

Reshaping policy solutions through local implementation: The rationalization of municipal corporations in Leghorn and the case of AAMPS

Stefania Profeti

UNIVERSITY OF BOLOGNA

Abstract

Within the context of the austerity policies introduced in Italy over the last decade, a major role has been played by the top-down driven "rationalisation" of public spending and organisations, particularly in terms of the country's local authorities and of the plethora of companies in which such authorities hold interests. Against this backdrop, and through the analysis of what happened in an "extreme" case such as the Leghorn Municipality, the essay aims to analyse how and how much the rationalisation 'recipe' promoted by the central Government is transformed when it is prepared at lower levels. The analysis brings to light not only the importance of local politics in the transfer of policy ideas, but also the role played by both the characteristics of the implementation structure developed around the municipal rationalization plan, as well as some sudden changes to the contextual conditions. In fact, the interweaving of these two dimensions – the endogenous and exogenous to the policy process – plays a key role in redirecting the declared strategies of local decision makers during the course of operations, and in redefining problems and solutions in the transition from the centre to the periphery.

1. Introduction

Within the context of the austerity policies introduced in Italy over the course of the last decade, a major role has been played by the 'rationalisation' of public spending and organisations (Bolgherini *et al.* 2019), particularly in terms of the country's local authorities and of the plethora of companies in which such authorities hold interests (Citroni *et al.* 2019). Starting with Decree Law 78/2010, 'Urgent Measures regarding Financial Stabilisation and Economic Competitiveness', followed by the Spending Review proposals submitted by the Special Commissioner Cottarelli in 2014, and the more recent 'Consolidated Act on State-Controlled Enterprises' implementing the so-called 'Madia Law', numerous legislative measures have in fact been introduced in an effort to reduce the number of state-controlled enterprises and to rationalise this instrument and its use. On the basis of this latter legislation, as from 2015 local authorities – just like other public administrations – are required to draw up special and annual plans for the rationalisation of their own state-controlled enterprises, in accordance with a series of criteria and requirements expressly established by central government, regarding

* This article is based on a research carried out within the Research Project of National Relevance (PRIN) 2015 titled «I Comuni come sistemi di contratti? Il governo locale italiano alla prova della Governance» (20157C4H4M).

© 2019 Italian Political Science. ISSN 2420-8434.
Volume 14, Issue 1, forthcoming.

Contact Author: Stefania Profeti, University of Bologna.
E-mail address: stefania.profeti@unibo.it

both the sectors in which such enterprises operate, and their organisational and financial characteristics.

The present essay aims to analyse what happens to the rationalisation ‘recipe’ promoted by the central government when it is translated at lower levels. As a starting point, I assume that together with the instructions received from the centre, other ‘ingredients’ of an eminently local nature (McLaughlin 1987; Barrett 2004), coupled with strategic political considerations (Yin 1981; Howlett and Mukherjee 2017), contribute towards the (re)formulation of the imperatives of rationalisation during the drafting and implementation of local plans. More precisely, since in multi-layered institutional settings, central policy guidelines require ‘a secondary policy formation activity on the part of local government’ (Hupe *et al.* 2014), I consider implementation as a part of an ongoing process of policy making which physiologically implies some adaptations (Howlett 2018). Furthermore, due to the thorny nature of the rationalisation issue and the complex network of actors involved therein, I treat implementation as an iterative process made up of several decisional rounds, each of which may ‘change the direction of the match, new players can appear, and in some cases the rules of the game can even be changed’ (Teisman 2000, 939).

Based upon these premises, the analysis presented here goes beyond the output-driven objective of measuring and explaining the implementation gap between central provisions and local practices – whose existence is somewhat taken for granted – but rather focuses on the drivers that may concur in (re)shaping problems, solutions and actors’ strategies as implementation goes on. To this purpose, besides taking into account specific contextual conditions which are key in the bottom-up approach to implementation (such as policy legacy, the local nature of political competition, the relative salience of the issue, as well as the multiple stakes involved in the policy subsystem), attention is paid to the different streams of actors, problems and events that go along with the drafting and execution of local rationalisation plans, eventually triggering subsequent rounds of policy calibration.

The analysis of the implementation process focuses on a single pilot case study (Yin 1994; 2003) so as to achieve the greatest possible amount of information and theoretical insights in view of future comparative research on the topic (Flyvbjerg 2011).¹ Indeed, the objective of this essay is exploratory by nature since on the one hand there is no consolidated framework to analyse implementation out of the success/failure paradigm (Howlett 2018) or beyond deficit analysis (Hupe *et al.* 2014; Sausman *et al.* 2016) and, on the other, the policy under scrutiny – i.e. the rationalisation of municipal corporations in Italy – is quite recent and poorly understood so far. The choice fell on the city of Leghorn because, as will be discussed below, the peculiarity of its politics, the salience of state-

¹ In the analysis I made recourse to classic case-study instruments, relying on data source triangulation. In addition to the electoral programmes and official statements by candidates and political representatives, I examined the Operating Plans for rationalisation of the state-controlled enterprises approved by Leghorn Municipality in 2015 and 2017, the corresponding accompanying technical reports, as well as other primary sources such as contract services, local administrative courts’ judgments and AAMPS annual reports. Furthermore, around 150 articles published in the local edition of the major newspapers (*Il Tirreno*, *La Nazione*, *La Repubblica*, *Corriere della Sera*) and local information websites between January 2014 and August 2018 were selected through keyword search and examined manually. Three face to face in-depth interviews with municipal officers (Environment and Organisation Departments) and trade unionists, lasting about an hour each, were personally conducted between March and April 2019 to fill the gaps and check the accuracy of inference.

controlled enterprises in the public debate and the conditions of municipal corporations maximise the likelihood of strategic local action.

After a brief overview of the criteria of rationalisation established at national level (Section 2), aimed at reconstructing the causal theory that guided the formulation of the government's policy recipe, the essay reconstructs the decisional rounds that accompany the implementation of the rationalisation plans within the municipality of Leghorn (Section 3) with specific focus on the measures adopted in regard to one company in particular, AAMPS S.p.A. The concluding Section 4 discusses the results of the analysis, and offers a number of hypotheses which could be tested in future studies of a comparative nature.

2. Designing rationalisation at the centre

From the 1990s onwards, the debate over Italy's municipally-controlled enterprises was linked to the broader debate regarding the reform of the local authorities and public services (Citroni et al. 2019; 2018). The introduction of enterprises owned wholly or largely by the State among the various forms of services management that local authorities were permitted to adopt under Italian Law 142/90, for example, clearly reveals the close relationship between autonomist euphoria and managerial inspiration that accompanied those Civil Service reforms at that time, characterised by a generalised recourse to private-law instruments in the exercise of functions that had traditionally been reserved for the Public Administration. At the same time, however, both political discourse and the legislation introduced in the following decade, leading to the disorderly regulation of local public services, reflected the decision makers' greater interest in promoting the principle of competitiveness in the assignment of services than in establishing any limits to the corporate instrument itself, which, as a consequence, developed rapidly in the absence of any true 'theory of change' (Weiss, 1995).

The number of limited companies established and controlled by local authorities in fact grew exponentially from a handful in the early 1990s to almost 5,000 in 2015 (see IFEL 2015). Such companies ended up not only operating in the utilities sector (the management of which, in virtue of their industrial character, was entrusted to third-party private concerns), but also, in approximately 40% of all cases, in some policy domains (such as care services) where the use of the corporate instrument appears unnecessary, or even in sectors which had nothing to do with the municipalities' institutional purposes (see IFEL 2015). As various studies have shown, the growth of state-controlled enterprises well beyond the ideal level leads to the assumption that they were being used not so much for managerial purposes, but rather as a means by which to take advantage of the formally private nature of the enterprises in order to circumscribe certain restrictions on public administrations: both financial constraints (e.g. compliance with the Internal Stability Pact) and limits on the hiring of staff, the choice of suppliers and contractual partners, and the transparency and disclosure of decisional processes (Galanti 2016). Furthermore, several scholars – as well as a great deal of public opinion – read the growth of municipal corporations as the effect of pervasive political/partisan appointments within state-owned enterprises, that led to the proliferation of patronage dynamics, especially at the sub-national level (Di Mascio 2014).

It has only been over the last decade, when faced with the worsening of the global economic crisis and the political importance given in Italy to the question of the costs of politics – which was added to the public agenda in particular following the early electoral success of the Five Star Movement (5SM) – that the phenomenon of state-controlled enterprises has been the subject of a series of *ad hoc* laws designed to better regulate the use of this particular instrument. In a first phase (2007-2014) these provisions, which continued to be of a largely disjointed nature as they were often part of omnibus legislation (Citroni and Di Giulio 2016; Galanti 2016), were set against a background of a general call for the containment of Civil Service spending (Di Mascio and Natalini 2014), following a strategy of ‘maintaining’ (Pollitt and Bouckaert 2004). For instance, the 2007 Financial Bill put a limit on the number of members of company boards, and Decree Law 78/2010 envisaged a 10% cut in their pay; on the other hand, starting with the 2008 Financial Bill, several provisions prevented local governments from creating new companies, in order to freeze the number of municipal corporations (Bonura 2017). It was only in 2014, however, that a streamlining approach to the rationalisation of state-controlled enterprises began to develop, as they received specific attention within the Spending Review operations conducted by the Special Commissioner Carlo Cottarelli, who was entrusted by the then Prime Minister, Matteo Renzi, with the task of drafting a report on this phenomenon and of outlining a number of possible solutions to the problem.

The programme of rationalisation of state-controlled enterprises provided for by the so-called ‘Cottarelli Report’ delivered in August 2014 was designed to reduce the ‘morass’ of state-controlled enterprises (some 7,762 in number, of which 5,000 were controlled by local authorities), many of which were in the red. The Commissioner’s proposal, which was largely incorporated into the 2015 Finance Bill, recouped many of the ingredients previously introduced in a rather fragmented fashion, and transformed them into a more organic approach centred around three aspects of the problem, each with its own proposed solution, as follows:

- a) The stunted nature of the enterprises in question, their fragmentation and their failure to pursue economies of scale when managing their assigned services. These problems could be countered by reducing the number of such enterprises and by encouraging and facilitating processes of corporate aggregation, particularly in the utilities sector.
- b) The inefficiency and financial weakness of the enterprises. In this regard, the proposed solution consists in the introduction of specific economic-financial parameters to be employed in order to assess whether or not the existing state-controlled enterprises should be maintained, with those enterprises that have been operating at a loss for some considerable time to be sold off, and with the elimination of ‘shell companies’ (i.e. those state-controlled enterprises with very few employees and low turnover, but nevertheless requiring an administrative structure). The so-called ‘micro-holdings’, that is, interests too small to be of strategic importance for the municipalities concerned, would be sold.
- c) The ‘distorted’ use of the corporate instrument. In response to this an attempt was made on the one hand to limit the operation of state-controlled enterprises exclusively to the institutional tasks of the Municipal stakeholders, and on the other hand to bring the functioning of such enterprises back to the scope of public law.

This would be achieved by establishing, for example: an obligation to hire personnel through transparent, non-discriminatory procedures; the inclusion of state-controlled enterprises within the scope of local authorities' consolidated financial statements; disclosure and transparency requirements as a means to preventing corruption; and a ban on the assignment of senior posts to persons who have held political office in public entities.

In accordance with this project, the 2015 Finance Act (Italian Law no. 190/2014) established that each public administration, including municipalities, had to formulate and approve an operating plan by 31 March 2015, containing an overview of all stakes held and of the characteristics of the enterprises concerned, together with a programme for the reduction in the number of (directly and indirectly) state-controlled enterprises that takes account of certain specific guidelines:

- the elimination of those enterprises and shareholdings that are not indispensable for the pursuit of institutional purposes;
- the abolition of enterprises composed solely of directors, or of more directors than employees;
- the elimination of shareholdings in enterprises that carry out similar types of business, including by means of mergers;
- the aggregation of enterprises operating in the utilities sector, with the aim of increasing their dimensions and of favouring the achievement of economies of scale;
- the containment of running costs, also through the reorganisation of administrative and control bodies, and of business units, and through a reduction in the corresponding levels of remuneration.

The Consolidated Act on State-Controlled Enterprises, which was part of the Madia Law on Civil Service reform, was approved in 2016 (Law Decree 175/2016) and preserved exactly the same guidelines, introducing stricter rules on the dimensional and economic-financial aspects to be taken into account when deciding on whether or not to preserve a company. However, it had to be revised shortly after the Constitutional Court struck down some key parts of the reform on the grounds that they should have been approved by regional governments. The renewed Decree 100/2017 partially relaxed the rationalisation requirements for local authorities, as far as it postponed several deadlines (e.g. for the adaptation of companies' statutes and for the approval of rationalisation plans), extended the scope of admissible activities, and halved the turnover threshold to avoid restructuring from 1 million euro to 500,000 euro. In addition to softening the rationalisation criteria, such changes and postponements noticeably introduced some uncertainty in the national regulatory framework, thus reducing the pressure to stick to the rule and paving the way to wider discretion in local implementation strategies.

3. When rationalization goes local: municipal corporations in Leghorn and the case of AAMPS

However, what happens to the principles coming from the centre when they reach the peripheral decision-making arenas? What factors come into play in the decodification and

recodification of the guidelines received? Furthermore, which drivers accompany the transition from the choice of local solutions, to the implementation of those solutions?

This essay intends to reconstruct the transformation of the rationalisation imperatives between centre and periphery, looking at the intertwining of different streams of actors, problems and events that go along with the local implementation process in a pilot case. As said in the introduction, the choice of a pilot case study is justified by the fact that no systematic research has been carried out so far on the topic. The objective is to explore if, when and how factors endogenous to the local context and environmental conditions, such as the onset of changes within the economic, political and legislative context, combine together in reshaping policy problems and solutions when a top-down designed rationalisation programme is transferred at lower levels, so as to identify some hypotheses to be tested through future comparative research.

From this point of view Leghorn undoubtedly represents an ideal observational context, since on the one hand, its legacy in terms of municipal corporations provides a fertile ground for rationalisation measures and, on the other, the characteristics of the local political system maximise the likelihood of divergent implementation strategies. In 2014, i.e. the year in which the census was conducted in order to comply with the requirements of the 2015 Finance Act, the municipality in fact held investments in quite a number of enterprises (a total of 28, with the municipality holding direct interests in 17 of them), of which a substantial share (10) had made losses over the previous three years, some (5) were already in liquidation, and none had provided the municipality with any profit. The indebtedness of certain Leghorn companies had already come to the attention of the Ministry of the Economy and Finance prior to the Cottarelli Report, revealing a critical situation and thus one that had to be addressed in terms of rationalisation. At the same time, in 2014 the city's government dramatically changed political colours when, after years of centre-left government, the 5SM candidate Filippo Nogarín was elected Mayor. Indeed, as numerous studies have shown (see, among others, Mosca 2013), since its very inception the 5SM has always been contrary to the privatisation of certain public services (first and foremost, the water service), while at the same time clearly opposing the political 'caste' and the improper costs of political bodies, and this has had a number of potentially ambivalent implications in terms of the decisions to be made regarding state-controlled enterprises.

This section will reconstruct the rationalisation process of those enterprises in which the Municipality of Leghorn holds investments, with a specific focus on the measures adopted in regard to one company in particular, AAMPS S.p.A. Since implementation is understood here as a dynamic process, the analysis identifies four different decisional rounds (Teisman 2000), each one leading to some reshaping of formerly set strategies: the definition of the new Mayor's agenda; the approval of the first rationalisation plan; the selection of an ad-hoc solution for AAMPS; and the entry into force of that decision. For each round, the key events, the most relevant concurring processes and the network of actors involved have been identified, as summarised in Table 1.

Table 1. Decisional rounds in the rationalisation of AAMPS: a summary

Decision-making rounds	Relevant events	Relevant concurring events	Key actors	Implementation (sub)strategy
-------------------------------	------------------------	-----------------------------------	-------------------	-------------------------------------

Definition of Mayor's agenda (Summer-Autumn 2014)	Mayor's decision to cut municipal corporation directors' pay by 20%; Resolution by the municipal Council amending former decision to merge AAMPS with RetiAmbiente.	Publication of the Cottarelli Report	Mayor; 5SM national leaders	Strategic reframing
Approval of 1 st rationalization plan (January-November 2015)	Changes at the head of AAMPS Approval of the AAMPS draft budget for 2014 postponed The Board of Auditors rejects AAMPS financial records for 2014	Pending approval of the national Decree on Local Government Finance Decree 78/2015 on Local Govt. Finance allows the transfer of unpaid claims from AAMPS to the municipality	Mayor; Councillors for the environment and the accounts; 5SM councillors; AAMPS managers	Cherry-picking
Identifying the solution for AAMPS: the arrangement with creditors (end 2015-2016)	Dismissal of 3 Councillors from 5SM group Resignation of the Councillor for the environment; Revocation of the AAMPS Chairman and Board Administrative appeals with the Coastal ATO	Judicial inquiry 'Clean Town' on AAMPS mismanagement between 2012 and 2016; Discovery of new legal options for bankruptcy (then acknowledged in the Consolidated Act on State-Controlled enterprises); Forthcoming local elections in some other capital cities	Mayor; Councillors for the environment and the accounts; AAMPS managers; 5SM national leaders; Legal advisors; Coastal ATO; Trade Unions; Local magistrates; Creditors	Adjustment to environmental changes
Entry into force of the arrangement with creditors (2017-ongoing)	Administrative appeals with Regional gov. and Coastal ATO The Council approves the arrangement with creditors (Oct. 2017)	Final approval of the Consolidated Act on State-Controlled Enterprises; Resignation of 2 Councillors from the 5SM group (the 5SM loses self-sufficient majority); Suspension of tender procedure in the Coastal ATO; Local elections and changing majorities in neighbouring Municipalities	Mayor; Councillor for the accounts; AAMPS managers; Legal advisors; Regional Government; Coastal ATO; Local Administrative Court; Mayor	Consolidation and local grounding

3.1. Round 1: setting the 5SM's agenda for Leghorn

As just mentioned, the imperative rationalisation of state-controlled enterprises, which started from the spring of 2014, coincided with elections in many municipalities. In Leghorn, the 5SM candidate Nogarín included local state-controlled enterprises among the key issues of his electoral campaign, defining them as examples of the '*system of patronage inherited from the Democratic Party (PD)*',² and framing them as a problem not only

² Nogarín: "A Livorno dal Pd abbiamo ereditato il sistema clientelare, adesso basta", La Nazione-Livorno, 5 September 2014.

of a financial nature, but also of improper privileges: ‘over the years, these companies have totted up considerable debts (tens of thousands of euro), and yet those people appointed (by politicians) to run these companies, have been paid amounts that are not in keeping with the actual performance of the companies themselves’.³ Three solutions to this problem, defined in these terms, were proposed, namely: ‘cutting the costs of politics, reducing waste, and ensuring the utmost transparency of public resource management’.⁴

This was to be achieved through a series of proposals specifically addressed to state-controlled enterprises, as set out in the 5SM electoral programme. These proposals included: a) the creation of the ‘citizen controller’ figure on the boards of enterprises in which municipal government has a controlling interest; b) the creation of a system of citizen participation through online meetings and consultations, in view of substantial spending and works involving state-controlled companies; c) guaranteeing the utmost transparency regarding appointments, through the creation of a technical advisory committee tasked with the evaluation of candidates’ CVs, ‘thus favouring meritocracy over the existing patronage-based system’.⁵

In the course of the electoral campaign, and during his first months in office, on several occasions Mayor Nogarin came out against the privatisation of certain local state-controlled companies, in line with the 5SM national policy and in clear contrast with the policies implemented by the PD in Tuscany, and in previous years in the city of Leghorn itself.⁶ Furthermore, the line set out in the programme with regard to the reduction of waste was confirmed in the summer of 2014 (thus concurrently with the release of the Cottarelli Report), when the newly-elected Mayor launched an ‘independent’ rationalisation plan involving a 20% cut in the pay of the companies’ directors.⁷

The newly-elected Leghorn council thus operated a sort of *strategic reframing* (Boxembaum 2006) of the rationalisation imperatives, garnishing its proposals with the standard 5SM rhetoric against the traditional political caste, while completely ignoring problems such as the fragmentation of state-controlled enterprises, their inefficiency, and the need to generate economies of scale in local utilities. All these topics were, on the other hand, key aspects of the policy promoted by the national government in the 2015 Finance Act.

3.2. Round 2: The approval of the first rationalisation plan

Leghorn Municipality’s strategy in the first rationalisation plan approved in 2015 appears very much in keeping with the new Mayor’s programme, while respecting some selected national indications in a *cherry-picking* fashion. On the one hand, the idea was to sell off those of the Municipality’s interests in the directly and indirectly controlled enterprises that were deemed not to be indispensable to institutional functioning (as with the ‘Fidi Toscana’), and to close all of those that had already been wound up by the

³The Leghorn 5SM’s 2014-2019 electoral programme (www.livorno5stelle.it/wp-content/uploads/2014/11/Programma1.7.pdf)

⁴Facebook post by Filippo Nogarin, 15 May 2014

⁵See: www.livorno5stelle.it/wp-content/uploads/2014/11/Programma1.7.pdf

⁶‘Nogarin: “La nostra mission: cambiare, cambiare, cambiare”’, *Quotidiano.net*, 24 December 2014.

⁷‘Ridotti del 20 per cento i compensi degli amministratori delle società controllate dal Comune’, Leghorn Municipality press release, 4 July 2014.

previous council, with a view to reducing costs and eliminating waste. On the other hand, in the case of all those state-controlled enterprises that it had been decided to maintain, operating costs were to be contained, in particular through cuts in staff costs. In no case, however – contrary to the guidelines issued by the central government – was the path of aggregation or merger with other companies chosen.

This decision appears particularly significant in the case of AAMPS, the nature of which would have led one to assume that it was to be merged with other companies. The Independent Municipal Public Services Company (*Azienda Autonoma Municipale dei Pubblici Servizi* - AAMPS) was founded in 1949 following a decision taken by the Municipal Council. In 1996 it was changed into a Special Company, and then transformed again in 1998, to become a Limited Company in which the Municipality of Leghorn held 100% interest. Over the years, the Council has always entrusted the waste management service to the company; the last direct award dates from 2008, during the first of the two terms of office of the then Mayor Alessandro Cosimi of the PD. Provision of this service by the company was envisaged up until the year 2030. However, in the intervening period a number of changes were made to both national and regional law. Tuscany Regional Law 69/2011, in particular, provided for the creation of Local Integrated Public Services Areas (*Ambiti Territoriali Ottimali* - ATO) on a macro-provincial scale, tasked with the management of waste collection and disposal services, and required a unique operator for each such area. To this end, under the guidance of the Tuscany Regional Government, those municipalities coming within the Coastal Area ATO (including Leghorn), benefiting from a strong degree of centre-left political homogeneity, launched the merger of their state-controlled enterprises into one single company, RetiAmbiente, initially 100% publicly owned but due to become a joint private-public enterprise through the selection, by tender, of a private minority shareholder. In 2011, Leghorn Municipal Council approved the idea of transferring AAMPS to RetiAmbiente; and with its resolution no. 503/2012, it established that the contract for the provision of services stipulated with AAMPS, notwithstanding its duration until 2030, was to lose validity as soon as RetiAmbiente had become operative. These decisions would seem to indicate that the fate of AAMPS had already been decided in 2012. The 2014 rationalisation requirements became even more imperative given the extremely critical financial position of the company which, over the course of the years, had accumulated enormous debts to suppliers and external companies, largely due to uncollected customer charges.⁸ Falling within the category of utilities companies, and being among those such companies in financial difficulty, according to the criteria established at national level AAMPS should have been merged with, or incorporated in, other companies.

However, the new majority leading Leghorn Municipal Council decided to go a different route, by questioning the original plan for the merger of AAMPS with RetiAmbiente in its council resolution no. 225 of 23 December 2014, which was passed thanks to the votes of the 5SM and of other majority civic lists. In this resolution, the Mayor undertook to ‘*take steps, using all means at his disposal*’, to annul or amend the decision taken by the previous council, and to follow one of two alternative paths: either save AAMPS by recapitalising the company using municipal funds, so as to continue the

⁸ ‘Aamps è malata di debiti, la medicina amara di Rosi’, *Il Tirreno* - Livorno, 1 May 2012; Interview 3 - Environment Department.

in-house service provision independently; or to have AAMPS become part of RetiAmbiente, but only if the new service management enterprise remained totally in public hands.

Indeed, the two alternative solutions to save AAMPS divided the majority. On the one hand, during the early months of 2015 (i.e. at the time of the submission to the Council of the draft Operating Plan for the rationalisation of municipal companies) most of the 5SM's Councillors strongly opposed the hypothesis to keep the door open for RetiAmbiente, and suspended the approval of the plan asking for a more explicit break with past administrations.⁹ On the other, both the AAMPS management (which was changed three times by the Mayor in the first half of 2015 alone, in line with his propensity to spoils system practices)¹⁰ and the Councillor responsible for the environment, privileged the hypothesis of a gradual relaunch of the company through a new industrial plan, in view of the possible merger. The industrial plan delivered by AAMPS in the summer of 2015 was nevertheless rejected by the 5SM national tiers as it was deemed to be 'not in line with the 5SM's programme' and too close to the PD's approach to waste management.¹¹ At the same time, the Councillor responsible for the accounts (who in 2017 would leave Leghorn to join Mayor Raggi's Rome City Executive Committee) began to question the possibility of recapitalising the company, since the operation would have endangered the stability of the council's budget and the financial sustainability of other policies, in particular social services.¹²

All these episodes occurred against the turbulent (and late) approval process of the AAMPS budget for 2014. This had been postponed several times during 2015 while waiting for the possible novelties introduced by the pending national Law on Local Finances with respect to the transfer of unpaid claims from the company to the municipality. In October 2015, after this was deemed possible with Decree 78/2015, about 11 million euro of unpaid claims were transferred from AAMPS to the municipal budget.¹³ In spite of the adverse opinion of the AAMPS Board of Auditors, who were questioning the fairness of such an operation, on 19 November, the Municipal Council approved the company's budget in the absence of any sound hypotheses on the company's future. A decision had thus to be made shortly to avoid failure, amidst uncertainty and rival solutions.

3.3. Round 3: another solution for AAMPS

At the end of November 2015 the final decision was given which removed all of the alternative solutions considered up until then: so as 'to avoid the reorganisation plan hitting the pockets of Leghorn's citizens',¹⁴ the Council decided not to recapitalise the company, but chose to go with the solution of an arrangement with creditors aimed at continuing

⁹ 'Società comunali, il M5S ferma il piano della giunta', Il Tirreno - Livorno, 31 March 2015

¹⁰ Interview 2 - Organization Department.

¹¹ 'I Parlamentari M5S bocciano il Piano Industriale di AAMPS', Il Tirreno - Livorno, 10 August 2015.

¹² 'When companies decide that recapitalisation is the only possible instrument the council can employ in a reorganisation plan, I say no', interview with city Councillor Lemmetti, reported in the article entitled 'Tregua finita, Aamps verso lo sciopero', Il Tirreno - Livorno, 18 October 2015.

¹³ Council Resolution n. 453/2015.

¹⁴ 'Nogarin: "Aamps, il concordato non peserà né sulle tasche dei cittadini né sulle casse comunali"', Il Tirreno - Livorno, 11 June 2016.

business operations, pursuant to Section 186-bis of the Bankruptcy Law.¹⁵ Actually, the pre-bankruptcy procedure for settlement with creditors had not been a legal option for public enterprises until a case law of the Supreme Court of Cassation in late 2013¹⁶ paved the way to that possibility. That solution was proposed by the Councillor for the accounts following legal advice by the law firm Lanzalone & Partners, and it was suddenly supported by Mayor Nogarin. Although enabling AAMPS to continue operations, the pre-bankruptcy procedure placed the company's operations under the strict surveillance of a court-appointed official receiver, thus restricting in many ways the Municipal Council's control and room for manoeuvre as owner of the company. Besides the apparent aim of saving AAMPS from dismissal, this solution had some less declarable advantages for the municipality: on the one hand the company would be legally forced to stick to efficiency principles,¹⁷ thus reducing the need of continuous negotiations between the municipal Executive Council and the AAMPS management; and on the other the municipality could 'shift the blame' for any unpopular decisions or outcomes.¹⁸

Whatever the reasons behind that choice, the announcement of the pre-bankruptcy solution kicked up a real storm: within the council – basically excluded from the decision – three members of the 5SM voted against the proposal and left the party's group. Within the Municipal Executive Committee itself, which had been kept in the dark about this possibility until it was announced, the Councillor for the environment – who had voted against the motion – was suspended from office.¹⁹ The unions, who feared the repercussions of 'receivership' on working conditions inside the company, called a strike of waste collection service workers.²⁰ Finally, in terms of inter-institutional relations, the Coastal Local Area ATO and the Tuscany Regional Government saw the arrangement with creditors as the premise for AAMPS continuing to manage the service in-house for the further six years required to implement the recovery plan, and for this reason – or rather, owing to the failure to meet the deadline for the merger of AAMPS with RetiAmbiente – lodged a series of administrative appeals.

The solution of an arrangement with creditors was supported not only by the Mayor and the Councillor responsible for the accounts, but also by the national leadership of the 5SM²¹ (specifically, Roberto Fico, Luigi Di Maio, Alessandro Di Battista and Beppe Grillo himself), in view of the local elections to be held in 2016, with voting in a number of

¹⁵ By means of this type of procedure, a company in crisis may arrange for settlement of its debt situation without having to stop operations. In practical terms, it is assumed that the debtor submits an application for admittance to the procedure, to the court, and that it undertakes to deliver a given series of documents (the plan, the proposal, a professional expert's report, etc.) by a set deadline established by the court itself. As with all arrangements with creditors, the application also has to be accepted by the creditors concerned.

¹⁶ Judgement no. 22209/13. The bankruptcy option was subsequently introduced into law with the Consolidated Law on State-Controlled Enterprises in 2016.

¹⁷ Interview 3 - Environment Department

¹⁸ Interview 1 - Trade Unions.

¹⁹ 'Sette giorni per la decisione. Gordiani si dimette, tre M5S si staccano. Per un voto il consiglio non esclude il concordato', *Il Tirreno* - Livorno, 1 December 2015.

²⁰ 'Nogarin contestato da 200 lavoratori in consiglio comunale', *La Repubblica* - Firenze, 27 November 2015; 'Perché la Livorno di Nogarin è sommersa dai rifiuti', *NextQuotidiano*, 29 November 2015.

²¹ 'Di Battista (M5S) speaking about the Aamps case: "That's enough of the inefficiencies of politics and the trade unions"', *QuiLivorno.it*, 30 November 2015; 'Aamps, Di Maio (M5S): "Sindacati e PD hanno spadroneggiato"' (*The unions and the PD have called the shots*), in *Il Tirreno-Livorno*, 4 December 2015.

important capital cities, the outcome of which was going to be of national political importance. Hence the idea of entrusting to the courts the destiny of a company whose debts had always been presented as the responsibility of the previous administration, and of proceeding to save that company (at least apparently) without burdening the municipal council's coffers, appears to be solutions that the public can be more easily persuaded to accept, rather than paying off that company's debts with public moneys.²² The support of the 5SM national leadership was also forthcoming in the subsequent months, when both Mayor Nogarin and the Councillor for the accounts (together with the former mayor Cosimi of the PD and various AAMPS directors) were under criminal investigation on charges of fraudulent bankruptcy and abuse of office in relation to the AAMPS affair (of which they were subsequently cleared). The Chairman and the Board of Directors of the company in office at the time expressed their concern about the recourse to an arrangement with creditors, and they asked the Municipal Council to reconsider its position and not to proceed hastily with the chosen course of action. The result of this was that all Board of Directors posts were cancelled by revocation without cause on the part of the Mayor, in January 2016.²³

The local newspapers at the time, and the documents relating to the dismissal of the aforementioned criminal charges, also highlight the rather unclear role played by the legal advisor, Luca Lanzalone (who subsequently made the news in 2018 in relation to the scandals surrounding the proposed construction of the new Rome football club stadium), in the process leading up to the Municipal Council's decision. In particular, the cooperation between Lanzalone and Leghorn Municipal council, although initially of an informal nature, appears to date back to 2015, and seems to have played a key role in the proposal for the arrangement with creditors, and in the dismissal of the Board of Directors in office at the time,²⁴ in close conjunction with the then national leaders of the 5SM responsible for relations with local authorities.²⁵

All in all, the decision was made in a context of urgency and under the external pressure of various concurrent events. In this sense the replacement of the previously promised recapitalisation with the pre-bankruptcy procedure can be interpreted as an *adaptation* of the original preferences to environmental challenges.

²² 'Livorno, approvato il concordato per l'azienda dei rifiuti', in *Il Corriere fiorentino*, 1 December 2015.

²³ 'Iacomelli passa alle vie legali: "Revoca illegittima e errata"', in the Leghorn edition of *La Nazione*, 15 January 2016.

²⁴ 'L'avvocato di Nogarin smentisce l'assessore: "Ho scritto io la revoca di Iacomelli"', *Il Tirreno-Livorno*, 23 January 2016; 'Sulla vicenda AAMPS non si muoveva foglia se non voleva Lanzalone', *La Repubblica*, 14 June 2018.

²⁵ 'Di Maio e Bonafede hanno un problema "professionale" con Lanzalone. Storia di due email', *Il Foglio*, 8 September 2018.

3.4. Round 4: the entry into force of the arrangement with creditors

The plan for the arrangement with creditors, which was deemed admissible by the Court of Leghorn in July 2016, accepted by creditors in January 2017 and then finally approved by the Municipal Council in October 2017, covers the period from 2016 to 2021. It contains the undertaking that the existing jobs at AAMPS are to be preserved, and it also provides for the settlement in full of all debts, the payment of 80% of proven amounts due within a period of 5 years, at an estimated cost to the council of around 13 million euro (which, according to the opposition parties and the unions, is higher than the amount that would have been necessary to recapitalise the company),²⁶ to be recouped through waste collection charges between 2018 and 2021, and through raising company efficiency.

The launch of the arrangement, insofar as it enables the company to continue operations, thus puts off the possibility of any merger of AAMPS with the single service provider RetiAmbiente, at least until 2021. All the more so because in January 2017, the Coastal Area ATO cancelled the tender procedure launched 5 years earlier, for the selection of a private partner to join RetiAmbiente as a minority shareholder. The reasons given for said cancellation included the risk of giving rise to illegal operations as a result of excessive time delays, due to ‘repeated amendments to the legislative framework’ and to ‘the substantial change made to the extension of Local Integrated Public Services Area’, together with the opposition raised by certain councils, that of Leghorn first and foremost.²⁷ The suspension of the tender procedure opened the way to a reconfiguration of relations between the mayors who were members of the ATO Assembly,²⁸ which in the meantime witnessed a break-up of the political homogeneity of the centre-left that had characterised it until just a few years before. The 2017 and 2018 local elections, in fact, saw some of the larger municipalities within the ATO (and thus those with greater weight in the construction of voting majorities at council meetings) going over to the 5SM (Carrara) and to the centre-right (Pisa and Massa), thus resulting in a united front large enough to be able to counter the pressure in favour of a merger, coming from the regional government (led by the PD).

As a matter of fact, in spite of persistent turmoil in the governing majority due to the protests (and then resignation) of some 5SM Councillors against the continuous interference of national party leaders and the decision to ‘sell’ the Councillor for the accounts to the Raggi administration in Rome,²⁹ external concurring events have thus provided the Leghorn Municipality with the opportunity to *consolidate* its decision over the fate of the AAMPS. Indeed, at the moment, despite the fact that RetiAmbiente has been officially established and provided with governing bodies, its operations in the Coastal Area ATO remain extremely limited, and thus represent no challenge – at least in the immediate future – to Leghorn Municipal Council’s preservation of the in-house management.

²⁶ Interview 1 - Trade Unions

²⁷ ‘Rifiuti, Ato Costa annulla gara per il privato. Nogarini “Sistema toscano PD fallimentare”’, *Il Fatto Quotidiano*, 13 January 2017.

²⁸ Interview 3 - Environment Department.

²⁹ Interview 2 - Organisation Department

4. Concluding remarks

The reconstruction of the rationalisation process undertaken by Leghorn Municipality offers initial confirmation of this essay's underlying premise, namely that once central government's policies are transposed to the periphery, they may be reformulated in order to adapt them to the specific political needs of the actors operating at local level. In the case analysed here, local politics' interference in the *strategic reframing* of rationalisation strategies is particularly clear from the sudden change in the political colours of the municipal council, and from the considerable political importance that the 5SM mayoral candidate gave to the question of state-controlled enterprises, as he focused on their mismanagement as one of the principal arguments underlying his electoral campaign against the outgoing centre-left administration (Round 1). Consequently, the newly-elected council led by the 5SM, in drawing up its plan for the rationalisation of state-controlled enterprises, adopted a *cherry-picking approach* to the criteria for rationalisation established by national legislation, choosing only those (such as the containment of operating costs) that appear more in keeping with the 5SM agenda, whilst discarding those solutions that are more in line with the legacy of the previous administration, and with the solutions promoted by the Tuscan centre-left in general, such as aggregation and merger operations involving companies operating in the utilities sector (Round 2).

The diachronic analysis of the specific measures adopted in relation to one such company – AAMPS S.p.A. – has revealed, however, that other factors besides local politicians' preferences have led to the reformulation of problems and solutions during the course of implementation, thus redefining the council's agenda and strategies to a certain extent.

To begin with, the whole implementation process was marked by high uncertainty due to the incremental development of national legislation on state-owned enterprises and the various administrative appeals lodged by the Regional Government and by the ATO management – two typical elements of Italian decision making that hamper the stability of any policy solution (Capano and Giuliani 2001). In such an undetermined context, the critical juncture of political and policy streams (Howlett 2018) swayed the Municipality towards the reformulation of problems and strategies. On the one hand, the political salience attributed to the 2016 local elections by the national M5S leaders, coupled with the intervening availability of policy solutions that had not been thought of before (i.e. the pre-bankruptcy procedure), paved the way to the *adaptation* of previously designed solutions for AAMPS to the environmental changes (Round 3). On the other, local elections held in 2017 and 2018 in neighbouring municipalities resulted in a radical shift in the balance of power within the Coastal ATO Assembly, with Leghorn being brought in from the cold, no longer politically isolated, and thus able to *consolidate* the arrangement with creditors and present it as a locally grounded solution to rationalise the company (Round 4).

Actually, if one looks at the network of actors involved in each decisional round, the constant influence of the 5SM national leadership over local choices is more than evident. It also appears clear if account is taken of the style in which the key decisions were made (basically of an exclusive nature and in the shade of the 'official' debate in the council chambers), and of the political role played by advisors. Of course such an

interference had been facilitated by the already mentioned political isolation of Leghorn within the framework of the regional governance of waste management. However, it may also be explained by the peculiar organisational features of the 5SM party: indeed, although at its very beginning the Movement was marked by a very loose party structure and high level of autonomy of local meetups, the more it became institutionalised the more it experienced a centralisation of power in the hands of the so called 'Direttorio' (i.e. the central executive body of the Movement), together with increasingly rigid control over party discipline and less room for manoeuvre of the local party representatives (Passarelli *et al.* 2018; Biancalana and Piccio 2017).

To sum up then, notwithstanding all the limitations inherent in a pilot case study, the analysis of the rationalisation of AAMPS has brought to light some key factors that have impacted upon local choices along with the implementation of the national guidelines:

- First, local political/ideological preferences did influence the transfer of policy ideas from the centre to the periphery, leading to a strategic reframing of the problem in the rhetoric used by the new elected council, as well as to a cherry-picking approach in the identification of policy solutions to be put in place;
- Next, some sudden changes to the environmental conditions due to the interweaving of legal uncertainty and concurring political and policy streams, coupled with the (scarce) autonomy of local M5S party leaders, played a key role in redirecting the declared strategies of local decision makers during the various rounds of the implementation process, leading them to adapt policy solutions to renewed decisional contexts;
- Finally, during the entire implementation process, local decision makers could not ignore the eventual political consequences of their choices in terms of public support and perceived legitimacy. Indeed, just like in any organisation, leaders should confer on their decisions a meaning which is coherent with their declared objectives and consistent with citizens' expectations (Selznick 1957). In this sense, as the implementation process proceeded, the pre-bankruptcy solution began to look like a solution that the public could accept more easily, rather than paying off company's debts with public moneys and/or through cutting other budget headings (such as social measures). Hence, local policy makers made their decisions not only following an instrumental logic, but also taking into account legitimacy considerations (Capano and Lippi 2017), in order to establish solutions that were, at one and the same time, technically feasible, politically sustainable and socially acceptable (Wilder and Howlett 2014).

A more thorough formulation of this analytical framework and of the corresponding causal hypotheses is for the moment deferred until future studies of a comparative nature are conducted.

References

- Barrett S. (2004), 'Implementation studies: time for a revival? Personal reflections on 20 years of implementation studies', in *Public Administration*, 82 (2), pp. 249-262.
- Biancalana C. and Piccio D. (2017), 'L'organizzazione del Movimento 5 stelle: continuità o cambiamento?', in *Quaderni di scienza politica*, 24(3), pp. 435-462.

- Bolgherini S., Dallara C. and Profeti S. (2019), 'A shallow rationalization? Merging-mania and side-effects in the reorganization of public service delivery', in *Contemporary Italian Politics* (forthcoming).
- Bonura H. (2017), 'Le partecipazioni pubbliche', in B.G. Mattarella and E. D'Alterio (eds.), *La Riforma della Pubblica Amministrazione*, Milano, Ed. Il Sole 24 ore.
- Boxenbaum E. (2006), 'Lost in translation. The making of Danish Diversity Management', in *The American Behavioral Scientist*, 49(7), pp. 939-948.
- Capano G. and Giuliani M. (2001), 'Governing without surviving? An Italian paradox: law-making in Italy, 1987-2001', in *Journal of Legislative Studies*, 7(4), pp. 13-36.
- Capano G. and Lippi A. (2017), 'How policy instruments are chosen: patterns of decision makers' choices', in *Policy Sciences*, 50(2), pp 269-293.
- Citroni G. and Di Giulio M. (2016), *Dimissioni! E poi? Che fare delle ex municipalizzate*, Milano, Guerini e Associati.
- Citroni G., Lippi A. and Profeti S. (2015), 'Representation through Corporatisation. Municipal corporations in Italy as Arenas for Local Democracy', in *European Political Science Review*, 7(1), pp. 63-92..
- Citroni G., Lippi A. and Profeti S. (2019), 'In the Shadow of Austerity. Italian Local Public Services and the Politics of Budget Cuts', in A. Lippi e T. Tsekos (a cura di), *Local Public Service in Times of Austerity across Mediterranean Europe*, London, Palgrave, pp. 115-140.
- Corte dei Conti (2016), *Gli organismi partecipati dagli Enti territoriali*, Roma, September 2016.
- Di Mascio F. (2014), 'Exploring the link between patronage and party institutionalization: an historical-institutional analysis of the Italian transition', in *Democratization*, 21(4), pp. 678-698.
- Di Mascio F. and Natalini A. (2014), 'Austerity and Public Administration: Italy Between Modernization and Spending Cuts', in *The American Behavioral Scientist*, 58(12), pp. 1634-1656.
- Flyvbjerg B. (2011), 'Case Study', in N.K. Denzin and Y.S. Lincoln (eds), *The Sage Handbook of Qualitative Research*, 4th edition, Thousand Oaks, CA, Sage, pp. 301-316.
- Galanti M.T. (2016), *Sindaci e manager nel capitalismo municipale*, Bologna, Il Mulino.
- Hjern B. and Porter D. (1981), 'Implementation Structures: A New Unit of Administrative Analysis', *Organization Studies*, 2 (3), pp. 211-227.
- Howlett M. (2018), 'Moving policy implementation theory forward: a multiple streams/critical juncture approach', in *Public Policy and Administration*, Online First <https://doi.org/10.1177/0952076718775791>
- Howlett M. and Mukherjee I. (2017), *Handbook of Policy Formulation*, Cheltenham, Edward Elgar.
- Hupe P., Hill M. and Nangia M. (2014), 'Studying implementation beyond deficit analysis: reconsidering the top-down view', in *Public Policy and Administration*, 29(2), pp. 145-163.
- IFEL (2015), *Lo stato delle partecipate comunali*, Roma, 2015.
- Mc Laughlin, M.W. (1987), 'Learning From Experience: Lessons From Policy Implementation', in *Educational Evaluation and Policy Analysis*, 9(2), pp. 171-178.
- Mosca L. (2013), 'A Year of Social Movements in Italy: From the "No TAVS" to the Five Star Movement', in Di Virgilio A. and C.M. Radaelli (eds.), *Italian Politics. Technocrats in Office*, New York, Berghahn Books, pp. 267-285.

- Passarelli, G., Tronconi F., and Tuorto D. (2018) 'Chi dice organizzazione dice oligarchia. Cambiamenti e contraddizioni della forma organizzativa del Movimento 5 Stelle'. in P. Corbetta (ed.), *M5s. Come Cambia Il Partito Di Grillo*, Bologna, Il Mulino, pp. 163-194.
- Sausman C., Oborn E. and Barrett M. (2016), 'Policy implementation through localisation: implementing national policy in the UK', in *Policy and Politics*, 44(4), pp. 563-589.
- Selznick, P. (1957), *Leadership in Administration. A Sociological Interpretation*, New York, Harper and Row.
- Teisman C. (2000), 'Models for research into decision-making processes: on phases, streams and decision-making rounds', in *Public Administration* 78(4), pp. 937-956.
- Weiss C. (1995), 'Nothing as Practical as Good Theory: Exploring Theory-Based Evaluation for Comprehensive Community Initiatives for Children and Families', in Connel P. *et al.* (eds), *New Approaches to Evaluating Community Initiatives*, Aspen Institute, pp. 65-92.
- Wilder M. e Howlett M. (2014), 'The politics of policy anomalies: bricolage and the hermeneutics of paradigms', in *Critical Policy Studies*, 8(2), pp. 183-202.
- Yin R.K. (1981), 'Life histories of innovations: how new practices become routinized', *Public Administration Review*, January/February, pp. 21-28.
- Yin R.K. (2003), *Case Study Research: Design and Methods*, Thousand Oaks, CA, Sage.