

Introduction

The public services industry is comprised of public agencies and programs, and utilities which, though privately owned, are heavily regulated by the government. Examples of public agencies include government agencies, public schools, law enforcement agencies, non-profit organizations, environmental services, and public transportation. This industry is unique because it is not run for profit, and it receives its funding primarily through taxation.



Industry Composition

The public services industry is composed of services that have been deemed necessary, usually by social consensus, to all people and are often provided by the government. This includes public education services, environmental services, government and public administration, law enforcement and security, public transportation, non-profit organizations, and non-energy utilities. These programs or agencies can be operated at the federal, state, or local level, and are usually funded through the collection of taxes or via donations from interested parties.

Utilities are a little different than other services in this industry. Utilities include water supply systems and wastewater treatment; however, electric and heat-related utilities are included as part of the energy industry. What makes utilities different from other segments of this industry is that they are privately owned. Since the services that utility establishments provide are vital for daily life, they are considered public goods and are under heavy governmental regulation. In urban areas, there are generally fewer utility companies, since the economies of scale created by the larger population make it so that a couple large companies can better serve the public than many smaller companies. For globalEDGE's purpose, anything to do with energy, including electricity and heat, is classified under the Energy Industry.

Industry Leaders and Fragmentation

* All amounts are given in Billions USD

Company	Country	Sales	Profits	Market Value
Deutsche Post	203	68.2	3.1	50.8
Veolia Environnement	164	28.3	0.377	13.6
East Japan Railway	179	26.6	2.6	37.9
Union Pacific	161	21.6	11	109.7
Central Japan Railway	179	16.4	3.6	38.7



Profitability and Demand Drivers

Primary Demand Drivers:

- Commercial, industrial, and residential needs, which are related to population growth and to the level of economic activity
- The ability of business and government agencies to comply with and accurately predict cleanup costs
- Ability to secure contracts with large organizations

Profitability Drivers:

- Efficiency of operations, because prices are fixed by public utility commissions
- Government regulations
- Fuel costs
- Favorable labor costs

Trends

Recently the public services industry has shown some trends towards coordination, especially among government operations. Coordination refers to uniting separate government agencies so they work together instead of working out-of-sync and creating redundancies. For example, the Coast Guard, Border Patrol, Customs, and Immigration and Naturalization Service were coordinated to promote better homeland security.

Government outsourcing refers to the functions or services that are now being handled by private companies instead of a government agency. For example, garbage removal services in the United States are now provided by private companies. Since private companies are driven by the bottom line, they should perform the function more efficiently than a government agency, resulting in a lower total cost for the consumer.

As the privatization of public services is gaining popularity, more people are questioning the efficiency of free markets. People are concerned about the social tradeoffs of using the free market, that the externalities outweigh the benefits. Externalities include pollution, unemployment, uninsured people, and income differences.

A major problem of the United States government, as well as nearly all major governments – with the notable exception of some countries, such as China, Australia, and Hong Kong - is its continuing struggle with an increasing deficit. While state and local governments are required to keep balanced budgets, the federal government has no such legal limitations. Thus, it has created a huge deficit and as a result, the government must cut back on unnecessary public services.

The problem with cutting back is that consumers' demand for public services is increasing at a rapid rate. Populations all over the world are aging, which brings increased demand for governmental services – including healthcare, retirement packages, and welfare - which further strains their budget. Simply put, governments are being asked to do more, do it better, and do it on an equivalent or reduced budget.

In recent decades, attention has been focused on the education system due to the growing importance of producing a trained and educated workforce. Municipal governments provide operating services to residents, and education is the largest item of their budget, accounting for 45 percent of all local spending. Many institutions, including government, private industry, and research organizations, are involved in improving the quality of education. In an effort to promote innovation in public education, local governments have authorized the creation of public charter schools. Distance learning continues to expand as more postsecondary institutions use

Internet-based technology to conduct lessons and coursework electronically.