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Transborder Service Systems:
Pathways for Innovation or Threats to Accountability?

Market-Based Government Series

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IBM Center for
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of Government

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T A B L E   O F   C O N T E N T S

FOREWORD

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On behalf of the IBM Center for The Business of Government, we are pleased to present this report, "Transborder Service Systems: Pathways for Innovation or Threats to Accountability?," by Alasdair Roberts. This is the latest report in our Market-Based Government series, in which we examine how governments across the world are shifting from being direct providers of services to becoming managers of those providing services.

Professor Roberts offers a new organizing perspective for how government gets its work done. He asks the reader to look at the existing network of government services not from the traditional perspective of a place-based or program-based governmental organization that is the central provider of services to citizens, but rather from a new perspective where government is a subscriber to services provided by boundary-spanning for-profit or nonprofit organizations.

Roberts posits that this new perspective is experiencing an unexpectedly rapid acceptance for three reasons: (1) the public is more willing to experiment (for example, with privately run school systems); (2) governments are increasingly defining what they do in measurable, performance-based terms (which makes it possible to commoditize, or contract out, these services); and (3) governments are reducing traditional artificial barriers to transborder service delivery (for example, allowing cross-jurisdiction professional certifications for teachers and doctors).

In response to these factors, transborder non-governmental service deliverers are becoming more agile. Roberts notes the successful ones are building "the capacity to diffuse innovation quickly throughout their system" and provide "hard, structural links between entities" by integrating their delivery approaches across borders—local, state, and international. This approach has the potential to allow for more efficient and effective services for citizens. However, Roberts also points to the challenge facing government to develop new tools that ensure democratic accountability in this new environment. He describes how citizens have begun to create new accountability mechanisms that go beyond traditional governmental approaches.

The ideas presented in this report may be controversial to some. We trust that the report will generate debate among both government leaders as well as the growing network of transborder service providers on how best to get effective results for citizens.

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EXECUTIVE SUMMARY

Transborder service systems are created by private firms that provide critical public services on behalf of governments in many different countries. The growth of these transborder service systems over the last decade has been spectacular. Three trends have encouraged the rapid expansion of these systems: an increased international emphasis on outsourcing and privatization, an increase in the scope and complexity of government outsourcing, and the elimination of barriers to entry to national markets for the provision of public services.

The emergence of these new transborder service systems may constitute a radical change in the administrative structure of government. Service delivery organizations that were previously independent and geographically dispersed are being integrated into border-spanning corporate structures. Loose and informal links between professionals in different countries are being replaced with more formal connections. In a sense, these transborder service systems are creating a new and more durable kind of "networked governance."

The emergence of these new transborder service systems could result in better government. For example, such systems could prove to be highly efficient engines for diffusing knowledge about best practices from one country to another. Transborder service systems might also be better at learning from, and planning for, events that are uncommon within any single jurisdiction. In fact, government clients may consider that these transborder synergies—the capacity to learn and diffuse ideas rapidly—are a key component of the service that is provided by transborder service systems. However, these synergies may not always be realized. Transborder service systems may not be structured to encourage the free flow of ideas across borders or to allow enterprise-wide learning from national experiences. Firms may also put a premium on standardization of service delivery to achieve scale economies and preserve brand identity—stifling innovation in the process. Local political pressures and regulatory restrictions could also discourage the diffusion of innovations throughout a system.

The expansion of transborder service systems will also affect the politics of management reform in many countries. Small governments may lack the resources to negotiate effectively with large global providers. Global providers may also shift policy debates about their role to international forums that seem remote and inaccessible to local opposition groups. On the other hand, new information technologies are helping to fuel the growth of transnational protest movements that are proving increasingly adept at pressuring these multinational enterprises. Protesters are also learning that the transnational structure of transborder systems can be exploited as a tool for diffusing their own ideas about good practices across national borders.

Of course, it is hardly novel to say that the growing importance of contractors has changed the role of government. Concern about the challenges posed by the "contract state" or the "hollow state" have been with us for several years. But these phrases do not adequately capture the new realities of governance. The notion of a "contract state" still implies that the state remains the hub of a proliferating set of state-contractor relationships, independent from the governmental apparatus of neighboring territories. This geographically contained hub-and-spoke imagery is increasingly misleading. A more useful image of governance in the future might be one in which multinational enterprises become the hubs of their own border-spanning public service networks.

A New Kind of School System?

"Providing public schools," said Chief Justice Warren Burger in the 1972 Supreme Court decision *Wisconsin v. Yoder,* "ranks at the very apex of the function of a State." The statement articulated a basic confusion that typified our thinking about public services for most of the last century. We wanted government to *guarantee access* to key services—but we assumed that this meant that government had to *produce* those services itself. The promise of access to a decent education was mixed up with the promise that government would hire teachers and build schools.

Over the last quarter century, many education reformers have attempted to straighten out this confusion, arguing that the guarantee of access to education can be maintained even while non-governmental organizations are enlisted to undertake the everyday work of educating young people. In many jurisdictions across the United States, the job of actually "providing public schools"—to use Chief Justice Burger's term—has fallen to new education management organizations, or EMOs.

The most prominent of these EMOs is Edison Schools, a private corporation that contracts with school districts to operate public schools. Edison began managing its first four schools in 1995. In the following eight years, it pursued a strategy of rapid growth, often making marginally profitable deals in its effort to establish a dominant position in the emerging "education industry" (O'Reilly 2002). In 2001, Edison acquired another start-up EMO, LearnNow, which operated 11 schools in four states. Under a 2002 contract with the Philadelphia School District, Edison agreed to manage 20 elementary and middle schools serving 13,000 students. By 2003, Edison had assumed responsibility for the management of 150 schools, serving 110,000 students in over 20 states.

Edison has grown for two reasons. The first is declining confidence in the quality of service provided by public schools and the public's willingness to experiment with private provision instead. But the second is equally important, although largely taken for granted: the existence of a liberalized national economy. There are no barriers that prevent Edison's expansion into new states: no controls on investment and no protectionist rules imposed by governments that limit its ability to participate in tendering opportunities.

Edison's objective is to expand to the edges of the national economy and build—in the words of founder Christopher Whittle—"a national system" of privately managed schools (Evans 2002). Chester Finn, Jr., an education specialist who helped develop the Edison school design, observed in 2002 that the corporation had already become "one of the nation's biggest (and certainly farthest-flung) school 'systems' " (Finn 2002). The company has described itself as "the 36th largest school district in the nation" (Edison Schools 2002). Edison now operates more schools and enrolls more students than the school districts of Boston, San Francisco, New Orleans, or the District of Columbia.[1]

Edison's choice of language in describing its business is important, and has radical implications. We once thought that school systems were organized by territory: New York City operates a public school system, and so does Prince George's County in Maryland. Professionals within each of these school systems might have informal or professional links with one another, but the systems themselves were understood to be structurally independent.

However, Edison proposes a new organizing principle. Schools within several geographically dispersed jurisdictions now have a formal connection to one another as components of a border-spanning private firm. Indeed, the connection is more than simply formal; it is important in practice. Edison says that one of the main features of its approach is the capacity to act as a transborder system. Edison says that each of its schools links with a nationwide "family of schools" to reap the "advantages of system and scale" (Edison Schools 2003). It provides:

> a national teacher and principal recruiting system; an infrastructure to support teacher and principal training both before and after a school opens; a national distribution network for curriculum materials, technology equipment and supplies; and information and support systems to track and enhance student progress against identified goals (Edison Schools 2002, 7).

The firm says that its headquarters also undertakes the tasks of standard setting and oversight to "ensure consistent, replicable and effective implementation of our educational model" throughout its system. Features such as these are probably important to school districts that contract with Edison: In other words, their aim may be to reap network benefits by becoming subscribers to services produced by Edison's transborder system.

Edison's expansion hasn't been easy. On the contrary, it has encountered strong political opposition in several communities and had difficulty achieving the level of profitability expected by investors. Nevertheless, it may be a harbinger of a dramatic shift in the structure of governance—not just in the United States, but around the world. Two decades of privatization and market liberalization have created conditions that favor the emergence of *transborder* service delivery systems in sectors once dominated by public production. Increasingly, the service delivery components of governments are being hardwired together through the corporate structure of multinational enterprises. The emergence of these new transborder systems could create new opportunities for rapid diffusion of best practices—but also new challenges in preserving democratic control over the production of public services.

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Three Key Trends

Internationally, the emergence of transborder service systems is the result of three distinct trends: an increased emphasis on privatization and outsourcing of government work, a shift in the scale and type of government outsourcing, and the liberalization of markets for provision of public services.

Increased Use of Government Outsourcing

The first of these three trends is the increased use of privatization and government outsourcing. Of course, reliance on the private sector is not unusual in the United States; Dan Guttman recently described the U.S. as "the pioneer ... in the deployment of private contractors to perform the basic work of government." Contractors have for many years assumed responsibility for large and complex projects that are essential to the mission of key federal departments and agencies. Even in the United States, however, reliance on contractors has intensified, driven in part by the "hydraulic pressure" of personnel ceilings within federal agencies (Guttman 2003).

"Third-party government is nothing new," William Eggers and Stephen Goldsmith recently observed. "What has changed is the breadth and scale of the trend. Service contracting at the federal level over the past 10 years, for example, has grown by 33 percent at civilian agencies and 14 percent at the Defense Department—even taking into account the huge Defense cutbacks after the Cold War ended" (Eggers and Goldsmith 2003, 28).

The emphasis on private provision is a "secular trend" in the defense sector, says Anne Markusen; it continues to grow regardless of whether the sector is growing or downsizing (Markusen 2003, 474). More extensive outsourcing throughout government is also a central element of President George W. Bush's management agenda. In August 2001, the White House concluded that "nearly half of all federal employees" do work that could be done by contractors (Executive Office of the President 2001).

The trend is the same within state and local governments. "There is more outsourcing today than ever before," says William Ryan, who calls this "the greatest change in service delivery" in the United States in the last two decades (Ryan 1999).

In other countries, the emphasis on private provision is more revolutionary—a shift in basic norms, rather than a simple intensification of past practices. For three decades following the end of the Second World War, many governments operated on the assumption that essential services had to be produced by publicly owned organizations, staffed by public employees. In many nations, this assumption was shattered during the 1980s and 1990s. In the United Kingdom, for example, the central government adopted radical programs of privatization and compulsory outsourcing—not just in major departments of the central government, but in subnational governments as well. The new norm about service delivery was pragmatic: Either public or private delivery would be tolerated, and the choice between delivery modes would be driven by the criterion of efficiency alone (Yergin and Stanislaw 1998).

Why Is an Expansion of Transborder Service Systems Occurring?

By Jonathan D. Breul

Why are we beginning to see an expansion of transborder service systems?

We should start by looking at what we've learned about how governments solve their operational and business problems. Looking back to the days of centralized computing, governments began to automate the back office. Then the priority shifted to increasing the speed of application deployment and driving personal productivity. Most recently, governments have extended enterprise information and legacy applications to the Internet. This reflects a trend from simply buying technologies to their application and management—and now increasingly to obtaining an ability to "solve" complex business problems.

That brings us to the question, "Why is this trend occurring?" The answer has to start with changes in the nature of the operating environment to becoming more "on demand," and in the nature of all institutions—commercial, government, education, and healthcare. In every industry, the main criteria for success have become performance and responsiveness.

In terms of performance, governments are being pushed like never before to measure and improve program performance. Under the Government Performance and Results Act, federal department and agency heads are making strides to improve decision making by better integrating cost, program performance, and budget information. In doing so, they are increasingly making distinctions between their core versus non-core mission requirements and shedding or competing those that are non-core.

In terms of responsiveness, departments and agencies know they have to be much better at sensing and responding to economic and programmatic changes—be they related to terrorism, mad cow disease, SARS, or the processing of drug benefit claims. A key element of success is being able to better manage knowledge across organizational boundaries virtually and instantaneously.

What is the characteristic of this new operating environment? In a word, volatility.

These forces, coupled with new technical possibilities, are driving different choices about program design and operations—and their underlying computing infrastructures. These challenges require a deeper, more meaningful, and much more difficult transformation characterized by government on demand.

On demand government is the horizontal integration of processes and infrastructure that enables day-to-day interaction across the entire enterprise and outward to external entities.

The characteristics of on demand government are:

- **Responsiveness.** Whatever the legislative, organizational, or operational change, governments are able to react quickly to meet present or potential needs.
- **Focus.** As processes are transformed and value chains, including suppliers, are optimized, governments are more able to see what functions should be done by themselves or by other institutions—public or private.
- **Variability.** Thanks to an open, integrated infrastructure that fosters collaboration and the creation of services to meet evolving needs, governments deliver the right service, at the right place and time, to the right degree.
- **Resilience.** Governments maintain their service levels no matter the impediment or threat. While technology has always supported governmental operations, in on demand it is the prime enabler of resilience.

No longer is it enough to streamline individual agency processes and provide online citizen services. These capabilities are no longer the norm. Governments need to address an array of problems ranging from economic stagnation and mounting budget deficits to terrorist threats and aging populations. Only those governments that integrate within the enterprise and across external boundaries—the heart of an on demand approach—will be able to respond with the speed, force, and coordination needed to solve these most pressing public problems. It should be no surprise that as governments come to understand these challenges, they are increasingly turning to transborder service providers with the economies of scale and know-how to address them.

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Increase in Scope and Complexity of Outsourcing

A second important trend is a shift in the character of government outsourcing. A very simple form of outsourcing consists of the procurement of goods that will be used in the production of services by public employees. However, the proportion of government outsourcing that consists simply of the procurement of goods is in decline in many countries. Instead, governments are choosing to procure the service itself. In the United States, this change in the character of government outsourcing has been characterized as one of the "major transformations" in procurement over the last decade (Abramson and Harris 2003, 5). The General Accounting Office estimates that the share of federal contracting expenses dedicated to the purchase of services increased from 32 percent in 1990 to 43 percent in 2000 (General Accounting Office 2003).

Aggregate statistics may hide the depth of this transformation. In many areas, the "services" being procured by governments are also much more substantial than in the past. For example, the United Kingdom's National Health Service procures a service when it enters into a decades-long agreement with a private contractor to build and operate a hospital on its behalf. This is a kind of procurement that is different in duration, scale, and complexity from contracting for catering services or legal advice. Large components of governmental work are being commodified—that is, reconceptualized as services that can be specified in a contract and made subject to competitive tendering.[2]

Opening Markets for Provision of Public Services

A third trend is the opening of markets for public services. A government decision to privatize or contract for services does not necessarily imply that firms from other jurisdictions will be eligible to enter the market or compete for the contract. A second decision—to open the market to foreign firms—must also be made. This is also a difficult decision because there can be strong domestic pressure to assure preferential access for local producers. In the last two decades, however, governments have taken several steps to liberalize the market for provision of public services.

For example, the 1994 Agreement on Government Procurement negotiated by the member states of the World Trade Organization obliges governments to publish information on intended procurements and prohibits discrimination against foreign bidders.[3] International financial institutions such as the International Monetary Fund have also encouraged nations to liberalize these markets as a condition for receiving financial aid. In addition, governments have dismantled foreign investment restrictions that previously discouraged foreign enterprises from entering markets by acquiring local producers. It has been suggested that proposed new multilateral agreements could put added pressure on governments to make public services open to competition by foreign suppliers.[4]

Emerging Transborder Service Systems

In combination, these three trends have led to a fourth: *a transformation in industry structure* in fields that specialize in the provision of key services to government. Companies have expanded their reach, entering newly opened markets to exploit opportunities created by outsourcing and privatization. In some cases, this expansion has been effected by the establishment of subsidiaries in new markets; in other cases, through mergers with—or acquisitions of—firms already established in other markets. Often, the aim has been to "get big fast" (Spector 2000)—to achieve "first mover advantage" and sectoral dominance through a strategy of rapid growth. These processes of expansion and consolidation have created enterprises dedicated to the private provision of public services that are more geographically dispersed, and located in more culturally and politically diverse jurisdictions, than ever before.

Correctional Systems

In February 2004, British newspapers reported that Group 4 Falck, a Danish security services firm, was in advanced talks to merge with its British rival Securicor (Waples 2004). The announcement was another step in Group 4 Falck's attempt to consolidate its position as the dominant transborder provider of security services.

Securicor itself is already a firm with impressive breadth, operating in over 50 countries and employing over 100,000 workers. Although most of its business consists of the provision of security services to the private sector, Securicor also has a significant and growing role in what it calls the "justice market." In the 1990s, Securicor seized opportunities created as a consequence of the British government's emphasis on private provision of services. It now operates one of the United Kingdom's largest prisons, provides prisoner escort services, and monitors thousands of individuals wearing electronic tags outside of prison. In 1997, Securicor expanded into the United States, where it operates youth custody facilities and monitors taggees as well. "This product area," the firm said in early 2004, "continues to develop at an exceptional rate"—aided by "greater acceptance from both government and public of private sector involvement in the justice market" (Securicor 2003, 2004).

Securicor's suitor, Group 4 Falck, followed the same path of quick growth in the justice market. Based in Denmark, Group 4 Falck is the product of the 2000 merger of two Danish firms, Falck and Group 4 Securitas, which had been established a century before to provide guarding and fire protection services. In the last 20 years, the two firms began programs of rapid international expansion. By 2003, the merged enterprise provided security services in 85 countries, and had 230,000 employees—30,000 more than are employed in policing services in the whole of the United Kingdom.[5]

Like Securicor, Group 4 Falck seized opportunities presented by the trend toward privatization in the justice sector. In 1991, its predecessor Group 4 Securitas won the contract to operate the United Kingdom's first privatized prison. Ten years later, Group 4 Falck's subsidiaries operated six prisons in the United Kingdom, Australia, and South Africa. The company also operates other secure facilities,

Table 1: Getting Big Fast—Revenue Growth for Selected Transborder Service Systems

Company	Sector	Headquarters	Period	APG*
Edison Schools	Education	USA	1996-2002	84%
GEO Group	Correctional facilities	USA	1994-2002	27%
Group 4 Falck	Security services	Denmark	1996-2002	24%
MAXIMUS	Social services	USA	1996-2002	24%
Capio	Healthcare	Sweden	1997-2002	44%
Macquarie Infrastructure Group	Toll highways	Australia	1998-2002	102%
National Grid Group	Electricity	UK	1996-2002	21%

**APG is annualized percentage growth in revenue over the period for which data is available.*
Sources: Company annual reports, SEC filings, and investor reports

such as immigration detention centers. The Yarl's Wood Detention Center near Bedford, England—operated by Group 4 Falck's UK subsidiary—is the largest in Europe.

In 2002, Group 4 Falck expanded into the American market by acquiring the Florida-based Wackenhut Corporation. A Wackenhut subsidiary, the Wackenhut Corrections Corporation, was already a leader in the private prison industry. Wackenhut Corrections opened its first correctional facility in 1986, but grew rapidly. Its revenue increased at an annualized rate of 27 percent between 1994 and 2002. (See Table 1. Wackenhut Corrections was renamed the GEO Group in 2003.) By 2002, Wackenhut Corrections operated 35 correctional facilities in 14 American states.

Wackenhut Corrections, like Group 4 Falck and Securicor, also looked for opportunities to expand overseas in the 1990s. By 2002, its own subsidiaries operated 24 facilities in five other countries. In Australia, for example, its subsidiary Australasian Correctional Management (ACM) had become one of the most active players in the corrections and detention industry. ACM's facilities held over 2,000 prisoners and detainees on behalf of Australia's federal government, as well as the governments of three Australian states.

For students of public administration—accustomed to the glacial pace of governmental reorganizations—this story of expansion, acquisitions, and mergers may be startling. But in many fields traditionally dominated by public provision, it is not unusual. Like Edison Schools, firms such as Wackenhut Corrections, Group 4 Falck, and Securicor are pursuing strategies of rapid growth, exploiting opportunities created by the new emphasis on privatization and open markets.

In the process, these firms are creating intriguing new links between previously independent correctional systems. For example, ACM now provides a degree of integration among federal and state correctional facilities within Australia. Similarly, its corporate parent—now the GEO Group—provides a degree of integration between correctional facilities in Australia and in the United States. At the same time, Group 4 Falck's corporate structure creates new links between correctional facilities in Australia, the United Kingdom and South Africa. Its merger with Securicor could expand Group 4 Falck's reach even further. If Edison Schools can say that it runs a national school system, then perhaps Group 4 Falck can say with equal accuracy that it is building a *global* corrections system.

Table 2: The Global Water Industry

	Company		
	Suez Group	**Veolia Water**	**RWE Thames Water**
Headquarters	France	France	Germany
Total people served	125 million	102 million	70 million
Europe/Middle East	43 million	57 million	35 million
North America/Caribbean	24 million	10 million	18 million
South America	25 million	7 million	3 million
Africa	9 million	9 million	
Asia/Pacific	25 million	19 million	14 million

Data for Suez are for 2002 and are taken from (Suez 2002). Data for Vivendi are for 2001, from (Tagliabue 2002). Data for RWE Thames Water are from (Tagliabue 2002) and RWE Thames Water's website.

Water Systems

Access to potable water and adequate sanitary systems has been described as a "basic right" of citizens[6]; as a consequence, the provision of water has been widely regarded as another of the basic tasks of government—a point that is perhaps not appreciated in developed countries because the service is provided at low cost and without interruption. However, this is also a sector in which transborder service systems have experienced rapid—and often controversial—growth.

The global water industry is now dominated by three multinational companies. The largest of these is the Suez Group, a Paris-based firm created by the 1997 merger of two French water companies, Compagnie de Suez and Lyonnaise des Eaux. From its French base, Suez has expanded rapidly, often through the acquisition of overseas firms. (In 2000 it purchased United Water Resources, which owns and operates water utilities in 18 American states.) Suez now estimates that it serves 125 million people around the world (see Table 2) and sees potential for further expansion. Only 8 percent of the world's population now receives water services from a private provider, but Suez predicts that "shifts in public policy and national regulations" will increase that share considerably (Suez 2002).

Suez's closest competitor is Veolia Water, a subsidiary of Veolia Environnement, also based in Paris. Veolia Water's French subsidiary, Générale des Eaux, serves over 8,000 local authorities. Like Suez, Veolia Water has also expanded rapidly in other countries. Its total revenues almost doubled in the last five years, largely through overseas acquisitions such as its 1999 purchase of USFilter, which operates water treatment facilities for 600 communities in the United States, and its 2002 purchase of Southern Water, which operates over 500 water supply and treatment facilities in the United Kingdom.

A third competitor is RWE Group, headquartered in Essen, Germany. RWE entered the water business through its 1999 takeover of the British firm Thames Water, which was estimated to serve 54 million people worldwide in 2001. In January 2003, Thames Water itself completed a takeover of American Water Works, whose "American Water System" consists of supply and treatment facilities serving 15 million people in the United States and Canada (American Water Works 2002).

Healthcare Systems

Transborder service systems are also evolving in healthcare, another sector historically dominated by public provision in many countries. The emergent trend may be illustrated by the United Kingdom's recent initiative to boost private participation in its National Health Service (NHS). Twenty-seven privately run treatment centers are to be established by 2005, to reduce long queues for routine procedures within NHS facilities. In September 2003, the government of the United Kingdom announced that an international competition had yielded seven successful bidders—the majority of which are foreign firms. These include two American firms, New York Presbyterian Healthcare System and Nations Healthcare; a Canadian consortium that includes the Calgary regional health authority and the University of Calgary; and Netcare, which operates over 40 private hospitals in South Africa (Carvel 2003).

Several other foreign companies participated unsuccessfully in the bidding. These included HCA International, a subsidiary of Tennessee-based Hospital Corporation of America, which already operates six private acute-care hospitals in London; and the Capio Group, perhaps the most successful multinational healthcare firm in Western Europe.

Formed in Sweden in 1994, the Capio Group has achieved rapid growth despite the well-entrenched tradition of public provision in the health sector in Western European countries. (In 2000, Capio became the object of controversy when it won the contract to run Sweden's first privately run hospital [Barnes 2000].) Its expansion strategy has relied heavily on the acquisition of healthcare companies in leading markets, such as the Community Hospitals Group, one of the United Kingdom's leading private operators of acute-care hospitals, and Clinivest, France's second-largest private healthcare provider. Capio now provides services in eight Western European countries and boasts that it is the first company in Europe to offer "cross-border healthcare"—"the same level of healthcare regardless of different healthcare systems."[7]

Other Sectors

Social Services: Transborder service systems are also expanding rapidly in other sectors. In the United States, for example, Virginia-based MAXIMUS has become a national leader in the management of welfare-to-work, child support collection, and other human services programs. The firm says that the programs, established in over 30 states, provided assistance to 7 million individuals and families in 2001 (MAXIMUS 2002). MAXIMUS' revenue from government operations almost tripled between 1997 and 2001. In 2002, MAXIMUS began an overseas expansion by acquiring Leonie Green and Associates (LGA) and Themis Program Management, Australian and Canadian firms specializing in human services. LGA (now renamed MAXNetwork) is a major provider of services to Australia's Job Network, a government-funded employment services program begun in 1998 that is implemented entirely by contractors.

Airports: The transportation sector is also witnessing the growth of transborder service systems. The British Airports Authority, privatized by the Thatcher government in 1987, now operates a dozen airports in four other countries, including Indianapolis International Airport, one of the largest privately managed airports in the United States (British Airports Authority 2003; Gansler 2003, 28). Several other recently privatized airport authorities now have similar reach. Fraport, the operator of Frankfurt Airport, also has operations in 11 other countries, and AENA, the national operator of Spain's airport system, runs 12 airports in Latin America. The airport industry is being transformed, Jorge Gonzalez and Sasha Page recently observed, "from a collection of independent, nonprofit, government-owned entities to an industry featuring a number of global commercial enterprises" (Gonzalez and Page 2003).

Toll highways: A similar pattern of growth and consolidation has occurred in the tolled highway business. Australia's Macquarie Infrastructure Group has experienced annualized revenue growth of over 100 percent since its establishment in 1996, and now advertises itself as one of the largest private developers of toll roads in the world. Macquarie has undertaken an active program of acquisitions and now has interests in 26 toll roads in eight countries. These include ownership of the 35-year concession on California's new State Route 125, a majority share of the concession for the United Kingdom's new M6 toll road, and a major share of the century-long concession on Canada's Highway 407.

Electricity: The United Kingdom's early decision to privatize its electricity system also gave British firms a running start in developing transborder electric utility systems. National Grid, the company formed in 1990 to operate England's power transmission system, now provides power to over 3 million customers in the northeastern United States. The generating company Powergen expanded to the midwestern United States, India, and Australia before being purchased by the German firm E.ON in 2002. Scottish Power's American subsidiaries, Pacific Power and Utah Power, operate in six Western states. The nuclear operator British Energy operates four facilities in North America, including a Three Mile Island plant[8] and the Bruce nuclear complex, the largest nuclear generating facility on the continent, whose operations were privatized by the Ontario government in 2001.

Networked Governance through Private Providers

Transborder service systems constitute a potentially radical innovation in the design of the administrative apparatus of government. These enterprises create hard, structural links between entities that are responsible for the provision of public services in multiple jurisdictions. To varying degrees, the production of services may actually be integrated across borders: that is, production in one jurisdiction may depend on support provided by a headquarters or sister unit located in another jurisdiction. Governments that contract for services may expect that these sorts of transborder synergies will be produced. In such circumstances, the capacity to act as a transborder service system is part of the value provided by the contractor.

Each of these transborder service systems can be thought of as a boundary-spanning network of service providers, and the expansion of these systems can be regarded as the evolution of a form of networked governance. However, this is not the sort of "networked governance" typically envisaged by academics in public administration.

Academic interest in networked governance has been growing for at least two decades. The phrase now accommodates two similar but distinct ideas. The first is the notion that governmental functions increasingly are executed by the collaboration of "a system of interdependent sovereign units" (Lazer 2003, 2). There is no "central unit" that exercises authority; instead, power is dispersed among a multiplicity of divergent and "loosely coupled" actors (Blatter 2003, 503–504). The resurgent literature on transgovernmentalism builds on this idea. Increasingly, says Anne-Marie Slaughter, power is being exercised through "transgovernmental networks" that are formed through the cooperation of sovereign national entities (Slaughter 1997; Slaughter 2001).

The second view of networked governance is slightly less anarchic. It encompasses arrangements in which a government agency continues to play a central role but relies on many other entities to do its work, often under the terms of a contract or grant. Thus Agranoff and McGuire have defined "public management networks" as "multiorganizational arrangements ... led or managed by government representatives" (Agranoff and McGuire 2001), while Milward and Provan have studied "decentralized and devolved governmental regimes" in which public agencies execute programs through contracts with a variety of private, nonprofit, or governmental organizations (Milward and Provan 2003). However, the role of public agencies in these networks should not be overestimated: While they are regarded as hubs for other service delivery organizations, their power over the other components of the network is thought to be limited.

These conceptions of networked governance are distinguished by their concern with problems of coordination and communication. The virtues of networks—flexibility and adaptability—are recognized; at the same time, the lack of hierarchy or a dominant central player means that members of a network cannot simply be ordered to collaborate with one another. "Because of the need to coordinate joint production," Milward and Provan argue, "networks are inherently unstable over time" (Milward and Provan 2000, 363). Consequently, a critical task for managers in networks consists of

> *synthesizing* the network by creating the environment and enhancing the conditions for favorable, productive interaction among network participants. Managers must find a way to blend the various participants—each with conflicting goals or different perceptions or dissimilar values—to fulfill the strategic purpose of the network. The network manager seeks to achieve cooperation between actors while preventing, minimizing, or removing blockages to cooperation (Agranoff and McGuire 2001, 300).

The transmission of information throughout networks can also be problematic, according to this view. Individual organizations may have weak incentives to share information, and perhaps even incentives that drive them to withhold information from other organizations. There is no central authority that can compel organizations to talk with one another or impose practices—such as personnel interchanges—that result in the exchange of knowledge. In such circumstances, there can be no assurance that knowledge about best practices will diffuse quickly from one part of a network to another.

Prevailing conceptions of networked governance are dominated by these concerns about the entropic tendencies of networks. However, these concerns may not be relevant when we talk about transborder service systems. In this case, the network can be well structured. Service producers in different jurisdictions—the field units that contract with governments—are formally part of the same corporate structure. They can be as tightly integrated as the corporate parent thinks appropriate. The corporate parent also has greater authority to compel the interchange of information among service production components. There may also be stronger incentives for the transborder system as a whole to exchange information, particularly if governments are attracted to the system by the prospect of achieving such network benefits.

Of course, conventional understandings about networked governance might be well tailored to the circumstances typically studied by academics—such as certain kinds of localized social services delivery. If so, the proper response is to suggest that public management networks can take different forms in different circumstances and that all forms need not exhibit the same entropic tendencies.

However, there could also be a difference in emphasis that arises because of a difference in point of view. Some academics have looked at transformations in the structure of bureaucracies from the point of view of government managers and policy makers—and what they see from this vantage point is the disaggregation of old public bureaucracies. What may not be so clearly seen is the creation of new hierarchies through processes of organic growth, mergers, and acquisitions within the contractor community.

This difference in point of view may be driven by an underlying bias about the centrality of governments. When we make a mental sketch of a "public management network," we naturally tend to imagine that a government agency must be its hub. For some purposes—for example, if we wanted to understand the policy choice or control problems confronted by legislators or their agents—it may make sense to sketch the network in this way. But for other purposes, it may not. If we want a realistic view of how services are produced by transborder systems, it makes more sense to place the corporate parent at the center of the network diagram and governments along its perimeter. In this new view of networked governance, governments are subscribers to services produced by a boundary-spanning system. It is the transborder contractor, and not the subscribing governments, that creates order within the network.

Observations on Transborder Service Systems

We can apply two broad criteria to assess the likely impact of transborder service systems: the effect on quality of service and the effect on democratic control of public services. Transborder service systems could improve quality of service by establishing more efficient pathways for the transfer of best practices; on the other hand, there are several reasons why firms might fail to realize this potential. Large transborder firms and their home governments might also exercise undue influence over policy makers and regulators in host countries to create policy environments that are congenial to further expansion. However, we should not over-estimate the capacity of citizen groups to resist the expansion of these systems or to exploit new opportunities to use these systems as conduits for the transmission of their own preferred reforms.

Opportunities for Innovation Diffusion and Learning

The decision to contract with a transborder service provider has the potential to produce all of the benefits typically associated with outsourcing, such as an ability to rationalize the use of labor and reduce labor costs, the ability to deploy more efficient technologies, and the ability to make longer-term capital commitments. However, transborder service providers may also have advantages that arise precisely because of the breadth of their operations. One of these advantages may be the capacity to diffuse innovations quickly throughout their system.

The importance of this potential benefit cannot be overstated. Historically, the diffusion of innovations among governments has been complicated by the fact that government bureaucracies have been "stovepiped" by jurisdiction. Professionals operating in the same policy sector in different states or nations had no formal connection to one another. The diffusion of innovations depended on informal ties between policy makers and administrators in different governments, and on the work of "policy entrepreneurs" who carried new ideas from one jurisdiction to another. Professional associations also played an important role in facilitating the transfer of ideas across borders (Lazer 2003, 19). In fact, one of the main aims of administrative reformers in the early part of the last century was to build up professional associations to overcome the isolation of administrators (Roberts 1994). Comparable efforts to spur policy transfer were still being undertaken at the end of the century.[9]

Theories about the diffusion of innovation that held sway in the latter part of the 20th century were also built on the premise that administrators in different jurisdictions were independent of one another. Classical diffusion models attempted to describe the spread of innovations through a population of decision makers, each of whom observed the behavior of other individuals or organizations but made independent decisions about the adoption of an innovation (Rogers 2003). In the latter part of the 20th century, academic and professional groups in many countries began establishing awards for public sector innovation that attempted to speed the process of diffusion by endorsing new practices. These award programs tacitly affirmed the assumption that diffusion followed the classical pattern (Borins 2001, 6).

In many areas, the classical model of diffusion still fits well. However, the emergence of transborder service systems suggests the emergence of a distinctive and potentially more efficient mechanism for the diffusion of innovations. Service delivery organizations are no longer stovepiped by jurisdiction; instead, comparable organizations in different territories are formally connected as components of the same corporate parent. Administrators in neighboring jurisdictions work for the same employer and are tied together by communications systems provided by the employer. The corporate parent may have strong incentives to encourage the migration of innovations from one jurisdiction to another and the authority to make authoritative decisions about the adoption of an innovation throughout the system.[10]

Some companies recognize and exploit the potential of transborder systems to be efficient engines for the diffusion of innovations. Capio Healthcare observes:

> It is a fantastic experience to be able to work in a number of European countries in a sector in which international contacts have, to date, been very limited. Despite the fact that medical research and significant supplier groups have worked without boundaries for many years, cross-border exchanges between care providers have been surprisingly limited....Capio's insight into the various national systems enables it to make comparisons and thereby find the best solutions.... Experience and knowledge can then be disseminated from all units, from one country to another, via common manuals, systems and project groups.... There are unparalleled opportunities within the Capio Group for exchanging knowledge and experience and evaluating and comparing methods in the course of practical healthcare (Capio AB 2003, 4 and 6).

The span of transborder service systems may also give companies a superior capacity to learn from crises that arise infrequently in each jurisdiction. For example, the power blackout that hit several urban centers in the northeastern United States and Canada on August 15, 2003, was—for both citizens and policymakers—a thankfully rare event. Unfortunately, it is difficult to plan for rare failures, and there is a distinct danger that communities will neglect to take preventative measures to anticipate events that seem distant and hypothetical. However, companies whose operations span borders may acquire a breadth of experience that makes it easier to prepare for rare events.

This was vividly illustrated two weeks later—on August 28, 2003—when another power blackout affected much of south London. Customers and policymakers in the United States and the United Kingdom might not have recognized any commonality between these two events. But staff within National Grid Transco (NGT) likely saw common issues. NGT operates all of the grid affected by the London blackout, while the services of its subsidiary Niagara Mohawk, which serves upstate New York, were badly disrupted by the U.S. blackout.

The global integration of private correctional services may provide another illustration of opportunities for systemwide learning. Consider, for example, the controversy that hit the Australian government following riots at its Woomera Detention Center in December 2001. The center, which is located on a former military base in the remote South Australian desert, held 200 Afghani refugees who had entered Australia four months earlier. Advocates for the prisoners complained that conditions at the center were oppressive and demanded that asylum claims be processed more quickly. The riots were followed by hunger strikes, attempted suicides, and escapes that drew international attention.

News reports presented the Woomera protests as a difficult issue for the Australian government—which of course it was. The disturbances were the worst in Australia in years, and raised questions about the refugee policy that had been set by the government. But the riots also raised operational challenges for the managers of the detention center itself. In the past, those operational challenges might have been borne by public officials alone. As it happened, however, the burden of running the Woomera center was borne by ACM, the Australian subsidiary of the United States' Wackenhut Corrections Corporation.

The difficulties at Woomera may have been unprecedented for Australian government officials, but within the larger Wackenhut system they were not. Two years earlier, Wackenhut staff had dealt with hunger strikes and protests at its Jamaica Detention Center in New York City that were also sparked by complaints about living conditions and delays in reviewing asylum claims. And at the same time as the Woomera protests, staff in the British subsidiary of Denmark's Group 4 Falck—which purchased Wackenhut in 2002—were also dealing with a massive riot at its new Yarl's Wood Detention Center that caused US$62 million in damages (Morris 2002).

Again, few observers in the United States, the United Kingdom, or Australia would have recognized the connection between these events. Traditionally, they would be regarded as unrelated occurrences affecting distinct service systems. In important respects this is no longer the case. One corporate provider may have an immediate stake in geographically distant crises and an unprecedented ability to draw lessons from immediate knowledge of those crises. Furthermore, what is uncommon for governments may be routine for a transborder service provider. (This point is emphasized by the British firm Securicor, which says that "on average a Securicor guard somewhere in the world is attacked every day" (Waples 2004).) This capacity to learn from firsthand experience in different jurisdictions could itself be a valuable asset to potential customers.

Obstacles to Diffusion and Learning

While transborder service systems might have the potential to become efficient engines for the diffusion of innovations, it is not clear that this potential will always be realized. There are at least four reasons why this may be so.

The first obstacle to diffusion may be the corporate structure of the transborder service system itself. Formalities such as common ownership do not necessarily mean that subsidiaries in different jurisdictions will be highly integrated in practice. Positive steps must be taken by the corporate parent to encourage the exchange of knowledge throughout the system. Some companies claim to have taken such steps. For example, Edison Schools gives profile to "The Common," an intranet platform that allows teachers, students, and parents throughout its system to communicate with one another.[11] Similarly, Capio Healthcare advertises the integrative role of its research arm and an annual seminar that is intended to serve as a "meeting-place for the exchange of knowledge and expertise" within the company (Capio AB 2003, 6). However, Edison and Capio may be exceptional cases. Many transborder systems appear to maintain highly decentralized organizational structures. This appears particularly likely to be true when these systems have broad geographical reach or have been built through acquisition of previously autonomous firms.

A second obstacle might be internal pressure to preserve standardization in service delivery. Obviously, firms want to develop products that incorporate innovations that are valued by their governmental clients. However, firms may also have incentives to restrain innovation. One is the desire to achieve economies of scale by replicating the same product in many jurisdictions. Another is the need to maintain a clear corporate identity. Like other mass-market producers, transborder service systems may wish to develop a reputation for delivering a specific kind of service and may be wary of innovations that appear to dilute that reputation. Even Edison Schools faces pressures such as these. While it boasts of an internal capacity to promote learning and diffusion of innovation, this capacity is bounded. The "10 fundamentals" of Edison's school design are key to its appeal and presumably not easily changed.

A third obstacle to diffusion of innovations may be local resistance to the adoption of new techniques. Chester Finn suggests that Edison, wanting to grow its business rapidly, has sometimes compromised its basic school design in response to pressures from unions and other constituencies (Finn 2002). For example, the Philadelphia School District rejected Edison's proposal to extend the school day and year (NewsHour 2002), one of the key features of its school design.[12] The school district also retained the ultimate authority to hire, fire, and discipline teachers and other workers in Edison's schools (School District of Philadelphia 2002).

Transborder service systems may also confront harder constraints in each jurisdiction, such as regulatory or constitutional requirements that determine how work must be done. It is likely, for example, that the operation of correctional facilities is significantly influenced by jurisdiction-specific case law on the treatment of prisoners. Similarly, American Water Works, now a subsidiary of RWE, reports that its own highly decentralized structure is largely a product of state regulatory requirements (American Water Works 2002, 1). In England, Southern Water says that its operations are constrained by water-quality regulations issued by the European Union (Southern Water 2000, 3).

As engines for diffusion of new innovation, transborder systems might also have biases—that is, a tendency to promote certain kinds of new practice while ignoring others. These may include biases toward highly routinized or technology-intensive procedures that can be easily replicated in different countries. For example, Capio acknowledges that its decision to focus on capital-intensive services is related to its expansion across national borders:

> Maintaining a presence in several national markets requires systems and methods that can be exported.... Services that are based on capital-intensive and highly advanced care can more easily be standardized and made more cost-efficient in different geographical markets than care that involves a greater degree of patient contact. In both the United Kingdom and the Nordic region, Capio has consciously invested in computer tomography and magnetic resonance tomography (MR), strongly supported by IT, to add weight to this strategy (Capio AB 2002).

Of course, competition between transborder service systems might restrain the tendency of firms to propagate technologies that happen to serve their own interests. The extent to which competition actually has such a moderating effect is an empirical question.

Challenges to Accountability

Many observers have suggested that outsourcing has the potential to undercut democratic control of public services. This may occur because of the erosion of transparency in contractor operations, the undercutting of administrative law and constitutional protections, and difficulties in constraining the political influence of contractors (Moe 1987; Guttman 2000). These general concerns obviously persist when work is transferred to a transborder provider. However, the expansion of transborder service systems may provoke distinctive concerns as well.

One such concern may be the growing disparity in resources between private providers and the governments for which they provide services. As Colin Leys has suggested, governments may be " 'outgunned' by the legal and technical expertise that [transnational corporations] can command" (Leys 2001, 24). Apprehension about this sort of mismatch has underlain much of the debate over the role of the major water firms in developing countries. In Ghana, for example, critics of a proposed water privatization plan worried that a "skeleton operation" of government staff would prove incapable of effectively monitoring private operators (Weissman 2002, 20). In this case, the mismatch of resources was stark: In 2002, the global water-based revenue of the Suez Group was roughly equal to the whole of Ghanian GDP, while the water-based revenue of Veolia Water was more than double the Ghanian GDP.[13] The head of Chile's water regulatory agency has also noted its "unbalanced capacity ... vis-à-vis companies" in negotiating tariffs (Saldivia Medina 2002, 13).

More broadly, the resources of transborder providers may be used to encourage governments to create environments that are hospitable to market expansion. A friendly policy environment is likely to be one that emphasizes private provision of services, provides predictable and generous revenue streams, and does not discriminate against foreign investors or their subsidiaries. Policy stability—that is, an assurance that future governments will be unlikely to make significant changes in the rules governing the operation of transborder service systems—will also be valued.

As the Capio Group has noted, a substantial amount of "political risk" can be associated with a business "that mainly is financed with tax money" (Capio AB 2002). Transnational systems consequently have strong incentives to encourage the adoption of financing arrangements that ensure a stable flow of revenues. Capio, for example, favors the diffusion of the Diagnostic Related Groups (DRG) pricing model, which limits the capacity of governments to make arbitrary and unexpected changes in funding formulas (Capio AB 2002). For similar reasons, water utilities operating in less-developed countries may prefer financing arrangements that allow the collection of user charges directly from customers, rather than less dependable payments from governments. These utilities may also insist on the right to increase rates to offset local currency devaluations (Weissman 2002), as well as strict rules about disconnection of services, to ensure that non-paying customers face a "credible threat" of loss of service (Bond 2003).

A vivid and perhaps extreme illustration of the influence that transborder providers may bring to bear on governments is the dispute between the now-bankrupt Enron Corporation and the government of the Indian state of Maharashtra. Enron signed an agreement with the Maharashtra State Electricity Board in 1992 under which the board promised to purchase power from the new Dabhol power plant to be built by Enron. After the World Bank declined to fund the project, its financing was guaranteed by U.S. government agencies. However, elections produced a change in government in Maharashtra, and over the next eight years the state twice attempted to withdraw from its agreement with Enron.

Enron brought extraordinary pressure on the state government to hold to its commitments. Under the Clinton administration, three cabinet secretaries warned Indian officials that cancellation would deter foreign investment, and the American ambassador became one of the project's "most influential advocates" (Milbank and Blustein 2002). Enron's chairman, Kenneth Lay, provoked a controversy in August 2001 when he appeared to threaten that the U.S. government would impose sanctions on India if Maharashtra did not settle its dispute with Enron (McNulty and Merchant 2001). Senior Bush administration officials, including Vice President Richard Cheney and Secretary of State Colin Powell, also expressed concern to the Indian government about the project, and the National Security Council established a special working group to monitor the issue. The Bush administration's interest in the contract continued until Enron's broader financial difficulties became publicly known in November 2001.

As the Maharashtra controversy showed, powerful multinational enterprises may be able to enlist the governments of their home countries in their effort to influence the governments with which they do business. In this way, a contract dispute can be elevated into a matter of international diplomacy. The governments of home countries can also seek other avenues to protect the interests of multinational providers. For example, the International Monetary Fund (IMF) pushed the Argentine government to reverse its decision to reduce rates for the French water firms Veolia and Vivendi, in the context of Argentina's application for loans from the IMF (IMF 2003, 18). Similarly, the United States government claimed that the Chilean government's policy on cross-sector ownership restrictions in water and energy utilities violated its commitments under the General Agreement on Trade in Services—a claim that could be pursued through the World Trade Organization's dispute settlement mechanisms (USTR 1999, 49).

Transborder providers have an incentive to have debates over domestic policy matters relocated to international fora, where the balance of forces may be more advantageous to them. The IMF and World Bank have both played a role in creating new market opportunities for multinational enterprises. In 2001, according to Postel and Wolf, IMF loan guarantees with at least half a dozen countries called for some degree of water system privatization (Postel and Wolf 2001). Barlow and Clarke say that the World Bank refused to guarantee a $25 million loan to the Bolivian government to improve the water system of Cochabamba unless the local government agreed to privatize the system and introduce cost recovery policies (Barlow and Clarke 2002); World Bank pressure also encouraged water privatization in Argentina (Public Citizen 2003). Trade negotiations, such as the ongoing negotiations over the General Agreement on Trade in Services (GATS), also provide an opportunity to pressure governments to give foreign commercial enterprises the right to participate in the provision of public services (Price and Pollock 2003).[14]

Anxiety over the GATS negotiations is aggravated by their perceived inaccessibility and secretiveness. This is a complaint made by smaller countries as well as non-governmental organizations, which lack the resources and expertise to participate actively in discussions in Geneva or Washington. Citizens of developing countries may also feel that the expansion of transborder service systems carries with it an unpleasant reminder of the dominance of first world nations. Most of the multinational firms that are now expanding into the public sectors of developing countries are based in the first world, and often in countries that were once colonizing powers.

Growing Resistance to Transborder Service Systems

On the other hand, the capacity of multinational enterprises to shape the policy environment of host countries should not be overestimated. In several cases, popular protests have resulted in the cancellation or modification of service contracts. In 2000, civil unrest caused the reversal of a proposed water privatization in Cochabamba, Bolivia (Shiva 2002, 102–103), while popular protests in Argentina led the government to pass an emergency law that reversed the policy of denominating water tariffs in dollars rather than pesos (Thomson 2003). The capacity of non-governmental organizations in developing countries to resist privatization efforts has been enhanced by the emergence of new transnational networks of non-governmental activists who are adept in using new information technologies.[15]

In fact, the growth of transborder service systems may create new opportunities for the exercise of political influence by civil society. Multinational corporations in non-governmental sectors such as Nike and Shell have already experienced pressure from consumers in developed countries to improve labor and environmental practices for their operations in developing countries. Because they are sensitive to the harm that boycotts can do to their brands, these corporations have responded by making commitments about overseas production that sometimes exceed the requirements imposed by the governments of host countries. In effect, the transnational structure of these enterprises has become an instrument used by first-world non-governmental organizations to "ratchet up" regulatory standards in developing countries.[16]

Corporations that provide public services may become susceptible to similar pressure. For example, the Coalition for Environmentally Responsible Economies (CERES), a U.S.-based coalition of activists and investors, has begun a broad attempt to use investor pressure to promote socially responsible corporate behavior. Under the Global Reporting Initiative (GRI), begun by CERES in 1997, corporations agree to report on compliance with environmental, labor, and human rights standards that are set by GRI after negotiation with industry. The three largest firms in the water industry—Suez, Veolia, and RWE Thames Water—participate in the GRI project.

Protests against the private prison industry also illustrate how consumer pressure might be used to shape the behavior of transborder providers. In 1998, Sodexho, a French multinational, acquired the North American operations of Marriott Management Services to create a new corporation, Sodexho Marriott Services, which provides food services on many American university campuses. However, Sodexho was also the largest single investor in Corrections Corporation of America (CCA), one of the GEO Group's major competitors in the private prison industry. Over the next two years, Sodexho became the object of coordinated protests on dozens of American campuses, and in May 2001 it sold its interest in CCA. The same campaign persuaded one of Sodexho's competitors, ARAMARK, to withdraw from the Association of Private Corrections and Treatment Organizations, labeled as a "front group" for the private prison industry (Not With Our Money 2002). Subsequently, the campaign began to encourage universities to dissociate from Lehman Brothers, which provided investment banking services to CCA.

The aim of the student protests was to push CCA entirely out of business, but it is conceivable that similar campaigns could be mounted to influence the operating practices of CCA and other transnational service providers. Campaigns such as these suggest that the capacity of transnational providers to act as "transmission belts" for innovative practices may be exploited by non-governmental stakeholders. Increasingly well-organized citizen movements might use political pressure and consumer boycotts to compel greater social and economic accountability by transborder providers in other countries.

Endnotes

1. Comparative statistics are available from the National Center for Education Statistics, http://nces.ed.gov/pubs2001/100_largest/.

2. According to Colin Leys, an organization's activities are commodified when they are "broken down and 'reconfigured' as discrete units of output that can be produced and packaged in a more or less standardized way" (Leys 2001, 84).

3. Agreement on Government Procurement, Articles III and XVII.

4. Critics have argued since 1995 that proposed multilateral investment agreements might create pressure for the dismantling of existing public sector monopolies. More recently, it has been suggested that changes to the General Agreement on Trade in Services (GATS) could create strong pressure for the privatization of public services. However, negotiators have argued that this greatly exaggerates the potential impact of GATS revisions.

5. Statistics on public sector employment used in this paper are obtained from the World Bank's public sector employment database, at http://www1.worldbank.org/publicsector/civilservice/cross.htm.

6. By the United Nations Children's Fund (UNICEF), among others.

7. The statement is made on the front page of the firm's website, http://www.capio.net.

8. Through a joint venture with the American firm Exelon.

9. In June 2003, the Organisation for Economic Cooperation and Development (OECD) issued a report on the revitalization of schools in OECD countries. Two of the key questions addressed in the report were how to promote the diffusion of new practices within school systems that are often highly decentralized and how to promote learning about practice by geographically dispersed professionals. In large part, the answer was the development of better networks of professionals and schools for the purpose of dialogue and knowledge transfer (OECD 2003).

10. In the words of Everett Rogers, the corporate parent has the ability to make "authority innovation-decisions" for the system as a whole (Rogers 2003, 28).

11. The Common is described on Edison's website, http://www.edisonschools.com.

12. Edison calls a longer day and year the second of the "10 fundamentals behind Edison's school design." These "fundamentals" are described at http://www.edisonschools.com/design/designdefault/d0.html.

13. The figure for Suez is the 2002 revenue for Ondeo, Suez' water services subsidiary. See the Ondeo homepage, www.ondeo.com. Revenue for Veolia Water is drawn from its 2001 financial report, available from www.veoliawater.com.

14. The GATS was first adopted in 1995, but negotiations to broaden the agreement were begun in 2000. The extent to which GATS will compel governments to privatize public services is a matter of contention. The Canadian Centre for Policy Alternatives, a leading critic of the negotiations, says that proposals for reform of GATS will "threaten public service systems" (Sinclair and Grieshaber-Otto 2002, iv). The World Trade Organization flatly rejects this claim, arguing that the agreement will not affect "services provided to the public in the exercise of public authority" and that governments will retain the ability to stipulate limits on the entry of foreign enterprises into domestic services markets (World Trade Organization 2001). Critics respond that these safeguards are ambiguously defined and will be eroded over time as weaker countries face continued pressure to liberalize their market access rules. Influential business groups such as the Trans-Atlantic Business Dialogue are said to have their own "extensive wish list for GATS negotiations,

including maximum liberalization of market access, [and] full national treatment" (Polaris Institute 2002).

15. Maude Barlow and Tony Clarke—activists who earlier led a successful effort to stop negotiations on a new Multilateral Agreement on Investment—claimed in September 2002 that "a common front of environmentalists, human rights and antipoverty activists, public sector workers, peasants, indigenous peoples and many others from every other part of the world" had united to resist efforts at water privatization (Barlow and Clarke 2002, 14).

16. For a discussion of the potential of this approach to regulation, see Sabel, O'Rourke, and Fung 2000.

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