

A Price is Born!

On explanations of municipality rates and fees.

Göteborg University
School of Public Administration
Box 712
SE 405 30 Göteborg
Sweden

Author: Stellan Malmer
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Abstract

The debate about municipality fees and rates relates to fees being different in different municipalities, that fees are high and rates are complicated. The purpose of this study has been to explain municipality fee levels and rates structures. Four municipality activities and their rates and fees have been studied; water and sanitation, refuse, building permits and geriatric care.

Within social science there are various kinds of explanation models: causal explanation, intentional explanation and functional explanation. In this study these three different models are used. This is done by deducing four terms that are associated with municipal fees and rates within each explanation model. The terms are: *costs, demand, resources, quality* (casual), *objectives, politics, justice, financing* (intentional), *laws, comparisons, experience and competition* (functional). Municipal representatives for the four activities in eight municipalities have ranked the twelve terms with regard to their significance for fees and rates. These people have also been interviewed about their interpretation of the twelve terms and how they look upon their significance for the fees and the rates.

The result of the study shows that the fee level is explained by the costs of the activity in combination with the requirement that the activity should be financed totally by fees. The structure of rates is explained mainly through various interpretations of justice. Laws, in the form of the full cost price principle, sets up ceiling limits for fee levels. In turn, the costs are explained by the quality of the activity and the resources that the municipality has in order to produce the activity. Consequently, all three explanation categories are needed.

The study has shown that the price depends on a combination of variables and that the price can be accounted for with the help of different explanations. To explain municipal fees and rates, a combination of explanations must be used.

Keywords: Municipality, pricing, rates, fees, costs, justice, politics, laws, explanation, causal, intentional, functional, financing.

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