



INNOVATIONS FOR SUCCESSFUL SOCIETIES

PALERMO RENAISSANCE PART 3: STRENGTHENING MUNICIPAL SERVICES, 1993 – 2000

SYNOPSIS

In 1993, Palermo, Italy, mayor Leoluca Orlando took charge of city services that were on the verge of collapse. Garbage and trash lined the streets of the city. Natural gas for cooking and heating was available only intermittently, and public buses rarely ran on time. The municipality rationed water during the day. The city's four municipal companies for waste disposal, natural gas delivery, public transportation, and water had deteriorated during decades of mismanagement and corruption. The Mafia's hold over the companies' public works and procurement contracts contributed to massive waste of tax money and other resources. But Palermo's fortunes began to turn at the beginning of a seven-year period known as Palermo's Renaissance (1993–2000). Orlando hired competent managers and gave them broad leeway to root out corruption and fix operations and finances. Under the new managers, the companies expelled Mafia-linked companies from contracts, implemented stronger control and supervision procedures, and sharply improved the quality of service for Palermo's citizens and businesses. Although public transportation and garbage collection services slipped when Orlando left office in 2000, Palermo's upgraded gas and water systems continued to serve the entire city. This case study recounts Orlando's efforts to rebuild municipal companies and improve the provision of public services.

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Two companion case studies address simultaneous reform efforts in Palermo from 1993 to 2000. [“Palermo Renaissance Part 1: Rebuilding Civic Identity and Reclaiming a City from the Mafia in Italy,”](#) details the restoration of public spaces, arts and culture, tourism, and schools. [“Palermo Renaissance Part 2: Reforming City Hall,”](#) focuses on the city's budget, taxes, one-stop shop for licenses and documents, and citizen outreach.

INTRODUCTION

A water crisis greeted Palermo, Italy, mayor Leoluca Orlando when he won election for the second time in 1993. The city rationed water, which leaked from old and decaying pipelines. Citizens installed tanks to store water in their homes, and they purchased electric pumps to draw water from pipes that had low pressure.¹ Water scarcity was not a new phenomenon in the southern Italian city of 700,000 people. In the late 1980s, water-starved Palermitans, or “water searchers,” as they were called, had started digging wells everywhere, even in the basements of apartment buildings and houses.²

Organized crime had a strong hand in Palermo’s water troubles. Over the decades, Mafia-owned companies had come to control water supply. They drew water from public land, springs, and wells and sold it to the municipal company responsible for Palermo’s water distribution. At the time Orlando became mayor, the municipal company was buying water worth 800 million lire (US\$460,000) per year from privately owned wells located on public property.³ Politicians and the municipal company’s managers, too, colluded with the Mafia, awarding the contracts to maintain or expand the city’s distribution infrastructure to the companies controlled by the network. Often, projects were never finished.⁴

Palermo had a history of public-sector corruption and mismanagement. Over several decades, the Mafia, a network of criminal groups known as “families,” had come to dominate many aspects of municipal government. The families pressured or bribed mayors and their deputies to appoint employees willing to award Mafia-owned companies profitable government contracts, especially in construction, infrastructure maintenance, and procurement of supplies.⁵ For instance, the city government had awarded contracts for the maintenance of streets, sewers,

and street lighting to the same company for 35 years without allowing for public bids.⁶

In a high-profile 1992 case, the court convicted Palermo’s former commissioner of public works (1959–64) and onetime mayor Vito Ciancimino (1970–71) on several counts, including awarding to Mafia-controlled businesses through the water company certain subcontracts worth millions of dollars. (Ciancimino had appointed his cousin president of the company.⁷)

As Mafia interests siphoned money from such projects, the city struggled to provide basic services for its citizens. Garbage trucks did not pick up trash on time, natural gas pipelines did not serve all citizens, public buses often broke down, and water supply was intermittent.

When Orlando, a 38-year-old opponent of Mafia influence, first took office as mayor of Palermo in 1985, he spoke publicly about setting Palermo on equal footing with other well-run European cities. Not surprisingly, his efforts ran afoul of entrenched interests. Mafia-aligned politicians from his own party, Christian Democracy, stymied many of his initiatives to clean up government. Still, during his five years in office, he made progress toward limiting organized crime’s grip on government contracts by insisting on sealed public bids, lobbying northern Italian and European firms to bid for public works contracts and focusing on improving the management of municipal companies.⁸

In 1991, Orlando broke away from the Christian Democrats to form *La Rete* (“The Network”), a political organization that took formal shape a year later. As a candidate of *La Rete*, Orlando won seats in the Sicilian regional parliament in 1991 and the Italian national parliament in 1992. In 1993, after a change in national legislation allowed for the direct election of mayors (as opposed to the previous open-list proportional representation system, under which people voted for a political party and individual

candidates on that party's list, and the elected councillors then chose a mayor and cabinet from among their own ranks), Orlando ran again for mayor and won the election with 75% of the votes.

When he took office in December, Orlando focused on ways to reduce the waste and inefficiency that patronage politics and corruption had brought to Palermo's municipal companies. He pledged to eliminate the Mafia's influence in government contracts and create norms for the provision of public services.

THE CHALLENGE

During the 1950s and '60s, Palermo followed a national trend and began a gradual takeover of the private companies that operated municipal services on behalf of the city, including the four that handled waste disposal, natural gas, public transportation, and water.⁹ A 1990 national law further solidified provisions for the creation of municipal companies to deliver services, and, by 1993–94, Palermo owned the companies outright. Although the city-owned companies retained a high degree of independence in operations, the city council approved their budgets and annual reports. (In 1997–98, all municipal companies in Italy would gain economic¹⁰ and legal autonomy under new national laws that converted the companies to publicly held corporations. Still in progress in 2012, the changes were designed to reduce the burden on city budgets and improve management.)

The public companies suffered from a combination of inefficiency, structural defects, and sometimes outright abuse.

Political criteria played a strong role in the selection of companies' boards, which undermined the quality of management. The mayor was responsible for appointing five board members (including the president). Required under Italian law, three mayor-nominated auditors with oversight over financial and legal matters and an

accountant also sat on the board for a total of nine board members. The president assumed responsibility for running the company with the help of a general director, the topmost civil servant in the company.

Company boards wielded sweeping powers that often confounded even the best efforts of good managers. General directors, who were responsible for day-to-day company operations under the supervision of board members, had little decision-making authority. The boards approved purchases and influenced hiring, firing, and promotion decisions and could even dictate the job responsibilities of individual employees. "This created a vicious circle because everything could be vetoed by the board," recalled Ettore Artioli, president of Palermo's waste management company during Orlando's administration. "The board had to preapprove all purchases, delegating the director to sign the purchase order. Even things that the board was supposed to rubber-stamp—such as updating the salary scale of employees on the basis of new national collective bargaining agreements—became part of the politics to develop clientelistic networks of trade unions and politicians."

One problem was that political considerations rather than merit often determined appointment and hiring decisions not just at the top but also throughout the organization. According to national civil service rules set in the mid-1960s, almost all public-sector employees were to be recruited through public competitions,¹¹ with preference given to candidates on the basis of their academic degrees, school or university grades, and examination scores. But because politicians considered public jobs a means of securing votes, they flouted rules by pushing companies to circumvent the public competitions and instead to hire favored candidates on short-term contracts. Once hired, they usually helped get an employee's contract renewed repeatedly until it became permanent.¹²

In addition, some non-administrative, lower-level positions—such as clerks, typists, doormen, or janitors—could be filled directly, as could 15% of public-sector jobs reserved for the disabled.¹³ Politicians abused the provision by hiring skilled people for non-skilled positions and then promoting them or by placing able people in spots reserved for applicants with disabilities. For such employees, promotions and pay raises depended almost entirely on their sponsor.¹⁴ In local parlance, each person had to “belong to a patron” in order to get ahead. Orlando recalled, “If you were looking for a job—you just needed to belong to somebody.”

Cesare Lapiana, who headed the public transportation company under Orlando’s administration and who had earlier worked in the private sector, compared the two experiences: “I had worked only for Italian private and multinational companies, which did not have political problems. No one ever asked, ‘To whom do you belong?’ But here it was normal.”

Hiring personnel indiscriminately undermined performance and efficiency. Mario Rosario Mazzola, president of the water company (1994–98), said that when he first began, he had to oversee 1,100 employees—about three times the number needed to make the company function. Many lacked the right skills. But because of strict civil service rules governing the hiring and firing of public employees, Mazzola could not replace employees.

Artioli, president of the waste management company, described the management situation he encountered when he first came on board at the beginning of Orlando’s administration, “The management had an ad hoc approach to managing the company. A lot of them had progressed from blue-collar to white-collar posts within the company, thanks to clientelism, not merit. So, you had a small circle of senior management with fairly good skills, albeit very old [employees], a depressing middle-tier of administrative and

managerial staff, and a large pool of workers with no fault but who just weren’t managed and organized properly.”

Mafia manipulation of contracts resulted in overspending on public works. Mafia-linked companies that won contracts worked at a glacial pace so they could extend the flow of public money and maximize the profits of all the suppliers and agents that profited from the deal. Government-funded building projects—highways that led nowhere, empty dams, nonoperational seaports, and empty factory buildings¹⁵—created opportunities for Mafia infiltration and cost the city tens of millions of dollars a year.¹⁶ The most conspicuous example of the problem was the dilapidated Teatro Massimo, the city’s main opera house, which had been undergoing contracted renovations for more than 19 years at the time Orlando took office in 1993.

In theory, national laws and regulations were supposed to keep Mafia-affiliated firms from winning government contracts. A 1982 law authorized the local prefecture office—an office that represents the national government in a province—to examine companies’ histories and finances—including their bankruptcies, compulsory liquidations, and tax payment details—and issue anti-Mafia certificates verifying that the firms were free of criminal connections. (In 1997, a decree authorized local chambers of commerce to specifically issue anti-Mafia certificates as well. The chambers of commerce ran the vetting process by using information from the Ministry of the Interior.)

Despite those checks, many seemingly reputable firms that won bids subcontracted work to companies that had criminal ties. Artioli said the situation was particularly acute in the waste disposal company: “The garbage collection contract was given to a particular company that ended up subcontracting a lot of work to local groups that gravitated around criminal interests. I was concerned about getting involved with a

company that had so many different interests, not all of them legal. This was the reputation of [the company].”

Another tactic for avoiding contracting requirements involved the last-minute procurement of supplies. Municipal company managers who colluded with Mafia companies made sure that important materials would run low and that immediate no-bid purchases were needed to replenish stocks. The waste disposal company, for instance, often issued emergency orders for garbage bags because the company had used the last one. The orders went to longtime local contractors linked to the Mafia.

In the absence of competition or adequate oversight, managers also felt no pressure to control costs and allocate resources efficiently. Artioli said of the waste collection company, “Normal concepts like cost per minute or the cost per kilometer of street cleaned were absent because the company was managed from a bureaucratic and not a managerial point of view.” Managers had no reason to set benchmarks or measure efficiency, because they were concerned only with delivering bare-minimum services. At the natural gas and water companies, illegal connections as well as poor payment-collection practices eroded revenues. Old meters interfered with correct allocation calculations.¹⁷ Other companies over-ordered parts and supplies and did not use inventories effectively. Thieves stole gasoline from unmonitored garbage trucks and the transportation company’s buses.

The companies either ran losses or barely broke even. In 1993, the transportation company had operating expenses worth 232 billion lire (US\$140 million) and revenues of 213 billion lire (US\$128 million), leading to a 19-billion-lire (US\$12-million) deficit. The company had accumulated a debt of 51 billion lire (US\$30 million). The gas company’s operating expenses and revenues matched, at about 39 billion lire each (US\$23.5 million), and the company had no

debt. With revenues and operating expenses both at 135 billion lire each (US\$79 million), the waste company also broke even, and it had no debt either. The water company’s operating expenses and revenues were nearly equal, at 116 billion lire (US\$68 million) each, and the company had a small surplus of 55 million lire (US\$32,000).

In the early 1990s, as Orlando took office, the effectiveness and efficiency of Palermo’s public services were at an all-time low. For instance, the city spent an exorbitant, 59 billion lire (US\$34.5 million) to maintain its streets and sewers. (By contrast, Rome—four times the size of Palermo—spent 32 billion lire [US\$19 billion].)¹⁸ But garbage collectors did not collect waste regularly, nor did they reach all parts of the city. Unreliable service and few buses made public transportation inconvenient, recalled Lapiana. Palermo had six water networks for distributing water to the east, west, and southeast parts of the city, but rusted and leaky pipes lost more than 40% of the water that the city made available to its citizens every other day. (By contrast, other cities in Italy lost 15% on average, with Milan at 6%).¹⁹ Without additions to the natural gas pipelines or water networks, gas and water did not reach all parts of the city.

FRAMING A RESPONSE

Because Mafia influence and corruption were so tightly woven into Palermo’s government and culture, Orlando knew his job was to disentangle the two. Cosimo Scordato, a Roman Catholic priest and anti-Mafia activist in Palermo, described the mayor’s thinking: “Orlando wanted people to think Palermo was a normal city and functioned like a normal city, one that did not work through clientelistic networks [and] where you don’t have to call friends or neighbors to pay bills or get the buses to run or turn on the lights. That’s a true antidote to the Mafia—to make the city work by itself.”

When Orlando came to office in 1993, he had a vision, communicated in his electoral campaign, to build a “safe and normal city” free from Mafia influence. To reach his goal, Orlando had to build upon the strategies of his first term and restore city hall’s capacity to do what it was supposed to do: provide services efficiently and fairly. Achieving that aim would bolster the public’s faith in the value of government.

Orlando also had to move fast to improve basic services. Enhancing the performance of Palermo’s four city-owned utilities—waste disposal, gas, public transportation, and water—required a two-pronged approach. First, Orlando had to hire top managers who had the ability, the desire, and the energy to rework operations to deliver high-quality services. Once a strong top management was in place, he could move to banish Mafia-allied Sicilian firms from public works contracts.

As was customary for political appointments, Orlando was in a position to replace board members and presidents with new, competent managers who could monitor progress on public contracts, improve cost controls, and conserve resources while improving service delivery at the same time.

Appearances were important. Fabio Giambrone, Orlando’s chief of staff, said, “There was a need to show that change was happening and a need to demonstrate people were being chosen for their skills, not for their politics.”

Soon after taking office in December 1993, Orlando assembled a team of commissioners who joined his cabinet. The team included people with strong professional credentials and technical expertise, such as Emilio Arcuri, an urban planning expert, who served as vice mayor and commissioner for the restoration of the historic city center, and Giuseppe Cappellani, a former civil servant with expertise in budget and financial management.

Orlando appointed Francesco Miceli as commissioner of public works, a crucial post that carried responsibility for monitoring public contracts awarded through municipal companies. Miceli, an architect and former municipal councillor who had helped develop Palermo’s urban plan, was well qualified for his position but that he never would have been chosen by former administrations, because he was an anti-Mafia activist and a member of a rival political party.

In recruiting candidates to become presidents and board members of the municipal companies, Orlando looked for people from outside the political sphere. Artioli recalled, “In a place like Palermo—characterized by a pervasiveness of politics and clientelism—Orlando’s choice was very anomalous. He decided to appoint the directors of the companies from circles not involved in politics.”

In early 1994, Orlando cast a wide net, advertising the four company presidents’ positions across Italy, including in Rome, Bologna, Florence, and other cities. Looking to bring in outside expertise and also to demonstrate that his administration valued qualifications over connections, Orlando stipulated that the presidents could not have held elected office or political appointments in the past five years. For the positions, Orlando and his cabinet members interviewed selected candidates, who also took tests that measured their qualifications and skills.

Orlando chose a Palermo native to head the waste collection company of 1,700 municipal workers: Artioli, a 33-year old entrepreneur who had earned a law degree from the University of Palermo before starting textile, plastic packaging, and real estate development businesses. At the time he joined Orlando’s administration, Artioli was running his own firm and managed 30 people. He also held a position at Confindustria, an employers’ federation of more than 100,000 companies throughout Italy.

Artioli said he understood the challenge facing him and what he had to do in his new position. “I wanted to move the company from one that would work at a bare minimum to protect major outbreaks of diseases to a company that delivered quality services,” he said. He also knew he had to restore the morale of employees and build esprit de corps among the group as a whole: “My goal was to have them say that they did not work for the municipality but for [the waste company].”

To head Palermo’s gas company of 300 workers, Orlando chose Federico Butera, a professor at the Polytechnic Institute of Milan. Butera had degrees in sociology and management from Harvard University and Massachusetts Institute of Technology in the United States as well as work and research experience in energy and sustainable urban development. Butera’s priorities included upgrading the city’s gas pipeline network and extending it to underserved areas in remote parts of the city. Energy efficiency was another of his goals.

Orlando hired Lapiana as president of the public transportation company, which had about 1,080 employees. Originally from Palermo, Lapiana had worked in Milan, Turin, and Venice for 18 years. He had experience working at municipal companies, having managed a state-owned steel company. Lapiana’s mandate included increasing the number of buses and upgrading city roads to make the public transportation network efficient and convenient.

Mazzola, a professor at the University of Palermo, headed the municipal water company. He had a degree in civil engineering from the University of Palermo and a master’s degree in planning and management from Stanford University in the United States. Mazzola faced the tasks of replacing the city’s six networks (about 450 kilometers of pipes, representing 50% of the distribution network)²⁰ and adding new pipes that would reach all neighborhoods. He would also

have to first crack down on delinquent users to reclaim revenues and then break the Mafia’s hold over the company. He said, “Mafia’s influence was very strong in the company. I had to show that it was possible to change the way the company worked.”

Orlando reached out to Confindustria and other nongovernment groups to fill all of the board positions at the municipal companies with new appointees. He emphasized merit and professional capacity in choosing candidates. He considered businesspeople, lawyers, engineers, architects, and university professors and looked at résumés carefully. The gas company’s board, for instance, included a lawyer, two businesspeople, and an economist with experience in the energy sector. Similarly, the water company board included lawyers and water management experts.

On the new composition of the boards, Artioli added: “It was a moral slap to the traditional groups [that had been] sitting on these boards. They had previously been senior figures and people with political backgrounds, and these were younger people with technical backgrounds. People thought Orlando just wanted skills on the board, but there was more of a political message to it.”

In accepting their positions, the new presidents said they were motivated to contribute to Palermo’s renaissance under Orlando. (Board members, who served in a part-time capacity, were well compensated.) Mazzola said, “For me, it was a very challenging task from both a technical point of view and a moral point of view. But it was an opportunity to . . . help the city in which I was born.”

Orlando encouraged his new company managers to borrow ideas from elsewhere in Italy and other parts of Europe. For instance, transportation innovations came from the Netherlands and France, and the water and natural gas companies looked at Bologna, Milan, and Florence when installing new pipelines.

GETTING DOWN TO WORK

The company presidents started to improve personnel management, to grant public contracts to legitimate companies, and to streamline operations and finances to improve the quality of services.

Managing personnel

Although Orlando gave broad leeway to the presidents to institute controls and correct faulty management practices within the four companies, he also stressed accountability and responsibility. He recalled: “I said to these presidents, ‘You are responsible, and I will never tell you what to do. But you will be fired if you do not bring results at the end the year.’”

Daniela Prestigiacomo, vice president at the transportation company, remembered: “Orlando always said, ‘Go to work, do your job as though it were your own company, do not listen to anybody, and do not push any connection for anyone.’”

To reduce Mafia influence within the companies, Orlando instructed the presidents to adhere to civil service rules—which prioritized public examination scores and academic credentials—in hiring their staffs. Artioli said, “The aim was to make people understand that the process was transparent and there could be only some small variations in the final ranking but no cheating.”

Orlando did not interfere with hiring decisions that were in the hands of company management. Artioli said of the mayor: “He never pressured me. In fact, it was hard for me to even introduce him to some of the top management in the company.” Butera of the gas company agreed: “There were no cases in which he tried to recommend that I hire someone.”

Although presidents could not easily replace or fire low-performing employees, they could hire people with specialized skills to boost internal technical capacity. Mazzola said he took incremental steps to turn the water company

around: “I did not immediately try to transform the whole company. It would have been impossible.” He advertised for and hired 20 technical experts, including engineers, to help carry out renovations and upgrades to the city’s water pipes. He also replaced the general director and five of the eight department heads, who were nearing retirement, with qualified people hired through an open competition or promoted from within the company on the basis of merit. Over the course of his tenure, Mazzola also succeeded in reducing the water company’s personnel by 150 positions by not hiring new staff when employees retired.

The new presidents quickly began working to change corporate cultures in their companies. For instance, Artioli started off by developing relationships with key employees. Employees within the protocol office, for instance, determined who put in overtime or worked on weekends. Artioli said, “Apart from working with division heads, I worked with people at these nodes of control [who determined assignments and overtime pay].”

Artioli stressed the importance of service delivery by bolstering the status of employees who did the actual cleanup on Palermo’s streets. “Municipal workers thought that the most important office was the protocol office,” which decided work schedules, Artioli said. “I responded by saying that the most important office belonged to those people who went to clean up the streets.” For instance, he focused on providing better working conditions in the form of clean showers and dressing rooms for people working the waste-pickup routes.

Unable to offer bonuses or extra compensation or other special treatment because of civil service rules, the presidents motivated employees by giving them recognition for their work. For example, Artioli asked heads of departments to accompany him to meetings with the mayor and encouraged them to make

presentations. He said: “They were so proud to be in city hall, to be involved, and to represent their work to their mayor. It also gave them a sense of accountability, which translated into their talking to workers to ensure that jobs were done well.” Artioli said he also worked to get newspapers to cover important company projects and invited reporters to speak with employees and showcase employees’ work.

At the water company, Mazzola motivated employees by offering them training opportunities whereby they could learn from similar public companies in other parts of Italy and Europe. He said: “The employees could compare their experiences with others in similar jobs. They started to believe that they were part of a community and part of Europe. They were proud to be able to collaborate and learn from people in other companies. It was important for them to grow from a professional point of view.”

The presidents dealt individually with different situations they encountered. At the natural gas company, for instance, Butera’s appointment created some initial difficulties. He said, “When I arrived in my new job, I found that people were not used to dealing with someone who was not involved in politics and had nothing to lose or gain from what they were doing.” But Butera also found that many gas company employees took pride in their work and were eager to fix problems. “This was a very important thing, because immediately after I started making changes, they were all with me,” he said.

The presidents said leading by example was important in helping shift attitudes among workers at the city companies. “How you behaved was important for them,” Butera said. “They did not have confidence in top management because it was a by-product of the worst kind of politics and politicians. When that changed, they suddenly

realized something different was possible. We were there, and we were setting examples day after day.”

Top managers kept their doors open for discussion. Butera recalled: “When there was some problem, people knew they could talk with me and the general manager openly. And we, in an open way, tried to solve the problem or say that it would not be possible to solve the problem in the way they asked.”

At the water company, Mazzola stressed adherence to company policies and rules. “I emphasized that they must follow the rules for everything,” he said. “It wasn’t easy for them because they were used to working in a different way. People are connected to the Mafia, but you don’t know *who* is connected. I could change the rules with the approval of the board, but I had to make sure that the rules applied to everyone. This was one way I tried to fight the Mafia inside the company.” Mazzola also worked with managers to spell out employees’ job responsibilities clearly and focused them on tasks that contributed directly to the company’s goal of improving water services for Palermo residents.

The presidents themselves played a significant role in cutting the Mafia out of government. Company heads said their roles as competent outsiders, rather than connected insiders, helped isolate and destabilize Mafia loyalties. Butera said, “The Mafia works among people who are already somehow connected [to it]. [But] I was outside every interest.”

Some of the positive changes could also be attributed to a shift in the way business was done in the city. Giuseppe Modica, who headed the Europe Office that coordinated loans and grants with the European Union (EU), described how civil servants’ norms changed during the Palermo Renaissance: “There was a new vibe in the city.

Everyone was attentive to these issues. Respecting the rules was convenient for everyone, so everyone was following the rules.”

Improving cost controls and balancing the books

The four company presidents took steps to strengthen control costs and conserve resources in response to their particular needs.

Artioli at the waste company revamped procedures for employees who worked on the streets. He divided the city into sectors and worked with the protocol office to create precise collection routes for workers. “These are normal things in a modern company, and it was not that these notions were alien to the company,” Artioli said. “The issue was that this knowledge was with the individuals and not the system. The team leader may have had a rational plan on how to divide his team’s work, but this was intuition tied up to one individual, which can easily create clientelism.”

The waste collection company established 125 routes for waste collection, assigning specific workers to empty each of the city’s 160 waste bins regularly. Artioli said, “We knew which truck and which worker would pick up a bin on a particular street. That way, if someone called and complained, we would know who was responsible and could send someone to fix it. Every person responsible for sweeping and cleaning had assigned areas and shifts. This is something that should be normal, but it was not the case when I got there.”

Company presidents also worked to establish a yearly planning process, which required accurate and up-to-date tracking of supply inventories. Artioli closely examined orders and made purchase recommendations to the company’s board, paying attention to such details as number of garbage bags needed, type of material, and size. By planning for his full-year needs, he ensured that the company issued large annual tenders that would attract bids from national and international

firms. For example, in 1994, Artioli decided to upgrade the city’s trash collection by purchasing 60 new trucks that could compress their loads, thereby allowing for longer routes with fewer trips to landfills. The order, financed with help from the EU, attracted bids from a spectrum of international firms. Mercedes of Germany won the bid, its first in Italy.

Theft was a problem for some companies, and the solution lay in better monitoring and closer partnership with the police. For example, at the public transportation company, Lapiana stemmed losses from the theft of gasoline. He sought the help of the municipal police, who put cameras at the bus stations and caught thieves who siphoned gasoline from the buses every night. The move not only saved the company money but also signaled to employees that top management was serious about monitoring and conserving the company’s resources.

To nurse their municipal companies back to financial health, presidents went beyond good personnel practices and cost-saving measures. Each undertook measures that suited their company’s circumstances.

Artioli at the waste collection company focused on transparent financial management. He instructed his finance team to pay vendors within 60 days of receiving invoices. He said: “Being an entrepreneur, I knew it was common to wait a long time in the public sector to pay for supplies, so I knew it was important. Later on, a lot of people would approach us because of our reputation for making payments on time.” A reputation for making timely payments helped the company negotiate discounts on purchases. The company received funds through the Europe Office so it could upgrade equipment once it demonstrated the ability to manage finances well.

Mazzola of the water company also stressed timely payments to vendors and contractors. He carefully kept track of progress and ensured that his team paid its outstanding bills once vendors

had completed orders and submitted the correct documents. He said, “It was normal to pay bills on time elsewhere in Italy and Europe, but not in Palermo. It was revolutionary for them.”

Company presidents also monitored the progress and finances of large projects. Mazzola, who assembled a task force of 14 employees to keep track of projects, said: “I took the best young people from the company’s project division and put them on the task force. I also hired an external consultant to provide them with expertise and advice.” The task force monitored the company’s spending on large projects.

To boost revenues, Mazzola focused on cracking down on citizens who did not pay for services or who tapped water through illegal connections. He established a task force responsible for creating a list of users who had not paid their bills, and he asked the team to identify illegal connections, a task made easier once the company started replacing old pipelines. Armed with the list, company workers could go after delinquent users, putting them on a deadline to pay their overdue bills or face disruption in service. Mazzola said: “We tried to force people to pay by threatening to cut off or reduce their water supply. But I mostly just reduced the water supply, because you cannot leave people without water. So, I made sure they had a basic water supply, but I didn’t allow people to take advantage of the company. At first, they didn’t like it, but after a while, they got used to it.” Workers also prioritized maintenance by improving the metering systems for accurate reading and billing. Mazzola added: “My experience was that if you sent the right invoice at the right time and regularly, people saw how much water they used, and they paid. In the beginning, some tried to not pay, but then they got accustomed and paid the bills, just like electricity bills.”

Providing better services

Top managers expanded and improved services. For instance, with improved worker productivity and better equipment and in an effort to boost the company’s public image, Artioli started expanding the waste company’s operations to areas other than waste hauling. For instance, the company handled pest control in municipal offices, recycled industrial waste, and helped with logistics for public events. It also advertised free cleanup services for private events.

“In the beginning, no one within the company or at city hall could figure out why we were doing things that were not in our mandate,” Artioli said. “In reality, it was a way to promote our image among citizens. For example, if we did not clean up right after a concert, we would have had to pick up the extra trash during our routine operations the next day anyway. But this improved image gratified our personnel and made the company look more efficient in the eyes of citizens.”

With EU financing, Butera at the gas company invested about 100 billion lire (US\$60 million) in a new, energy-efficient methane gas network and extended it to previously neglected parts of the city, eventually handing out 250,000 new connections.

At the gas company, new lines allowed the company to extend services to previously underserved areas and gain extra customers. The company also prioritized the use of energy in an effective and efficient manner. Butera’s first priority was to replace the old network with one that would distribute methane to all parts of the city. He also encouraged homes to replace old oil boilers with new central heating systems. Under Butera’s direction, the company focused on refurbishing heating and air-conditioning systems in public offices and replaced old units. Butera

also worked with private companies, such as hotels and health clinics, to install solar panel systems for the heating of water. By 1997, the company had set up seven solar energy installations on municipal buildings that provided social services, 30 installations on municipal offices, and six on apartment buildings.²¹ The installations were a start toward developing Palermo's incipient solar energy industry, which was behind the curve when compared with other European cities.²²

Similarly, Lapiana solicited EU financing to buy better buses and to improve the services that would contribute to a rise in number of passengers. He doubled the number of city buses from 220 to 440, buying new electric or hybrid buses. He also started projects to create more bus lanes on city streets. He had global positioning systems installed in buses and added screens at bus stops to display accurate arrival and departure information.

The company also started special bus services for the disabled and for hospital visits and started a service for visits to areas around Palermo. When the city closed the city's historic center on Saturdays and Sundays for shows and concerts, the company provided all-night bus service. In 2000, with EU support, the company focused on constructing three tramlines in Palermo, but the project got delayed for several years after Lapiana's departure in 2001.

In 1996, Mazzola started to renew the city's water network at a cost of 220 billion lire (US\$122 million). He applied for and received EU funding for the work, with a major chunk coming from the European Regional Development Fund.²³ He financed the remaining 25% from the water company's revenues. The board charged a staff of engineers with drafting a master plan for a new water distribution system, building on an older plan from the late 1970s. Staff members worked closely with the Italian desk of the European Investment Bank for

technical support and followed European rules and regulations rigorously.

The company first renovated the three oldest networks in the city's historic center, then targeted three additional networks, and then built a new line to the city's remote northwest district. EU funds also allowed for electronic supervision and remote control of water as well as replacement of old water meters for accurate readings and precise billing.²⁴ Miceli said: "We managed to get one of the best networks in Europe. This enabled us to provide everyone water every day, every time."

OVERCOMING OBSTACLES

Of the 1990s, Chief of Staff Giambone recalled: "Those were difficult years—years of high levels of violence. The Mafia was waging a battle against us. In those years, city administrators would say they were not scared, even though they were living under police protection." In one incident, top aides in the Orlando administration found their cars doused with gasoline when they came out after a late-night meeting. A 1994 article in the *New York Times* quoted one of the bodyguards as saying, "It was just a Mafia warning. . . . It means next time for real."²⁵ Mazzola recalled, "We would sometimes receive calls without anyone speaking on the phone."

Orlando tried to shield other officials by appearing in public and taking full responsibility for the administration's actions. Giuseppe Ferrante, a commissioner, said: "I felt protected by Orlando because he would take all the responsibility. People understood that he was carrying all the decisions. I felt pretty safe."

Others were glad of the opportunity to reform the administration despite the threats. Artioli admitted, "I had moments of fear, but I never regretted the choice."

Apart from the physical danger, officials faced resistance from Palermo's many trade unions when negotiating contracts. A large number of

workers in Italy belonged to trade unions, with unions representing 40% of the population.²⁶ Major unions included the Sicilian branches of the Italian Confederation of Workers' Trade Unions, the Italian General Confederation of Labor, the Italian Labor Union, and the General Labor Union, which played a substantial role in shaping labor policies²⁷ and getting the vote out during elections. Like elsewhere in Italy, Palermo's municipal companies had to deal with multiple trade unions as well.

With better hiring practices and transparency in management, presidents were able to weaken clientelistic links between trade unions and management and to build trust. Orlando's emphasis on hiring managers with no political backgrounds paid off. For instance, Butera's technical background and transparent management style contributed to a good relationship with the unions. He said: "These people could feel that the management was working well. There were no second, hidden ways of doing things. The relationship with the unions was open and clear because they saw the way we were managing the company."

Company presidents tried a variety of other techniques to manage unions. For example, Artioli focused on providing better working conditions for employees at the waste collection company. He said: "All of this efficiency meant I was not held hostage by interest groups and trade unions. We showed that it was dignified, safe work. I had less chance of being blackmailed by the trade unions then."

Because presidents were outside political interests, unions—capable of mobilizing a large number of votes for politicians—could not make unreasonable demands that could harm a municipal company. Mazzola said: "I am not a political person. They tried to force their decisions on me, but I didn't allow it. I said, 'We must discuss, but I will make the final decision.'" Usually, pay raises were the main causes of

contention. Mazzola said: "Money was always the main reason for discontent or strikes. But the unions understood that I did not have anything at stake. They tried to force me to make decisions that were not in the best interests of the company. But in the end, when they understood that I was outside every interest, they compromised."

Not all negotiations proceeded smoothly. At the public transportation company, when he accepted the position, Lapiana knew of the company's lengthy and problematic history with trade unions. "The company was one with terrible union problems," he said. "There were three or four different ones. So, if you tried to reach an agreement with each of them, it was impossible." Matters came to a head when Lapiana had to negotiate a new labor contract in 1996. Just like Mazzola, he took a tough stance with the unions, and "after one year of discussion, combat, and collective bargaining, we signed a new contract," he said.

Although Orlando took an interest in labor issues, he did not push decisions onto presidents or boards. For their part, the presidents consulted with the mayor or commissioners in the event of a crisis but maintained tight control over their companies. Mazzola argued: "I spoke with the mayor and commissioners but only to discuss issues with them, not to let them decide. I never permitted them to interfere. If I had shown weakness, the unions would have said, 'You cannot manage the company.'"

Orlando contributed to good relations with the trade unions. He ensured that union leaders knew his door was open for them and that they could meet him at any time. He assured unions that his administration was working in employees' interests by attracting large businesses to Palermo. Although economic conditions all over Italy were not rosy, Sicily, in particular, suffered because companies were reluctant to contract out work to the region. Labor costs were high, and the quality of the work mediocre. But Orlando used his

influence in Rome and his contacts made as a member of parliament to get contracts to Palermo. Many contracts remained in place after he left, thereby contributing to continued employment.

ASSESSING RESULTS

In 2000, for the first time, Moody's Investors Service assigned Palermo an Aa3 rating, signifying a very low credit risk for investors. The rating put the city on par with such cities as Stockholm, Barcelona, and San Francisco—and above New York in creditworthiness. Moody's attributed the high rating to an improved city administration, high revenues, and low debt during the second half of the 1990s. It also noted that at 35% of current revenues, Palermo's debt was significantly lower than that of other Italian cities.²⁸

By 2000, the four municipal companies had succeeded in stemming financial losses for the most part. Revenues of 202 billion lire (US\$122 million) met the waste company's yearly expenses of 197 billion lire (US\$119 million) in 2000, and the waste company had no debt. With revenues at 180 billion lire, or US\$108 million, the transportation company's expenses shrank to 182 billion lire (US\$110 million). The company's deficit stood at about 2 billion lire (US\$1.2 million), and the 1993 debt of 51 billion lire (US\$30 million) had been reduced to 39 billion lire (US\$23 million). The gas company's revenues of 49 billion lire (US\$29.5 million) covered its expenses of 48 billion lire (US\$29 million). The company had accumulated a surplus of 500 million lire (US\$300,000). In 2000, the water company's revenues of 119 billion lire (US\$71 million) paid for 96% of the 124-billion-lire (US\$75-million) expenses. But the company had an outstanding debt of 6 billion lire (US\$3.6 million).

The companies succeeded in reversing years of mismanagement. Magistrate Giuseppe Di

Lello, a citizen of Palermo known for his anti-Mafia work, said: "Orlando changed the way of managing city government. He did something really important: he appointed expert managing directors in the municipal companies. These were people with the right skills, who could manage without being influenced by patronage or clientelism."

Managers repaired and expanded gas and water networks and revitalized public transportation and waste collection, investing in infrastructure to lower maintenance costs and provide quality services. By the end of Orlando's term in 2000, the transportation company had used 100 billion lire (US\$60 million) to purchase efficient buses; the natural gas company had invested an equal amount to extend the gas network to all households; and the water company had spent 200 billion lire (US\$122 million) to upgrade six water distribution networks in the city center and had eliminated water shortages in Palermo.

Artioli at the waste collection company fulfilled his goal: garbage collection trucks were providing timely and quality service in neighborhoods. He said of the waste company's improved reputation and demand for its services: "After a while, we became the go-to company for all sorts of issues: cleaning up rubble from buildings that had collapsed in the city center, ticks that had been found in a public gym, or a broken glass in a school."

Of the gas company, Butera said: "Everybody recognized our success in upgrading the natural gas network within four years. It had taken 10 to 20 years in all the other northern Italian cities." In 2001, the European Commission recognized Palermo gas company's solar and methane energy program; and the United Nations Environment Programme recommended it as best practice in 2002.²⁹

By 1998, the transportation company employed a greater number of skilled staff—1,956

from 1,080—at reduced cost. In measuring success, Lapiana said, only low-income groups had ridden public buses before 1997. By 2000, people who owned cars were riding them, too. “My company made a profit because everyone found it possible to use the buses,” he said. “They left their cars in the garage.” The company also instituted a car-free day once every month.

The water company ensured reliable supply to the city, including distribution to neglected areas. Although water losses remained severe in old parts of the network, savings from the restored parts of the distribution network made up for the losses and allowed for a continuous water supply.³⁰ The number of citizen complaints went down dramatically as service became reliable.³¹ A 2011 European Commission study estimated that because of changes in the water network during the 1994–99 period, the value of related benefits, such as money residents saved by not operating electric pumps to withdraw water, amounted to 407 million euros or nearly US\$500 million.³² Mazzola recalled, “The company became an example for the rest of southern Italy.”

Not all reforms were successful, however, and many showed decreasing returns over time. Although anti-Mafia certificates were effective initially in keeping the Mafia out of public contracts, the criminals soon caught on. Magistrate Di Lello said: “The anti-Mafia certificate, part of a national law, worked really well in the beginning. But then the Mafia understood the system and how to get around it by using clean companies that could then be subcontracted.” Referring to the former mayor convicted of Mafia involvement in 1992, Di Lello added: “At the time of Orlando, Vito Ciancimino and his friends won some tenders. They used companies with clean names and then subcontracted through them.”

In addition, local contractors complained of bias when the administration favored European and northern Italian firms over local ones. They

noted that to paint all of the local contractors as belonging to the Mafia was to “fire up a witch hunt.”³³

Company presidents were not always successful in exercising controls or making changes. Artioli, for instance, conceded that he had failed to prevent gasoline theft from garbage trucks. He was also unable to push through some large projects, such as an incinerator for the city. He said: “We had retained earnings for a total of 96 billion lire [US\$58 million] and had set them aside for investments. My plan was to use them to build an incinerator. We had gone through all the planning stages, and all we needed to do was to open a public tender. If we had been able to do that, by 2004 Palermo would have had an incinerator with twice the capacity to serve the city. [But] I left.”

Water rationing continued in some areas because the pipes could not withstand increased pressure despite system upgrades. Although 75% of the city received continuous services, residents in southern parts of the city and a northern suburb continued to experience supply disruptions.³⁴ Overall, pipes continued to lose water, although the loss was offset by efficient distribution and reliable service.³⁵

As was customary, all four presidents left their positions either when their contracts expired or near the end of Orlando’s term in 2000. Artioli went on to become vice president of Confindustria, the association of industrialists. Butera returned to his teaching position at the University of Milan. And the University of Perugia in central Italy recruited Lapiana. Mazzola left in 1998 to become president of the national company responsible for water systems in southern Italy.

Many of the gains achieved during the Orlando years were not sustained. By 2012, public services in Palermo had declined considerably. Garbage piled up on the streets, because striking employees refused to pick up trash. The garbage

and transportation companies were once again in dire financial straits. The garbage collection company failed to break even and suffered a loss of 20 million euros (US\$26 million) in 2012.³⁶

Reforms initiated under Orlando backslid under the next administration. With the departures of key commissioners and presidents, companies returned to past hiring practices based on patronage and political considerations. Cappellani, responsible for the municipal budget under Orlando, said of the waste company: “Under Artioli, the city was clean and better than it is today. The problem with the new administration is that they divided the services between people who clean and people who pick up trash. And they have hired too many people, because the more you hire, the more votes you get during elections. But the costs are high, and the company is bankrupt.”

REFLECTIONS

When Leoluca Orlando came to office in 1993, he promised to free Palermo from Mafia influence. Andrea Scrosati, one of Orlando’s campaign organizers, said: “Our campaign was built around taking back the city. It was not about politics; it was about freedom and democracy, against fear, and the control of illegal activity. We were sending the message that enough is enough and we don’t want to be controlled by this evil power. This is the moment that you can take back the city.”

Orlando considered two objectives paramount to reclaiming Palermo: The first was to physically reclaim the historic city center to make it a base for rebuilding civic pride, tourism, and economic growth. The second was to improve vital city services and infrastructure, partly to restore faith that the municipal government could generate public goods and partly to support enterprise and development, including renovation of the historic core.

In the revitalization of municipal services, Orlando’s decision to hire experts who were skilled in their fields and beyond the reach of vested interests proved critical. Mario Rosario Mazzola, former president of the water company, stressed: “You must cut the link between politics and the managers of a company. In Italy, it is very difficult for a public company to be independent of this link. Many of these companies are accustomed to being part of politics. But to have a good public company, you have to cut the link.” For their part, presidents filled positions on the basis of merit and not on the basis of political considerations. “We increased the technical capacity of the staff and hired more technical people,” Mazzola added. And those capable staff members boosted companies’ internal capacity and performance.

The hiring strategy also infused Orlando’s administration with competent people who could offer innovative ideas. Using well-run European cities as benchmarks also helped raise expectations. Orlando pushed company heads and commissioners to learn from other parts of Italy and Europe, importing ideas that would make Palermo comparable to other European cities.

Reflecting on the reforms, members of Orlando’s team credited their success to the mayor’s trust in their abilities. Orlando did not interfere with their work but offered full support when needed. Cesare Lapiana, former head of the public transportation company, said: “Orlando never called me to order or ask for favors. I remember that he called me only once—when he saw many people at a bus stop. He asked if there was a problem because there were too many people in one place. He called me only for such things or to travel to Europe to get ideas.”

Benefiting from the collaborative team spirit Orlando fostered, company presidents focused on high-quality service delivery. Lapiana said: “It was a moment when everybody felt like a part of a

family. We had close cooperation, and everybody saw results. People talk about it as the Palermo

Renaissance, a positive and light period in the city's history."

Endnotes

¹ "Water Supply in Palermo," *Centre for Industrial Studies*, 2011, 6.

² Ibid.

³ "Water Supply," 31.

⁴ Ibid., 30–31.

⁵ Judith Chubb. 1981. "The Social Basis of an Urban Political Machine: The Case of Palermo," *Political Science Quarterly* 110 (4 May 2012).

⁶ Leoluca Orlando. 2001. "Fighting the Mafia and Renewing Sicilian Culture," 82.

⁷ Ibid., 31.

⁸ Joan and Peter Schneider. 2003. "Reversible Destiny," 181.

⁹ These were the waste management company, Azienda Municipalizzata Igiene Ambientale; the natural gas distribution company, Azienda Municipalizzata Gaz; the public transportation company, Azienda Municipalizzata Auto Trasporti; and the water company, Azienda Municipalizzata Acquedotta Palermo.

¹⁰ Before the change, the companies had the same tax code as that of the municipality, effectively functioning as a branch of the municipal government. During the intermediate step toward becoming publicly held companies, the four received separate tax codes.

¹¹ Chubb, 112.

¹² Ibid.

¹³ Chubb, 113.

¹⁴ Ibid., 114.

¹⁵ Alexander Stille. 1995. "Excellent Cadavers," 11.

¹⁶ Ibid., 138.

¹⁷ "Water Supply," 24.

¹⁸ Stille, 138.

¹⁹ Ibid.

²⁰ "Water Supply," 34.

²¹ "Palermo: Thermal Solar Energy." 1997, 3. http://www.energy-cities.eu/db/palermo_132_en.pdf, accessed 25 September 2012.

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²⁴ Ibid., 7.

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³¹ Ibid.

³² Ibid., 8.

³³ Schneiders, 197.

³⁴ "Water Supply," 22.

³⁵ Ibid.

³⁶ “Amia, persi 36 milioni in due anni fallisce la gestione commissariale,” *La Repubblica*, 21 September 2012, http://palermo.repubblica.it/cronaca/2012/09/21/news/amia_persi_36_milioni_in_due_anni_fallisce_la_gestione_commissariale-42992937/, accessed 27 September 2012.

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