

Study on Government Regulation in the Process of Privatization of Public Services

Xiaolu Han

Liaoning University of International Business and Economics, Dalian 116052, Liaoning, China

Abstract: *Our government gradually implemented the privatization reform in the field of public services in the early 1990s, although the time is relatively short, but it can not be denied that the reform has shown us the effect of a new way of government governance. We cannot deny the benefits brought by the privatization of public services, but in the process of implementation, there are still some problems in the transformation of the government's functions, and in terms of regulation, the government needs to think from a holistic perspective and recognize the shortcomings of the current system. This paper focuses on the government's regulatory role in the privatization of public services, looks for loopholes in the regulatory system and the causes of various problems, and makes recommendations.*

Keywords: public services; privatization; government regulation.

1. OVERVIEW OF GOVERNMENT REGULATION IN THE PRIVATIZATION OF PUBLIC SERVICES

1.1 The concept of privatization of public services

(1) The concept of public service . Public service is a kind of public goods provided by the government in the form of service, which is a specific form of public goods. Public goods include a small number of non-exclusive and non-competitive pure public goods at the same time and the majority of non-exclusive and non-competitive quasi-public goods do not exist at the same time, so the public service is also divided into the nature of pure public goods and public services with the nature of quasi-public goods.[1]

(2) The concept of privatization of public services . Privatization of public services refers to the signing of contracts or agreements between the government and private companies or other organizations outside the government, whereby services previously provided by the government are changed to be provided by enterprises or groups that accept the contract. The purpose of privatization of public services is to reduce government operations in public services and to increase the role of the market, which can be used to improve productivity and the performance of public services.[2]

The essence is to readjust the roles played by the Government and the private sector and other organizations in public services, and to complement the functions of the two, so that the public can freely choose the main body of public services and improve the quality of public services through increased competition.

1.2 The concept of government regulation

Government regulation, which is generally referred to as government regulation or control in the academic world, is the norms and constraints imposed by the government on the microeconomy under the conditions of a market economy in order to realize certain public policy objectives. [3]With the development of society, the objects of its regulation have gradually become broader, including economic construction, culture and education, municipal construction, social order, public health, environmental protection and other aspects. In the process of privatization, government supervision should be based on the perspective of maintaining public interests to implement regulatory actions.

2. GOVERNMENT'S REGULATORY ROLE IN PRIVATIZATION OF PUBLIC SERVICES

2.1 Providing institutional safeguards and policy support

The privatization of public services is a very important institutional change, and in the privatization reform process, the role of the Government is self-evident, not only as the designer of the privatization system, but also as a participant in it, which cannot be separated from it. Create an environment conducive to privatization reform is to ensure that privatization can be successfully implemented the first condition, and privatization because of the increased participation of the private sector, in many aspects there will be unstable factors, such as consumption in public services because of geographic, the public's personal situation is different, the price is high or low, the government needs to be adjusted in accordance with the relevant system. How to regulate these situations, and which organization to supervise and manage them, requires the government to provide appropriate policies and systems and establish a mature regulatory system .

2.2 Keep abreast of relevant industry trends and information

The main purpose of privatization of public services is to improve efficiency by transferring public services to the market mechanism, and the key to improving the efficiency of such services lies in competition. In order to promote active competition among enterprises, the Government must have a full and timely understanding of the relevant industries, and examine the public demand for the services, the development of the industries and the ability of the relevant enterprises to provide the services. If the private sector does not have government support in the provision of public services, it will lose its incentive to provide services, thus hindering the development and implementation of the privatization of public services. It is only with adequate information that the Government can propose a policy system that is in line with the current state of development of the industry and mobilize enterprises to compete.

In addition, paying attention to the industry dynamics at all times, the government can get timely feedback on various situations in public services, quickly find out the problems in the process of privatization reform, and make timely adjustments and changes before the problems become more serious, and at the same time, it can guide the public to correctly know and understand the privatization of public services, collect and adopt the opinions of the masses, and reduce the damage to the interests of the public. It is also more convenient for the government to supervise and manage the enterprises with sufficient information about the industry.

2.3 Strict regulation of markets in privatization

Marketization implies a major change in government management, and it is crucial to manage and administer the process of change. The introduction of market competition into public services and the successful implementation of privatization reforms require a number of steps to be taken, which require strict control by the Government. The first is the selection of enterprises. Privatization requires that the contracted private enterprises have sufficient capacity and qualifications to provide the public service in question, and the Government must examine the qualifications of the private sector that is prepared to engage in the provision of public services to ensure that a particular public service can be effectively supplied after privatization. Secondly, fair competition among enterprises must be ensured at all times, and enterprises and government departments and officials in charge of the project must be supervised during the bidding and tendering process to ensure that the entire process is conducted openly and transparently in accordance with the relevant system. Thirdly, since privatization means that the market will have more influence on the price of public goods, the government should test the quality of public services provided by private enterprises, and measure whether the quality of service is in line with the price, so as to ensure that the safety and interests of the public will not be jeopardized. Lastly, after privatization, the Government will have to supervise enterprises providing a particular public service in accordance with the appropriate exit mechanism to ensure that they fulfil their obligations in accordance with the regulations, or to eliminate in a timely manner private enterprises that do not meet the required standards.

2.4 Good coordination between government, the private sector and the public

The privatization of public services involves the redistribution of the interests of all parties, the coordination of which requires the Government, as the leading force and institutional arranger in the privatization of public services, to assist in mediating and promoting the common development of the three parties. First of all, the government should take the lead, not to avoid harm, the difficult, less profitable projects to enterprises to do, which is likely to cause dissatisfaction and negative treatment of enterprises. At the same time, it should always consider the interests of the public in the process of privatization. Secondly, the private sector, as the producer of public services, should ensure the quality of the services and pay the necessary responsibility to the public when

considering its own interests. When consuming, the public should understand the main purpose of privatization, and should not be greedy for benefits and not pay the fees due or hinder the privatized public services.

3. ANALYSIS OF THE PROBLEMS AND CAUSES OF GOVERNMENT REGULATION IN THE PROCESS OF PRIVATIZATION OF PUBLIC SERVICES

The situation of "market failure" was mentioned earlier, and when the legal framework for privatization is lacking and improperly regulated, it can lead to the emergence of all kinds of irregularities and violations of the law, rendering government regulation ineffective. The privatization of public services is a reform and an attempt by the government to solve the problems arising from the government monopoly of services in public utilities, in which the government is also looking for a new position. In this reform, the regulatory system of our government is not very sound and there are still many problems and loopholes.

3.1 problems arising from government regulation in privatization

(1) The government's lack of public responsibility . Traditionally, we believe that the government's provision of all public resources is a manifestation of the superiority of socialism, and that the government can adequately provide the public with the resources they need without the help of external forces. However, with the development of society and the improvement of people's living standards, people's demands for some public services are increasing, and the government's capacity is becoming more and more limited, unable to meet the diversified needs of the people. Drawing on the institutional reforms of western countries, the privatization of public services has not been implemented in China for a long time, and everything is in the process of continuous experimentation and improvement. The lack of theoretical knowledge and the inadequacy of the system have led to a biased understanding of privatization among government officials, which has led to the problem of unshared public responsibility.

(2) Causing the government's management crisis . In the process of privatization, the government, as a regulator, will cause a management crisis for the government if it fails to carry out sufficient investigations on the contractors, fails to understand the way of operation of the enterprises, and has no knowledge of the way of operation and the content of the operation of the enterprises.

(3) Triggering monopolization and corruption . It is undeniable that there will be serious corruption in public services, and some officials manipulate the approval process of some public projects by virtue of their own rights. Such as government procurement, this privatization can in principle reduce financial expenditure and improve the quality of public products and services through the introduction of competition mechanism, but it may be deviated in the specific practice. Furthermore, the problem of monopolization is more evident in the regulatory process of our government. The inability of the private sector to meet the relative public demand for certain public services has resulted in the creation of administrative state-owned monopolies that are mainly "regulated". Finally, the discriminatory regulation of industry access based on administrative monopolies is more serious, which restricts the competition of private enterprises and makes it difficult for certain bottleneck industries to develop more rapidly.

(4) Problems of infrastructure investment in privatization . After the implementation of privatization, some governments begin to use this as an excuse to reduce their own economic responsibility, and the capital investment in the privatization of public services does not increase but gradually decreases. This causes various unfair phenomena to occur. For example, in the area of education, "it is understood that only 40.4 per cent of public kindergartens have the proportion of State financial education expenditure in their overall education expenditure exceeding 50 per cent. This means that more than half of the public kindergartens, whose main education funding does not come from state public funds, are supported by private funds." [4]For the construction of schools, the government's necessary investment in them is not up to the required standard, which results in the loss of public interest, children can't afford to go to school, and basic education can't be guaranteed.

3.2 Analysis of the causes of problems in government regulation

(1) Insufficient awareness of privatization . The main reason for the lack of public responsibility is that all parties have insufficient awareness of the administrative concept of privatization of public services, do not fully understand what is privatization of public services, and do not fully realize the benefits and problems of privatization.

(2) Lack of theoretical knowledge and practical experience . The privatization of public services is not only the inevitable trend of the development of market economy, but also the main direction and core content of the government in public administration. In this kind of change, it is necessary for government personnel to have professional theoretical knowledge and practical experience, to understand the way of enterprise development, to guide how enterprises operate, and to be able to combine the information and resources of both the government and enterprises to make better and more practical decisions. The lack of such professional knowledge and experience has led to problems in the formulation of policies for the privatization of public services, and the inability of the government to reach agreement with private enterprises on how to manage the behavior of enterprises in certain public services, resulting in a management crisis.

(3) Lack of corresponding legal system as a guarantee . If we want to implement privatization smoothly, we should have some guarantee in terms of regulations and systems, so that we can have a law to rely on when problems arise. But in today's legal system in China, there is no complete and full set of legal system for privatization reform. Some of the existing privatization policies are not authoritative and play only a guiding role.

(4) Insufficient government funding for privatization . Privatization can reduce the pressure on the government, but this is not a reason for the government to reduce its financial input. The private sector is a production operator in the privatization of public services, and when there are benefits to be found, they will have the motivation to operate on, and if the government fails to ensure sufficient basic funding for the implementation of public services, enterprises can only achieve benefits by raising prices, and the ultimate result is that the public interest is damaged. The lack of public financial support will lead to dissatisfaction in the private sector and the public, and the reform of privatization of public services will not be successfully realized.

4. SUGGESTIONS FOR STRENGTHENING GOVERNMENT REGULATION IN THE PROCESS OF PRIVATIZATION OF PUBLIC SERVICES

The process of privatization of public services does not only require the efforts of the Government, but also requires the private sector and the public to work together to identify and raise problems, and to put forward their own insights and opinions, so that the Government can improve the inadequacy of the regulatory mechanism by means of the opinions of all parties and by drawing on the effective reforms that have been carried out in the privatization of various Western countries.

4.1 Building public awareness and encouraging public participation

A reform will always bring more or less loss to all parties in many aspects. In the process of implementing the reform, the first step is to raise the awareness of government staff about privatization. The use of relevant knowledge training, internal staff exchanges, etc., so that the relevant personnel fully understand the concept of privatization, recognize the main responsibilities of government departments in the privatization, only to establish a public awareness, and then to proceed to the differentiation of public responsibility, improve the efficiency of government supervision.

Privatization actually provides the public with more choices, and the increase of such choices will promote the competition among enterprises; the public will demand higher quality of service out of consideration of their own interests, which will help the government to supervise the private party; and to ensure that the public has a channel to express their opinions on the effectiveness of privatized public services is conducive to the government to protect the interests of all parties effectively. Therefore, the government should vigorously promote the public to strengthen the awareness of privatization, establish the correct value system and moral concepts of the public, and take measures to ensure that the public's opinions and the government's acceptance, such as the opening of a hotline to encourage the public to make inquiries or put forward their views; set up relevant service desks in the community or the administrative district, used to receive the public, to provide professional answers to the questions raised by the public, and to be able to get timely feedback; help the public to establish relevant self-governance; help the public to establish relevant self-governance. (c) Helping the public to establish autonomous civil society organizations, which are conducive to the pooling of public questions and facilitating communication between the two sides.

4.2 Strengthening government public service functions

The implementation of privatization is a public decision-making process, which requires that decision makers, that is, governments at all levels, have comprehensive knowledge of the theory of public management, as well as the appropriate professional knowledge and skills. Decision makers should have a full and complete knowledge and understanding of the object of the decision to be made, and be prepared for the decision to be made, so as to reduce the mistakes and errors made in the reform process. For example, in the case of government procurement, decision-makers must have a full understanding of the target of procurement and service providers, which is not something that can be accomplished by relying on personal experience alone. Decision-makers must have relevant professional knowledge, be able to analyze the procurement system thoroughly, have sufficient understanding of the procurement targets and providers, and know the specifics of the industry, so as to prevent mistakes and damage to interests caused by insufficient understanding, theoretical knowledge and professional skills in the bidding process.

To strengthen the government's public service function, it is necessary to scientifically delineate the scope of privatization of public services, and to clarify whether all public services in privatization are the responsibility of the government, and which part needs to be shared by the market sector. Highlight the main responsibility of the government in the privatization of decision-making, so that the government can make the government through the improvement of public service functions, to promote the staff to strengthen the theoretical knowledge and professional skills of learning and absorption, learning to use, in order to convince people with the reasoning, to increase their confidence, through the combination of theoretical knowledge and hands-on ability, better and faster implementation of the development of privatization.

4.3 Timely revision and improvement of government regulatory mechanisms

Government supervision plays a role in regulating the behavior of private sector services in the process of privatization, which is also the most important duty of the government in privatization. However, because privatization has been implemented in China for a relatively short period of time, the relevant institutions and regulations are not perfect, and there are even no targeted regulations and policies, resulting in the lack of relevant laws as a basis for decision-making. Therefore, key improvements should be made to the Government's regulatory mechanism.

(1) Establishing a good institutional environment. The smooth implementation of privatization requires a mature market, and for the private sector to undertake public services, its strength must be able to meet the standards and ensure that its rights and interests are not infringed upon. This requires the government to provide a standardized market institutional environment protected by the legal system. The United States in this regard is mainly based on the law, according to the different characteristics of each industry of public services and different deregulation, such as the early 80's abolition of the unified control of the price of crude oil, to the middle of the opening of the natural gas price control, can let the enterprise according to the market conditions for pricing, and safeguarded the interests of enterprises. Our country can also learn from this approach, relax the restrictions on private sector access, provide detailed information to facilitate the private sector to understand the structure of the market and changes in the capacity needed to protect the private sector to enter the market, to prevent their interests from being infringed upon. Only through greater competitiveness among the private sector can the quality of public services be assured.

(2) Standardize regulatory mechanisms and simplify procedures . Standardizing the regulatory mechanism, establishing a suitable supervisory body and simplifying the process can relatively reduce the incompetence of the supervisors in the privatization reform in China. In the process of privatization, the United Kingdom has made corresponding changes to the regulatory mechanism, one of which is the establishment of an independent regulatory body to regulate the government. A unified regulatory office was established by law for each public service sector, with a variety of branches to facilitate the direct regulation of public services in each region. Such a move effectively avoids disagreements in implementation and does not give the opportunity to pick up the slack. Standardizing the regulatory mechanism reduces unnecessary procedures and improves efficiency. While monitoring the private sector's provision of standardized public services, it also regulates the conduct of the various regulatory authorities.

After the establishment of the appropriate supervisory bodies, the relevant regulatory systems should also be formulated, such as market access and exit mechanisms. Appropriately relax the conditions of access, establish fair, reasonable and scientific procedures to ensure that private enterprises have the same conditions and opportunities for competition; monitor in real time the enterprises that have obtained the right to operate public services, always

reminding them to fulfil their obligations, eliminating in a timely manner the private sector that has problems or is unable to continue to take on public services, and making a system of rewards and penalties for enterprises with different performances, and rationally designing contracts for the privatization of public services, to Promote the development of private enterprises and safeguard the interests of the government, the private sector and the public. Effective measures have been taken to simplify procedures, for example, some governments have developed targeted process information sheets to show the private sector and the public in a clear and simple manner the steps and procedures required, thus saving the time and effort of all parties.

(3) Formulate relevant laws and regulations to provide legal basis. The most important theoretical basis for government supervision is laws and regulations. In today's legal system, there is a lack of laws and regulations for privatization reform. Therefore, the National People's Congress and the State Council should introduce relevant laws and regulations to provide a legal basis for the privatization of public services, to ensure that there is a legal basis when problems arise, to increase the authority and legality of privatization, and to formulate a relevant performance appraisal system, which facilitates timely follow-up of the private sector's level of work and quality of service. For example, in Japan, in response to the monopoly situation in the privatized industry, relevant laws and regulations, such as the Railway Business Law and the Electrical and Communication Business Law, have been introduced to effectively control the privatized industry.

In the privatization reform of public services in the West, governments have followed the principle that the market system precedes reform. A sound legal system can improve the rigor of government management of public services, so that the government in the implementation of regulatory responsibility can be based on the relevant laws and regulations rather than rules and regulations, to ensure its authority. Under a sound legal system, government officials can regulate the private sector while at the same time exercising restraint on themselves, preventing corruption and monopolization of the industry, and helping to maintain market order.

4.4 Increase in government public service expenditures

The Government should correctly understand the essence of privatization and change its concept of management. After all, the privatization of public services is still based on service, and the group that faces it is the public, so the initiatives made by the government should be considered in the public interest, among which, the transfer of funds is a very important aspect. In the process of supervision and management, the government should make more capital investment in services related to people's livelihood, which requires a corresponding adjustment of funds in other areas, expanding financing channels.

In the process of privatization, a good relationship of public-private cooperation has been established, and both sides have reached a good consensus on funding, so that the private sector may be able to obtain corresponding profits or brand effects, and the government may be able to put in sufficient funds or resources to support it. As above, the government can try service purchase, investment buyback, project construction, etc., or use government subsidies, franchising, etc. to increase inputs and provide financial support for the development of privatization of public services. It is only after the needs of public services in terms of funding are met that the interests of enterprises and the public can be safeguarded and the coordinated development of the three parties can be promoted.

REFERENCES

- [1] Lou Chengwu, Yin Tao. On the Role of Government in Privatization of Public Services[J]. Northeastern University Newspaper,2003,(5):367.
- [2] Zhang Jun. On the Role of Government in Privatization of Public Services[J]. Journal of Qinghai Teachers College (Education Science),2006,(5-6):1.
- [3] Chen Xiujuan. The Construction of New Regulatory System for Public Utilities[J]. National Business Information-Economic Theory Research,2008,(5):135.
- [4] Yang Chun. Expert: Insufficient government investment is the fundamental reason for the existence of overpriced kindergartens[N]. Nanfang Daily, 2010-07-28.