very low risk for hazardous materials fires. In general,

the report stated that the city had few of the dangerous fire issues present in older urban, industrial population centers. The three cities used for comparison in the Institute study seem to have risk levels similar to Scottsdale. In fact, of the four cities in the Institute study, Scottsdale had the lowest percentage of houses under five years old. This is significant because newer houses are generally believed to present less of a fire danger.

The 1977 Institute study found that differences in fire damage were slim between Scottsdale and the majority of the cities, but Scottsdale paid approximately half the cost of the other three cities. UCSC found that fire protection in Scottsdale cost 46 percent below the average of the service in other cities, while Scottsdale's cost per firefighter was slightly higher. When they analyzed a specific proposal to replace Rural/Metro with a public fire department, they found that a public department would increase the city's cost by 75 percent.<sup>21</sup>

These figures were contested by the International Association of Firefighters (IAFF) who claimed that the researchers had not taken into consideration the higher level of service that the other public departments offered when the firm did its cost estimates. It is true that the study did not make adjustments for levels of service between communities. It did state that the level of fire protection service in Scottsdale was adequate for the city. The report then recommended service improvements, including increased salaries, and strategies to make sure that service kept up with the city's rapidly growing population. According to Marc Eisner, Scottsdale's Director of Emergency Services and the city's liaison with Rural/Metro, all of the recommended changes have since been implemented.<sup>22</sup>

Elliott Sclar, in his recent book on privatization, says that these three studies of Scottsdale's fire protection service document an increasing rise in the City's fire protection costs over time. Although service cost is still less expensive in Scottsdale, it is consistently moving towards being more in line with the costs paid by its neighboring communities. Sclar says that rather than revealing that Rural/Metro is more efficient, this shows a relationship between population density and per capita fire costs. He describes Scottsdale as currently more similar to a rural community and predicts that as Scottsdale continues to urbanize and densify, its fire protection costs will continue to rise.<sup>23</sup>

Sclar also sites examples of Arizona communities that have cancelled their Rural/Metro contracts and created their own municipal fire departments. These cities did so because of projected cost savings of between \$17,000 to \$250,000 a year.<sup>24</sup> He argues that if private fire service was really more cost-effective, there would be more support and demand for this service. The lack of demand is attributable, according to Sclar, to the fact that private fire service is not really less expensive.

Opponents of fire department privatization, as well as those who oppose privatization in general, argue that private services may start out costing less but that contractors can low bid services, and then raise prices when the original contract is renewed. If this were to occur, it would hinder competition and potentially establish a monopoly. Critics also fear that once a company has established a monopoly, it will raise costs or lower service

quality when it is time to renew the original contract. At least one of the Arizona cities, Sun City, discussed by Sclar, felt that Rural/Metro kept raising its costs and was not open to price negotiation. In response, Sun City started its own municipal service and calculated that they would save \$250,000 a year. Nearby Youngtown also cancelled its Rural/Metro service and contracted with Sun City's fire department estimating that they would also save money.

If a municipality contracts with one fire protection provider, does that automatically constitute a monopoly? Some proponents of privatization believe that any situation where there is no competition, whether it involves a public or private service, could lead to reduce efficiency over time. A single company may have a contract with a municipality, but as long as there is an alternative that forces that company to remain efficient it is not necessarily a monopolistic situation. These alternatives range from contracting fire service from another municipality or starting their own service. Some communities, such as Scottsdale, try to maintain a competitive environment by retaining ownership of their firefighting infrastructure, which is then leased to the private company.

Sclar contends that because the market for complex public services is easily monopolized, the existence of these alternatives does not necessarily guarantee competition.<sup>25</sup> This is because the learning curve for new providers is too steep and the start-up costs are too great for municipalities to easily switch fire protection service. He argues that even if there is a competitive bidding process, there is a built-in bias towards the existing provider who has more knowledge of the community. Like other critics of Rural/Metro in Scottsdale, Sclar believes that they have a monopoly. But, Sclar's own examples show that several cities that had previously contracted with Rural/Metro were able to either start their own fire companies or to contract with other municipalities.

## QUALITY

One of the largest concerns expressed regarding privatization is that private companies will only be concerned with the bottom line and service quality will suffer. A report released by the Tennessee Comptroller's office reported that there are examples to back up people's fears of service decline due to privatization. They found that not all their state's government experiences with privatization had been positive. The authors point out that in all areas of privatization "there are stories to tell about how services have deteriorated once in private hands; how private companies were less responsive to citizen need; and how cost skyrocketed once the initial contract with a contractor expired." But the report's conclusion states that "most occurrences of abuse, fraud, poor service, and mismanagement are a result of poorly constructed contracts."<sup>26</sup>

The Urban Institute's 1997 background paper on the privatization of public social services states that there has been very little empirical research on the effectiveness of the private sector versus the public sector.<sup>27</sup> The report cites a 1983 report for the Institute that compared matched pairs of public and private prisons and found that the quality of the private systems was somewhat higher, but they were not necessarily more

economically efficient. A 1996 report by the General Accounting Office (GAO) came to the same conclusions. It examined public and private programs for tracking down child support and found that private services functioned as well or better than public services, but they were not always cheaper.<sup>28</sup>

According to Amy Benton, a representative for the Sacramento chapter of the International Association of Fire Fighters (IAFF), private fire departments cannot provide the same quality of service as the public departments because private firms are not willing to pay for the high level of firefighting training that municipal departments have.<sup>29</sup> The IAFF also stresses that municipal firefighters are public servants committed to saving lives and that private firefighters do not get paid enough to risk their lives to save others, which of course would reduce the quality of service provided by private companies.<sup>30</sup> Again, because different communities have different needs, it is hard to compare training requirements. For example, a city with skyscrapers, like New York, would need to provide a different kind of training than a suburban community with only one- or two-story buildings, like Scottsdale.

There are some suggested universal training standards. The National Fire Protection Association (NFPA) along with the National Fire Service Professional Qualifications Board has developed voluntary Fire Service Professional Qualifications Standards for all uniformed positions within fire departments. Rural/Metro uses these standards as minimum requirements for all Scottsdale personnel including reserves.<sup>31</sup> But, it seems to be agreed upon by other researchers that Rural/Metro does provide less training than municipal services and pays lower salaries, at least in Scottsdale.<sup>32</sup> This could result in lower service quality and it has led to higher turnover rates for Scottsdale's fire service than other fire companies.<sup>33</sup> This could be seen as a contracting issue, since any city contracting with a private fire company could require training standards and pay levels in the contract.

There does seem to be a difference in philosophy between public and private fire departments which results in different approaches to service provision. Municipal services pride themselves on responding to and fighting fires. They focus on lowering response times and providing a variety of specialty services to expand the quality and range of their firefighting services, such as dealing with hazardous materials. Private companies focus on providing only the agreed upon services as efficiently as possible and finding new ways to reduce costs. This can be done by improving a community's prevention practices such as the example of Rural/Metro advocating for ordinances that require sprinkler systems in new buildings and remodels in Scottsdale. Another more questionable practice that Rural/Metro uses in Scottsdale is contracting out its services to neighboring communities or providing subscription services outside the city. While this may lower costs in Scottsdale, it has also resulted in Rural/Metro locating fire stations closer to the city's boundaries to meet these obligations. This has reduced average response times in Scottsdale.<sup>34</sup> In his book, Sclar writes that fire response time for the arrival of the first vehicle to the scene is six minutes in Scottsdale. This is almost 50 percent higher than the four minutes clocked by the nearby communities of Phoenix,

Tempe, and Glendale, three of the cities used as comparisons in the 1977 and 1989 studies. Again, this difference could be attributed to the lower densities in Scottsdale.

The above philosophy of prevention combined with providing the basic fire protection needs for the community as efficiently as possible is working for Rural/Metro in Scottsdale. Mayor Herbert Drinkwater told a *New York Times* reporter in 1985 that in Scottsdale the fire service “. . . gets better all the time. We save 50 percent of what neighboring cities pay. People are extremely satisfied.”<sup>35</sup> At this time, Scottsdale still relies on Rural/Metro for their fire protection. While fire protection costs have increased in Scottsdale because of growth and service improvement, according to Marc Eisen, Scottsdale’s Director of Emergency Services, the city continues to pay less for its fire protection than surrounding cities.<sup>36</sup> In Scottsdale’s 2000 Citizen Survey, community members gave their fire protection service high ratings. In the sample of 600 residents, 98 percent rated the fire service very good (highest rating) or good.<sup>37</sup>

The numbers appear to show that people have reason to be happy with Rural/Metro. In order to determine the levels of risk and service effectiveness in Scottsdale, the UCSC management team also compared the property loss figures, number of structure fires, and deaths per 1,000 of the population in Scottsdale to the same nine public fire departments previously discussed. They found that Scottsdale was 39 percent below the average for structural fires, 41 percent below the average for dollar loss from fire, and 15 percent below the average for deaths as a result of fires.<sup>38</sup> Both the 1977 Institute study and the 1989 UCSC study found that Scottsdale’s fire protection was providing citizens with a good level of service at a rate lower than surrounding communities. Again, this is partially based on the fire protection needs of Scottsdale, as well as the community’s physical layout and structure of its buildings. Low-density development reduces fire danger but it also means more area to cover. All of these factors could influence not only the cost of fighting fires, but also the level of fire service needed by a community.

## **JOB LOSS**

The most vocal opposition to privatization appears to come from public employee unions that accuse service privatization of eliminating public jobs. The Urban Institute reports that while public employee unions are opposed to privatization, it is not clear that workers themselves are opposed. This may be because government often includes employment arrangements, such as arranging for transfers to other government jobs or employment by the private company receiving the contract, as part of their privatization process, so workers are less fearful of losing their jobs and benefits.<sup>39</sup>

The 1997 International City/County Managers Association (ICMA) service provision survey of cities notes opposition from employees as one of the major obstacles to privatization, and the leading obstacle in 63.5 percent of responding cities.<sup>40</sup> This was only one of two obstacles to privatization that grew in importance between the last ICMA survey in 1988 and its 1997 survey. All other obstacles decreased in significance. The survey also found an increase in cities reporting programs to minimize privatization’s impact on employees, probably in an attempt to reduce resistance from employees.

While employees might be less wary of privatization if they are guaranteed jobs, the unions might still protest the decrease in public sector jobs that could reduce union membership.

In 1989, the National Commission for Employment Policy (NCEP) reviewed employment and wage effects for city and county services that had been privatized in the previous ten years.<sup>41</sup> The survey found that savings from privatization did not come at the expense of employee salaries, which on average are slightly higher in the private sector. However, when public sector employees move to the private sector, there is usually a reduction in benefits and the increase in pay may accompany longer work hours. In some situations this may be offset by profit sharing agreements for employees.

The study also found that layoffs of employees due to privatization are uncommon. Most affected workers take jobs with the private contractor or move to other public agencies, again as part of the privatization package. Only about seven percent of workers lose their jobs.

The promise of a private sector job might not be as effective in persuading public firefighters to accept privatization as it is with other public employees. Many of today's firefighters, with a schedule that has them working only two to three days a week with the remainder of the week off, are able to hold a second job, run a business, or pursue other interests.<sup>42</sup> Private fire companies have less flexible schedules, making public firefighting jobs unique and highly desirable.

Osborne and Gaebler agree with many of the criticisms leveled at private companies. For example, they agree with privatization critics that private organizations tend to go for the most profitable business at the expense of those who are harder to serve. They also agree that while wages are comparable between public agencies and private companies, private organizations often give employees fewer benefits. Nor are private companies likely to make as much of an effort to hire women and minorities. But the authors argue, "Competition that is structured carefully . . . can produce more equitable results than service delivery by a public monopoly."<sup>43</sup> Local government can accomplish this by requiring contractors to provide wages and benefits equivalent to the public sector. Contracts can set performance standards that assure that all segments of society receive the same quality service and assure that other goals of government are met.

## A SHORT HISTORY OF FIRE DEPARTMENTS

The history of fire departments in the U.S. explains some of the negative sentiments surrounding their privatization. City government started providing fire service in the mid-nineteenth century. Before then, volunteer fire companies provided fire service. The first, the Union Fire Company, was established in Philadelphia in 1736 by Benjamin Franklin. Because of the serious threat fire posed to community economic and social stability at that time, the example soon spread to other towns and cities.

Devastating fires were common in the United States' new cities in the 1700s and 1800s. The density of cities combined with highly flammable building materials and the use of fire for cooking, heating, and light guaranteed that fires would start and then spread rapidly. Until the advent of volunteer fire companies, very few fire insurance companies were able to stay in business.

Early volunteer fire companies developed in response to these threats to community safety and economic viability. These companies had constitutions and by-laws and members were responsible for raising or contributing the operating funds. There was a prestige that went with membership. Members were often exempt from jury and militia duty, as well as from taxes. There was also a camaraderie that made the fire companies more like elite fraternities or clubs. This gave membership tremendous political and economic value, as it was a stepping stone to both better jobs and political office. Fire company rosters are a "Who's Who" in colonial politics including: Franklin, Washington, Jefferson, Revere, Samuel Adams, Jay, Hancock, and Hamilton, to name a few. Frank McChesney, in his history of the rise of municipal fire departments, points out the fire departments were also able to deliver votes, making them "perhaps the single most important group in municipal politics."<sup>44</sup>

Because of the political and economic importance of these companies to local government and to insurance companies, both started to pay companies bonuses for putting out fires. This made the competition between companies to reach the fire first fierce. Companies took to hiring thugs to help them battle competing companies at the fire scene to see who would have the opportunity to put out the fire. This increased violence and hindered the timely extinguishing of fires. It also undermined the elite nature of the fire companies and made them less reputable. In 1853, the City of Cincinnati claimed that the level of violence was forcing it to disband the city's volunteer companies and to initiate the first paid municipal fire department. By 1871, most large cities had followed Cincinnati's example and banned private fire companies. This does not seem to reflect on the companies' ability to fight the fires, but rather on the violence that erupted over the right to fight the fire. The economic practicality of moving to private fire companies was supported by the invention of the steam-powered water pump, which required less manpower to operate than earlier pumping methods.

McChesney argues that it was not public interest in fire prevention or the increasing violence of fire companies that prompted city government to create municipal fire companies. If cities wanted to reduce the violent competition to reach a fire, they could

have stopped offering bonuses to the first one to the fire. Rather, he says, it was the convergence of multiple interests that led to the formation of municipal fire companies.

Most large cities shifted to municipal fire companies during the era of city bosses and political machines where the passing out of jobs to increase political power and influence was commonplace. Regardless of whether or not city politicians benefited from making fire companies public, insurance companies did. They no longer had to pay volunteer companies to put out fires, as all residents bore that cost. The volunteer firemen shared the benefits: they were the ones selected for jobs with the public force. They no longer had to pay for their own room, board, and equipment. Instead, they had guaranteed salaries.

Firefighting today still has many things in common with these early roots. Camaraderie is still very important to public fire departments and the difficulty of getting a firefighting job helps retain some of the elitism of the early companies. An article in the *Sacramento Bee*, “Hot-Ticket Job: Many Feel Called to Firefighting but Few Are Chosen,” points out that while record levels of unemployment have created a worker shortage in many fields, firefighting “consistently draws [a] hundred applicants for every opening.” The article attributes this to decent pay, the flexible work schedule, the excitement, and the lure of “a good guy career.”<sup>45</sup> No doubt some of the political and economic reasons for the support of municipal fire departments also still exist, along with the fear that private companies are more concerned with profit than with the public good.

But volunteer firefighting companies have not disappeared. While our biggest cities have professional fire departments, volunteer companies remain strong in smaller communities across the United States. According to the National Volunteer Fire Council, approximately 74 percent of all firefighters in the United States are still volunteers and they help protect over 40 percent of U.S. residents.<sup>46</sup> Many fire departments in the U.S. are entirely volunteer-staffed.

## **THE BURNING DEBATE OVER FIRE DEPARTMENT PRIVATIZATION**

The president of a private emergency services company explains that the move towards fire protection privatization in a community usually starts out as an economic issue and turns into a political one.<sup>47</sup> The Reason Foundation’s Director of Privatization and Government Reform agrees that the decision of whether or not to privatize is not necessarily an economic decision. He adds that politics often keep privatization from occurring even when it is a good economic decision.<sup>48</sup> According to one researcher, there is an economic rationale to not privatize, but it does not concern municipal cost savings. Union opposition to privatization is politically and financially costly (in terms of campaign costs) to local elected officials. Local elected officials must weigh the benefits of lower service costs with their personal costs, which could be increased by labor unions’ reelection opposition.<sup>49</sup>

The public can also be quite adamant in their opposition to the perceived loss of local control over fire service. While people are certainly concerned about the protection of their homes and general community safety, this does not fully explain the intensity of a community's reaction to any suggestion that their local fire department be taken from the community and given to a private company or to another government entity. Private ambulance services are common. Most airports and some large corporations have private fire service and we do not feel unsafe at airports or at our places of work, at least not from the threat of fire. Why are people so concerned about local fire department privatization? Some of the charges commonly leveled at private departments — that private firefighters are not adequately trained; that they use volunteers or reservists for some of their force so the service is not adequate — seem to contradict the U.S. history of volunteer firefighters and our continued reliance in many communities on volunteer departments. In many cases, the charge that the community will lose control over its fire protection service is also exaggerated. Municipalities will often maintain ultimate control over their fire service, setting service standards, continuing to own infrastructure, and sometimes retaining the right to hire and fire employees.

Robert Kuttner, an economist, explains citizens' strong reaction to privatization this way: “[I]n certain areas of life the criteria of the private market seems inappropriate. That is because human beings are not solely economic creatures. They have social attachments, patriotic stirrings, religious commitments, family bonds and psychological needs, some of which contradict the textbook view of economic man. It offends us, as citizens, to have national symbols auctioned off to the highest bidder.” He continues, “In organized society, we counterpoise certain public values to those of a pure market. Some things aren't supposed to be bought and sold.”<sup>50</sup>

Eric Oldar, of the California Department of Forestry and Fire Protection, says that firefighters have become a “trusted symbol” to people.<sup>51</sup> Firefighters have long been heroes to us. Often they are children's first role models. The shiny red engine and the capable looking firefighters are tangible images of the success and safety of a community. The local fire department is not just a government service, it is a member of our community that reflects our community's civic life and our shared values. When community members feel that they can no longer control the institutions that are the foundation of civic life and their own well being, they can feel uncomfortable and even outraged.

One theory that supports the idea of fire protection as a community value is the accountability factor.<sup>52</sup> It argues that there is accountability in government services because there is someone who is responsible for making sure that services are provided and that they meet certain standards. The more valued a service is to society, and the greater losses are if the service standards are not met, the less likely it is to be contracted out because it becomes harder to guarantee accountability. The value of a service is determined in a democracy both by society's values and legal and political considerations. The cost savings from privatizing a valued service are reduced because the costs of assuring quality standards are higher. This may partially explain why fire protection, with its high social value, is not contracted out more often: it has costs that are

intuitively understood although they are not factored into standard cost-benefit analyses. However, not every community rejects the idea of private fire protection. Private firefighters now protect over one million people in 16 states.<sup>53</sup> Below are some examples of private fire services.

### **RURAL/METRO CORPORATION—HOW TO SUCCEED AS A PRIVATE FIRE PROTECTION PROVIDER**

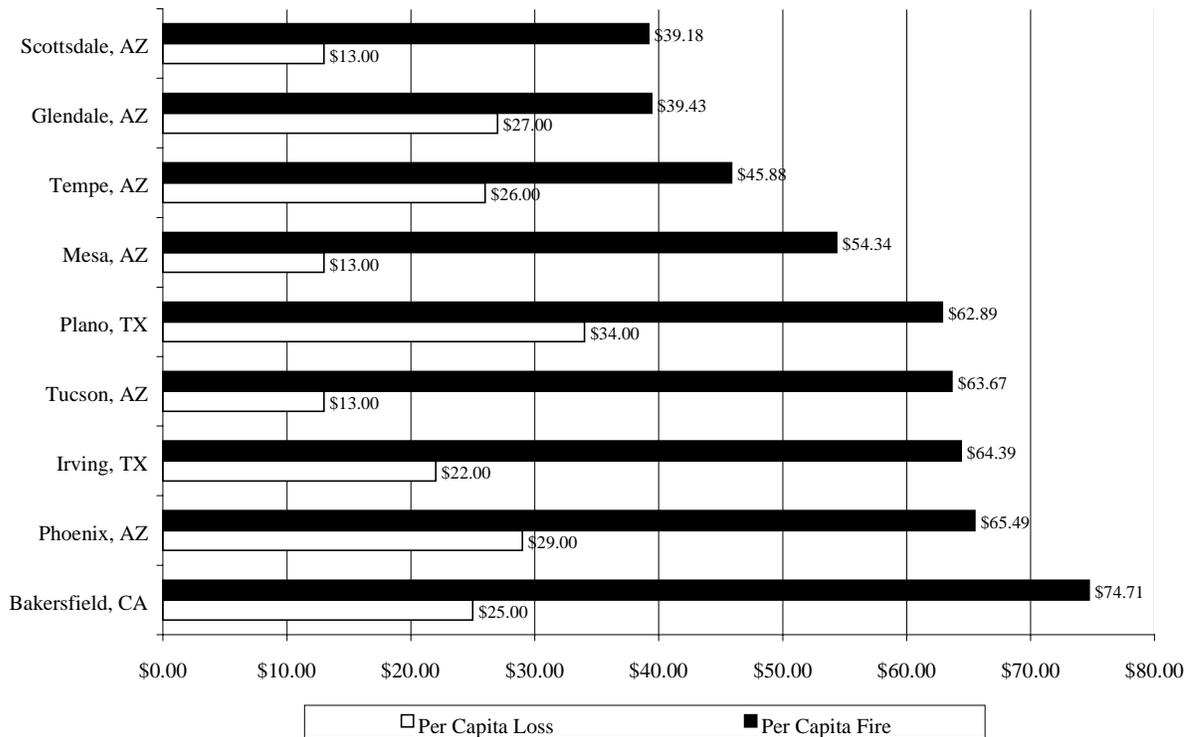
Rural/Metro is the largest and arguably the most successful private fire company in the United States. It started in an unincorporated area outside of Phoenix, Arizona in 1948. A group of neighbors started a fire subscription service after watching a neighbor's house burn to the ground because neither the city nor the county would answer a fire call out of their service area. Rural/Metro was profitable in its first year.

In 1954, when the area was incorporated as Scottsdale, the city made the uncommon decision to contract with Rural/Metro for its fire protection service. Rural/Metro continues to provide the city with fire protection services to this day.

Rural/Metro's story reveals some of the elements that private fire departments need in order to be successful. The city has a stringent contract with the company that spells out in detail service levels, equipment, reporting, and firefighting training requirements. This allows the city to set quality standards and hold Rural/Metro to these standards. The company's rate of profit is regulated by the Arizona State Corporate Commission, that regulation prevents Rural/Metro from reducing its costs to increase their profits to the detriment of service quality. Rural/Metro started in a community that not only did not have municipal fire protection, but had no fire protection at all. By the time Scottsdale incorporated, Rural/Metro had proven its effectiveness and had become a part of the community.

The 1989 study by University City Science Center (UCSC), commissioned by the City of Scottsdale, found that the city had a per capita fire loss of about \$13. The city next door, Tempe, had fire losses of about \$26 per capita. While Scottsdale spent approximately \$39 per person on fire and emergency service costs, Tempe spent about \$46 (See Figure 2). The study also measured the levels of risk and service effectiveness in Scottsdale. It looked at the number of structural fires, property loss, and deaths per 1,000 of the population in Scottsdale and compared those numbers to figures for nine public fire departments in Arizona, California, and Texas. As noted earlier, the study found that Scottsdale was significantly below the average for structural fires, dollar loss from fire, and deaths as a result of fires. While past studies found Tempe to be comparable to Phoenix in a number of categories, the UCSC study was less exacting in their criteria. As described earlier, a number of characteristics could affect the level of service, and therefore the cost of service, that a community needs. This includes housing stock age, density of development, building height, and type of industry located in the community.

**Figure 2: Costs Relating to Fire**



Source: *Fire and Emergency Medical Services Assessment Scottsdale, Arizona*. University City Science Center, 1989.

Rural/Metro has since expanded across the country, but the company sticks to a formula. It focuses on rural or growing suburban communities that do not already have municipal fire protection. The company reports that it has been threatened so often by unions that it will no longer bid against unionized fire departments.<sup>54</sup> Because of this, the communities who are using private sector fire protection are found in states like Arizona, Georgia, Illinois, Oregon, and Tennessee, where there is less of a history of municipal fire protection.

**LEWISTON (IDAHO) RURAL FIRE SERVICE (LRFS) — SUBSCRIPTION SERVICES**

Lewiston Rural Fire Service (LRFS), a subscription fire department that serves residents of Lewiston County, started in 1983 and is totally supported by subscription fees: an individual can choose whether or not to sign up for fire protection. While the City of Lewiston had a public fire department, efforts at the polls to form a county department failed.

LRFS structured its rates to conform to the amount of money residents would save on insurance for having fire protection and it estimates that 80 percent of the community determined whether or not to subscribe to the service based on the savings on their home insurance. According to LRFS Fire Chief Michael Supkis, “Reluctance to subscribe

stems from independence, isolation and denial. Rural residents are fiercely independent. An I-can-take-care-of-myself attitude, coupled with resistance to regulation and government interference are strong deterrents to relying on what seems to be a government type agency.”<sup>55</sup> This resistance to supporting government services is what makes communities like Lewiston County fertile ground for private fire service.

LRFS appears to have been effective in reducing fires and improving safety. The number of fires in Lewiston County went down more than 60 percent in four years, claims Supkis.<sup>56</sup> The challenge to having a subscription service in Lewiston County, according to Supkis, is that more than 90 percent of fire and emergency calls come from non-subscribers and the department only sees these fires as a priority if they endanger subscriber property.<sup>57</sup> While LRFS will respond to all structure fires in its service area and places human life as its first priority, the department will not necessarily put out your fire if you are not a subscriber.

Some people see this policy as callous and proof that business only cares about its bottom line. Originally, the department put out all fires whether or not they affected subscribers, but this became too great of a financial burden. Supkis reports that the public has not been critical of this policy. He thinks this is partly because of the department’s ongoing information campaign that lets residents know the department’s policies. And, as the Rural/Metro example points out, public companies do not necessarily respond to calls if they are out of their service area. One of the major downsides to subscription services is that owners of lower value homes, which may be more susceptible to fire, are the least likely to find value in paying for fire service. This is usually because they do not have fire insurance or save enough money on their insurance to justify subscribing to fire protection services.

### **DOVER, NEW HAMPSHIRE—ATTEMPTING TO PRIVATIZE PUBLIC SERVICES**

Dover, New Hampshire provides an example of what can happen when local government tries to privatize existing municipal fire protection services. When the City of Dover decided to become the first city in New England to contract for private fire fighting services they started what the editorial page of the local paper called “a bloodless coup” that has “split the city like a civil war.”<sup>58</sup>

In 1982 the City of Dover started to investigate the contracting out of firefighting services to save the city money. The city’s service costs were increasing rapidly. Education costs had risen from \$6 million in 1981 to \$9.7 million in 1982, with municipal service costs rising from \$3.4 million to \$5.7 million in the same year.

The fire protection contract the city signed with Wackenhut, a private emergency services company, saved the city over \$100,000 a year and maintained the city’s control over fire department employees and operations. Thirty-six of the city’s 42 firefighters were to be retained. Their work hours would increase but so would salaries, giving Dover’s firefighters the highest starting salary in the area. They would also be guaranteed yearly

increases and a yearly pension contribution, although benefits would not be as generous as they had been with the city.

The Dover firefighters refused to work for a private company. They argued that even though the city said they had built adequate controls into the contract, including a \$500,000 performance bond in case the contract was broken, Wackenhut would eventually cut back services to save money. They also accused Wackenhut of union busting, although the firefighters that Wackenhut retained would still be part of the union. Finally, the firefighters argued that they would lose their “esprit de corps” that allowed them to work well together.

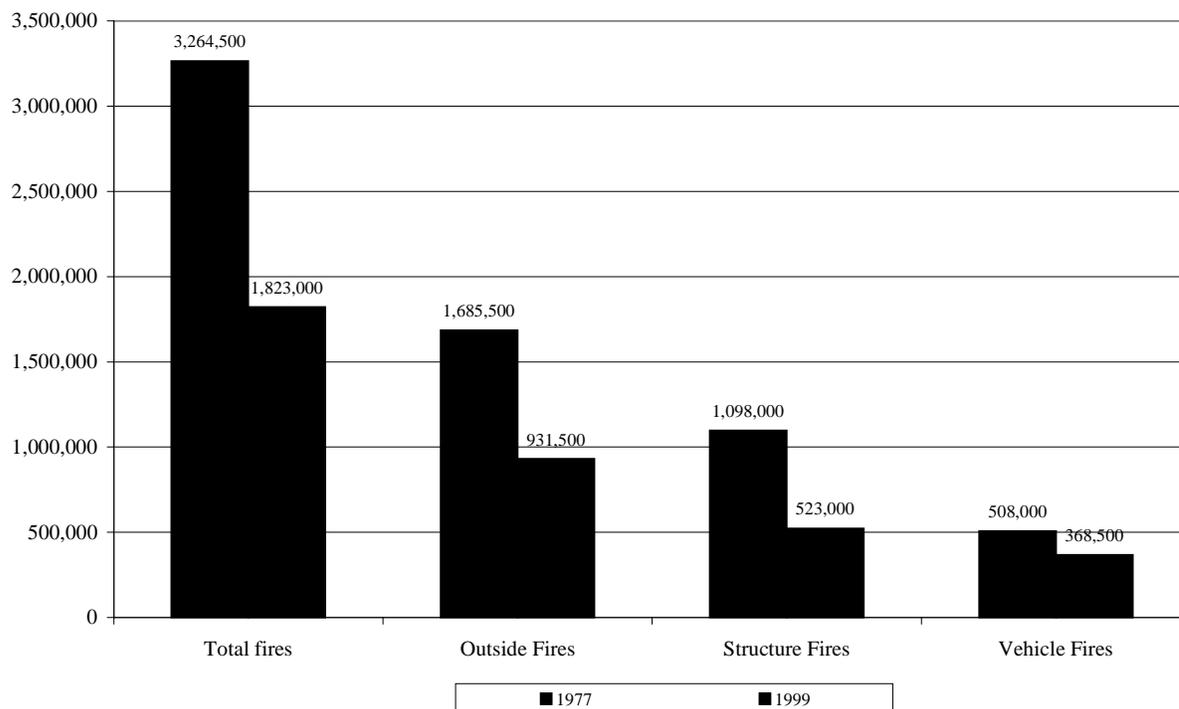
While the city had contracted out a variety of services since 1978, the city’s pursuit of fire department privatization, according to the local newspaper “struck at some sacred beliefs and traditions and burgeoned into a heated and sometimes bitter controversy.”<sup>59</sup> This debate preoccupied the city for a year, with one side touting it as a great money saver for the city and the other decrying it as playing Russian Roulette with public safety.

The casualties of the debate include the ousting of the three city council members who voted for privatization and the 2-1 passage of a referendum changing the city charter to ban the private contracting of city services. By January of 1984, the Supreme Court of New Hampshire decided that the city’s contract with Wackenhut was invalid and nullified the contract.

## **ALARM FOR FIRE DEPARTMENTS**

The business of providing fire protection is changing regardless of whether the fire service is private or public. While calls to fire departments have gone up in the last decade, most of the increase is attributed to emergency medical calls and false alarms. The actual number of fire calls has decreased. Structural fires have steadily decreased since their height in 1977. They dropped especially dramatically during the 1980s, decreasing 37 percent from 1977 through 1989 and then falling an additional 25 percent from 1989 to 1999 (Figure 3).<sup>60</sup>

**Figure 3: Comparison of U.S. Fires by Type between 1977 and 1999**



Source: National Fire Protection Association's (NFPA) Annual Survey of Fire Departments for U.S. Fire Experience (1977-99)

Many public fire departments are seeing this decrease in fire calls, along with the threat of privatization, as a wakeup call. Municipal fire departments seem to be recognizing the need to improve the way they do things and are implementing the same practices that private firms are using to increase efficiency. At a recent panel of fire chiefs at the 2000 League of California Cities conference, Alan Brunacini, Chief of the Phoenix Fire Department, pointed out that fire departments have been doing it the same way for 100s of years and its time for them to evaluate how they do things and make some changes.<sup>61</sup>

The International Association of Firefighters, the public fire department union, has published a handbook called *Responding to Privatization*. While the Association gives advice on how to prevent privatization, it says the best strategy to avoid privatization “is to deliver quality service for a reasonable cost to the community.” It goes on to recommend that fire departments monitor their quality of service and implement new services as their communities change and grow.<sup>62</sup>

As municipal departments look for ways to respond to changing community demands, they are focusing on three strategies: expanding the range of emergency services they provide, consolidation, and intergovernmental contracting. Municipal fire departments are competing with private firms to expand into medical aid, such as ambulance and paramedic services. This area of emergency services traditionally has been less resistant

to provision by private companies. The debate over who should control this market intensified in the 1990s. Both public and private fire departments are looking to expand their markets and to become more efficient by cross-training employees and using the free time that firefighters have when they are not fighting fires in more productive ways. The private firms are motivated by profit, while the public departments realize they need to expand their missions as fire calls decrease. Both the City of Los Angeles and the City of Sacramento have reincorporated formerly privately provided medical aid back into their fire departments.

Community outreach seems to be an important component when communities are considering altering their fire protection service. In 1995, Westminster, California became one of the first cities in California to bid out its fire service. It accepted bids from other public fire departments as well as private sector providers. The city selected an intergovernmental service contract with a Joint Public Agency (JPA), the Orange County Fire Authority, potentially saving the city \$11 million over five years and beating out the Rural/Metro bid by \$500,000.<sup>63</sup> The bidding out of service was bitterly protested by Westminster's former firefighters, who launched a recall campaign against the four of five council members who had approved contracting out. In this case, one analysis claimed that the recall effort failed because the council made the case that if the public wanted to afford increased police protection, the city needed to save money by contracting out fire service. Understanding the reasons behind the contracting decision made the public willing to support the action. It is also important to note that at this time Orange County and some of its cities, including Westminster, were faced with bankruptcy.<sup>64</sup> This crisis certainly played a role in the City's decision to contract out services and perhaps made the decision less controversial. It may also have been affected by the fact that the service was going to be provided by another public entity. Although this move can also be controversial, there are fewer opposing arguments.

## **WHY NOT IN CALIFORNIA?**

Privatization of fire protection services seems to have found its place in rural communities and rapidly growing suburban areas. These areas are often unincorporated and do not have access to existing fire department services, either from a city or county. Starting a new fire company can cost millions of dollars, and can be a huge burden for a sparsely populated or new community especially if it will take years to fully develop. If a community cannot afford its own fire department, its options for fire protection at a reasonable cost are limited: the community can agree to some sort of special district or tax to pay for contract services (either with a private or public entity); or a private firm can provide a subscription service.

Many California communities fit the description of the communities in other states that have chosen to contract with a private company or subscription services. However, to date there have been no private fire companies serving communities in the state. One of the reasons is a tradition of municipal fire service.

Even without private firms, the provision of fire protection in California can be competitive. Many cities have contracted with counties or other cities. The Sacramento Metropolitan Fire District, formerly known as the American River Fire District, is consolidating with the Sacramento County Fire District to create the seventh largest local firefighting operation in California. The merger was prompted in part by a 1998 budget shortfall for the American River Fire District. The new district is the result of multiple fire agency mergers in the last 17 years. In a 1992 interview, Manteca fire chief Charles Rule said that the regional and county consolidation of fire services is the most promising approach for resolving financial difficulties.<sup>65</sup> Oakland's Fire Chief Gerald Simon, in a September 2000 conversation, agreed saying that consolidation was more likely to happen in California than privatization.<sup>66</sup>

Contracting with the California Department of Forestry and Fire Protection (CDF) is also a way for local government to save money. For example, CDF has contracts to provide fire protection for all of Riverside County and the City of Highland, to name two. Contracting with CDF usually saves a community money on fire protection for the same reason that private firms are able to reduce costs: the state pays lower wages and employees work longer hours than municipal firefighters. Like private firms, CDF and counties are cautious about contracting with cities that already have established fire departments.<sup>67</sup>

Many California communities depend on special districts to provide their fire service. Special districts are local government entities that are funded by property taxes or assessments. Special districts have elected governing bodies that decide their policies and service standards. In some ways these special districts are like subscription services that do not have to answer to a government entity but only directly to their clients. These districts, along with other available fire protection services, provide a variety of options for California communities.

Two recent bills in the California State Legislature have tried to amend the state constitution to make it impossible for local government to contract with private firms for fire or police protection. SCA 30, the Citizens Public Safety and Security Act of 1998, would have prohibited the state or a local government from, "entering into any contract, franchise agreement, or other arrangement in which an essential public safety service, which is defined to mean fire, police, sheriff, probation, corrections, or other peace officer services, would be provided by private means." In 1999, essentially the same bill was introduced as SCA 10, the Citizens Public Safety and Security Act of 2000. Neither bill passed. However, Senate Bill 402 did pass and become law in 2000 (Chapter 906, Statutes of 2000).<sup>68</sup> This law mandates binding arbitration for police and firefighters. If local control is one of the key issues discouraging privatization, some community members may see this law as eroding that control. If local government has less control over how much it pays firefighters with the passage of this law, communities may have more incentive to contract out their fire protection service.

## CONCLUSION

The majority of researchers agree that privatizing fire service saves communities money. Critics of fire protection privatization argue that this is because municipal fire departments provide better and more dependable service, which costs more. They also contend that private companies pay employees less and provide fewer benefits. Those who support privatization say that when a community contracts with a private fire company, it decides the level of service and the standards for its fire protection service. The community can also determine wages and benefit levels for employees. Communities that contract with private companies do not seem to have greater loss of property and life than those served by municipal or volunteer fire companies.

Most communities have subscription or private fire protection because municipal services do not exist and private companies are able to fill those gaps. California, with a strong history of municipal fire protection, has fewer market entry points for private companies. California communities also have a variety of fire protection options besides privatization. Intergovernmental contracting, either between cities and counties or between local governments and the California Department of Forestry and Fire Protection, is popular.

Special districts that provide fire protection are common alternatives in more rural or unincorporated areas. Special district consolidation seems to be growing in popularity as a way to reduce costs and improve service. Between 1980 and 1998, in spite of high levels of population growth and development in the state, the number of fire districts in California decreased from 447 to 391. District consolidation could be especially attractive to some special districts. Although single-county special districts providing fire protection service were exempt from the 1993-1994 Education Reform Augmentation Funds (ERAF) shift, they did lose property tax dollars in the 1992-1993 ERAF shift. In contrast, multi-county districts that existed before Proposition 13 passed were exempt from both ERAF shifts and were able to keep their original allocation of property tax dollars. Districts that consolidate within county lines continue to shift property tax dollars to schools. But, as the consolidation of the American River Fire District and the Sacramento County Fire District has shown, when an exempt multi-county special district merges with a special district that is paying ERAF, the new entity is exempt. It is estimated that this Sacramento merger will allow the new district to keep between \$300,000 and \$1 million a year in funds that previously went to the ERAF shift.

While these options could spur efficiency, it is clear that the decision to change a community's fire protection service, even if it is still being provided by another government entity, can be highly contentious. While the strongest opposition to privatization is usually attributed to public employee unions and their members, community members may also be resistant. In the case of intergovernmental contracting, employees may be supportive because of higher wages, but community residents continue to contest these actions. It seems that when a change in community fire service occurs, there is often an elected official who pays the price and loses the confidence of the community. Communication and outreach may help ease the transition, but residents

value having their own fire protection and may see it as a defining institution in their community.

Although private fire service may not be a popular option for local government in California, the old vision of local fire protection is changing. The new law, SB 402, could remove some of fire department wage control from local governments and may force communities to consider other available options to reduce costs. Given community members' focus on local control, they may see these alternatives as actually increasing their control and no longer contest these changes. Finally, even municipal fire departments seem to recognize the need to look at how they provide services and have incorporated some of the same techniques that private companies use. They seem to be leaning towards consolidation with other communities or forming larger special districts. They are also looking into expanding into medical aid services. In the end, it may be municipal fire departments that take the lead in providing more efficient fire protection and emergency services. But the question remains: would they have done so without the threat of competition from private departments?

## ENDNOTES

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- <sup>1</sup> Kimberly J. Bandy and Stephen Grimes, *Private Contracts, Public Services: Weighing the Choices* (Tennessee: State Office of the Comptroller, 1995), p. 9.
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- <sup>64</sup> This was at the same time that Orange County and some of its cities were experiencing financial difficulties as a result of money lost on investments.
- <sup>65</sup> Mary Jane Dittmar, "Ownership of the Fire Service," pp. 81-94.
- <sup>66</sup> Conversation with Oakland Fire Chief, Gerald Simon, September 2000.
- <sup>67</sup> Conversation with Eric Oldar, 2000.
- <sup>68</sup> The League of California Cities is currently challenging this statute in the courts.