

Local utilities and public services in Europe: challenges and opportunities



vol. 17 | n°4 | 2015

« au service de l'analyse » — since 1998

networkindustries
quarterly

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Local utilities represent one of the least studied subject among the disciplines focused on the transformations of network industries and, more generally, on the delivery of local public services (LPS). This deficit of attention is not due to a lack of relevance, as publicly owned corporations and institutional public-private partnership represent an important phenomenon in many European countries such as Germany, Italy, Austria, Switzerland and the Scandinavian countries, just to name a few. More likely, scholars overlooked public utilities because they constitute a difficult topic to deal with. There is no homogeneous legal framework at the European level and each Member State has its own tradition in regulating the utilities. Moreover, even within each national context, reliable databases on local utilities often do not exist and, in any case, it is very difficult to undertake cross-country comparisons.

The four articles in this special issue confirm the multifaceted nature of this subject and open the floor for future reflections on the role of local utilities and regulation of LPS in Europe. **Citroni, Lippi and Profeti** highlight the political nature of local utilities. At the crossroad between public ownership and market environment, local utilities stand out as complex agents that are influenced but also able to affect local regulation. In this light **Di Giulio and Galanti** describe the ongoing regionalization of local public services in Italy. The other two contributions focus on two classical features concerning the regulation of these kinds of markets. **Ida and Talit** provide insights on the building of a market for bus and coach lines in Israel as a driver of efficiency. **Sokołowski** explores the potential of local utilities as agents of policy effectiveness in improving energy security.

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Network Industries Quarterly | Published four times a year, contains information about postal, telecommunications, energy, water, transportation and network industries in general. It provides original analysis, information and opinions on current issues. The editor establishes caps, headings, sub-headings, introductory abstract and inserts in articles. He also edits the articles. Opinions are the sole responsibility of the author(s).

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ISSN 1662-6176 Published in Switzerland



The politics of corporatization: what it is, why it matters

Giulio Citroni*, Andrea Lippi**, Stefania Profeti***

Abstract - This article discusses the political facets of corporatization in Local Public Services (LPS) by focusing on three specific practices: the use of corporatization as a way to limit competition; the design and actual practice of regulation and control over service providers; the appointment of members of company boards and shareholder assemblies.

Corporatization and politics: why it matters

In recent years the study of the corporatization of public agencies has focused extensively on governance and regulation issues. Besides this consolidated approach, however, empirical studies have also interpreted publicly-owned companies as attractive arenas for politics, especially at the local level (Christensen and Laegreid 2011; Hodge and Greve 2009). In fact, the creation of municipal corporations (often under private law) not only meets the need to increase the efficiency of local public services, but also provides local administrators with a certain number of advantages through the creation of enterprises that leave room for political action in a domain usually regarded as pertaining to business, or to administration in a broader sense. As was the case with privatization (cfr. Feigenbaum 1994), corporatization can be described not just as a pragmatic option, but in some cases as strategic or tactical political behaviour.

- Firstly, the recourse to private-law companies instead of public-law ownership may provide governments with “considerable freedom from close public oversight and control, legislative and otherwise” (Thynne 2010: 7): bypassing bureaucratic processes of decision-making and budgeting and democratic chains of accountability, managers and executive bodies gain in autonomy and discretion.

- Secondly, discretion increases also concerning future decisions to restructure or partially divest companies’ share capitals (possibly substituting previous costs with expected returns), to set inter-governmental collaborative ventures (not necessarily avoiding informal networking and patronage), and to establish public-private partnerships or other forms of strategic alliances (ibidem).

- Corporatisation may also be attractive for the benefits it may offer to the political class, especially when elected politicians are “puzzling” (Hecló 1974) with supranational or national pressures for reform or are facing

situations of short-term political uncertainty (and possibly failure) such as those determined by public finance shortages and administrative overloads (King 1975; Peters 1981). In these critical situations, the shift from direct public intervention to the creation of private-law companies at arm’s length from political power may provide politicians with the opportunity to take the distance from potentially unpopular activities in a context of poor financial resources, and enable them to avoid responsibility and shift the blame (Fiorina 1986) to managers for policy errors or unsatisfactory services (Christensen and Pallesen 2001; Yamamoto 2004).

- Finally, corporatisation may supply a flexible tool to experiment incursions into new fields of policy or with new policy partners, creating arenas and stakes that may be appealing for strategic coalitions and constituencies (Lippi and Profeti 2014).

In short, corporatization may (and does) have a number of political facets, which derive from the intrinsic ambiguity of corporatization itself and are visible in management and regulation dynamics, in contract negotiation and enforcement, and so on. We focus here on three ways through which the use of corporatisation may be part and parcel of a number of political strategies: a) the use of corporatisation as a way to limit competition; b) the design and actual practice of regulation and control over service providers; c) the appointment of members of company boards and shareholder assemblies.

“To bid or not to bid?": corporatisation in lieu of competition

The absence of strict or effective EU or national requirements for competitive tendering leaves ample room for manoeuvre by local actors (Lippi and Profeti 2014): “to bid or not to bid?”, as ran the title of an earlier article by

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Boitani and Cambini (2006). Thus, one of the most interesting starting points to understand the role of politics in the management of local services is to look at local governments' attempts to ring-fence the selection of service providers as well as the renewal of concession contracts.

On the one hand, competitive public tenders are based on contracts that last sometimes for decades and are complex and incomplete: this may lead to specific risks (i.e. lock-in effects, opportunism etc.) and to the inability of the public authority to exercise strict control over service delivery. Corporatisation may be perceived as a partial solution to this problem: it provides local administrators/politicians with the opportunity to keep some kind of political control over the company, to maintain privileged relationships of trust between the municipality and service providers, thus perpetuating (or strengthening) local networks of influence and consensus-building. On the other hand, it also reinforces political consensus by keeping possible external challenges in check: corporatized agencies and firms will include selected stakeholders and local (or otherwise near) partners, promote industrialisation on a local basis, protect local "champions", all the while keeping foreign (or otherwise unwanted) firms at a distance.

Different versions of a similar phenomenon may take place if the service is assigned directly to 'in house providing' companies, of course, but also when municipally owned companies decide to participate in public tenders in other territories (at least in countries, like Italy, where this is not prohibited), since political relations between mayors (and local politicians in general) may soften competition and lay the basis for informal mechanisms of regulation and control. Of course, different national legislative frameworks setting the rules to award concessions may produce different outcomes, reducing or amplifying local politicians' room for manoeuvre.

Regulation and control: escape to informality

The model of regulation that inspired many reforms across Europe was intended to produce principal/agent, purchaser/provider or other forms of interaction, which would induce optimisation through establishing conflicting goals and granting the exercise of control. Known problems exist with this model, such as information asymmetries that affect the ability of the principal to control the agent, or the incompleteness of contracts: these problems are all the more stringent when regulatory bodies are small, poor or ill-equipped, and service providers gain autonomy and influence thanks to greater knowledge and material

resources.

Apparently, many local decision-makers have little hope that the tools of regulation will actually work, or would rather not switch to them completely, and make ample recourse to two strategies, often combined. On the one hand, they do not give up public ownership; they will not privatise and regulate, but corporatize and regulate. In this way, they avoided a real commitment towards regulatory tools, but of course they incur in conflicts of interests. This way they are saved the trouble of refining tools of regulation, but of course they incur in a conflict of interests which directly contradicts the principal/agent, purchaser/provider agenda of reform: the regulated company is owned by the regulator. On the other hand, the complex toolkits of evaluation and control, and formal relationships in both spheres of regulation and ownership are integrated with informal, personal relationships based on trust, patronage, party and community politics.

Such shifts between logics and forms of regulation clearly determine a re-politicization of interactions in the sphere of public utilities and services, as an unexpected consequence (or lack of expected ones) deriving from regulatory reform (Citroni 2009; Citroni, Lippi and Profeti 2015).

Regulators: by appointment only?

This is probably the most obvious - and discussed - political facet of corporatization. The creation of companies separated from the bureaucratic machine goes hand in hand with the establishment of new bodies (such as the companies' boards of directors) whose members are selected and appointed by the local government. In the context of an enduring and generalised crisis of legitimacy of political parties and other identity-based forms of representation (Katz and Mair 2002), this extension of "public office" opportunities may offer politicians and party leaders alluring occasions to distribute selective incentives among their supporters/allies or within their own party (Pollitt et al. 2005: 20), thus favouring their personal empowerment and contributing to develop new channels for the recruitment of the political class. This is all the more important at the local level, where the proximity among the various categories of actors frequently leads to problems like career osmosis, 'revolving doors' and patronage dynamics, which further undermine the independence of «principals» from regulated companies and generate improper costs of regulation (Becchis 2003).

Concluding remarks

In the previous paragraphs we illustrated the politics of corporatisation; what it is theoretically and where it is to be found empirically. We pointed out that the persistence of politics in regulatory models of governance may be considered an intrinsic dimension, not just a totally unexpected side effect. Regulatory governance leaves room for political action, distributing opportunities for political power and political practices. The way in which the “politics of corporatisation” develops and its potential extension depend of course on national legislations defining rules for the creation, functioning and steering of municipal companies, as well as on the various sectors and fields in which they operate; but it appears that some form of persistence of politics can be generalised.

More precisely, we outlined three key issues where the politics of corporatisation may be found. First of all, corporatization may be a way to avoid competition and to create hybrid policy arenas. Secondly, corporatization coexists with very weak regulation and little formal control, substituted by informal relations, trust, and political affinity. Finally, political appointments to boards and assemblies are clearly a stake for politics and a way to set up political practices (revolving doors and patronage) in place of independent and separate careers. All these three aspects are ‘windows of opportunity’ for politics and provide chances for the mechanism and outcomes described above.

As such, corporatisation matters for three significant sets of political consequences. First, the ‘new’ corporatisation still perpetuates ‘old’ practices. Second, it generates a lack of accountability making room for additional politics out of the traditional and institutionally defined places for democratic politics. Finally, it gives local politicians discretionary room for manoeuvre well beyond the legal framework, limiting the autonomy of managers and attracting managers themselves into the game of politics.

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Varieties of regulation? Implementing the regional governance of local utilities in Italy

Marco Di Giulio*, Maria Tullia Galanti**

Abstract - This paper sheds light on Italian public utilities. In particular, it focuses on the emergence of regional patterns of regulation, due to policy legacies and industrial strategies.

Introduction

Since the early Nineties, Italy underwent a deep institutional restructuring. On the one hand, the territorial administration has been reformed with increasing decentralization of administrative functions to local governments; moreover in 2001, a constitutional reform decentred important legislative competences to the regions. In the same period of time, the state also attempted a retreat from the production and provision of public services through privatizations and corporatization (Lippi et al. 2008). Twenty years have passed since the reforming of Italian local utilities started. As other branches of the national public sector, the production and provision of public services were at that time strongly criticized for their poor performance and inefficiencies. Ever since, the national policy aimed at modernizing sectors such as local transport, water and waste management has been mainly intended to reduce the fragmentation of the operators, which was thought to be one of local utilities' main weaknesses (Galanti and Moro 2014).

The powdered structure of Italian local utilities, mostly characterized by medium and small publicly-owned enterprises, played nonetheless an ambivalent role in the very process of reform. On the one hand, it provided an argument for a series of national governments to introduce market-oriented policies aimed at creating industrial synergies. The main strategies adopted relied on incentivising corporatization and privatization, while local governments (namely municipalities, provinces and their functional bodies) have been progressively induced to award services through competitive procedures. On the other hand, the overall fragmentation of these sectors constituted an argument for local stakeholders – municipalities and their corporations – to strongly lobby national governments to keep the possibility of directly commissioning services.

The outlined dynamic led to mixed results. On the

one side, local utilities underwent impressive transformations towards private-like organizational structures. On the other, local governments are still largely in control of them, so that these firms stand out as hybrid forms of organizations, which are private, as far as their legal form is considered, even though their strategies seem to still be politically driven. This transformation marked thus a change from the past, since the traditional channels of accountability have been reshaped (Lippi et al 2008; Citroni et al. 2015; Asquer 2014; Citroni and Di Giulio 2014).

Despite this cleavage between national government and local stakeholders still characterizing Italy's utilities policy, some relevant changes affecting the governance of local public services have occurred since 2011, as the financial crisis opened up a window of opportunity for the national government to revise its policy. One of the directions at the national level entails an empowerment of regional governments in the regulation of utilities in their territories. Such decentralization – currently in the implementation stage – is interesting because it allows us to observe Regions' strategic choices and accounts for their divergence. The next two sections describe, respectively, the institutional legacy of local utilities' regulation and the directions taken by the Regions since they acquired significant regulatory powers.

Legacy

In the traditional model for water and transport provision, each Italian local government was in charge of organization, planning and management. The resulting fragmentation of service provision took different patterns across the country: in the wealthiest north, municipal enterprise was the option of choice; in the centre, direct management was the favoured solution, whereas in the south the central administration of the state remained the key player in the

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provision of water. The cost of the service was financed through general taxes and related financial transfers from the central government to the localities.

After 1994, this architecture radically changed with reforms that introduced a new multi-level governance system for water provision and that was largely replicated for other Local Public Services (LPS). In order to address the fragmentation of the over 5,500 water districts, through horizontal integration, economies of scale and scope, the State delegated to the Regions the definition of the boundaries of 'Optimal Water Districts' (Ambiti territoriali ottimali, ATO) for the implementation of the integrated water and sanitation system. In each ATO, municipalities were grouped into an institutional body, the ATO Authority, or AATO, which regulated water services by defining investments and tariffs and monitoring the overall management. AATOs granted to companies service concessions as defined by contract. Finally, the reforms introduced an end-user tariff policy, covering full costs: running expenses as well as maintenance, restoration, and innovation investments (Lippi et al. 2008: 623-625). With the sole exception of Toscana (Tuscany), the implemented ATOs corresponded to the territory of existing Provinces. As a result, the fragmentation of providers was only slightly reduced, while corporatisation and mixed private-public companies spread at the local level (Citroni et al. 2012). With respect to regulatory issues, direct awarding and renewal of existing concessions prevailed on tenders and on competitive awarding procedures (Massarutto and Ermano 2013; Asquer 2014).

The legal framework of local transportation was reformed in 1997, by a centre-left government coalition led by Romano Prodi. While regulatory powers over local railways were for the first time attributed to the Regions, urban and non-urban non-rail passenger services remained under the responsibility of local governments, municipalities and provinces, respectively. Moreover, the government

introduced compulsory tender as the instrument by which the Regions and local government were to entrust services, in order to reach the target of 35% of cost recovery by tariffs revenues. As the Regions started to implement this general framework, they did not pay attention to the possible synergies among transport modes, since they all kept separate regional and provincial planning functions. In addition, the awarding procedures collapsed for railway services (Di Giulio 2011), and yielded only poor results for urban and provincial services (Autorità di Regolazione dei Trasporti 2014). Even in this case, the Provinces remained the main planning bodies for all non-railways transports.

Towards regional patterns of regulation

Since the financial crisis in the Eurozone started to hit Italy in 2011, three national governments have been in power and all have shared the commitment to modernize the regulation and management of public services. In particular, the cabinet led by Mario Monti, in addition to the traditional effort to re-introduce compulsory tendering, started to modify the broader governance of local utilities. With reference to both local transportation and water services, thus, the institutional framework is currently evolving from the traditional two-tier structure (State-LGs) to more articulated arrangements.

This transformation has two main dimensions. In the first place, relevant regulatory powers have been delegated to autonomous national authorities. In the case of water, some competences over supervision, control and financing were then attributed to the existing national authority for electricity and gas (now Autorità per l'Energia Elettrica, il Gas ed il Servizio Idrico, AEEGSI). A similar process took place regarding transportation: an independent regulatory agency (Autorità di Regolazione dei Trasporti) was established in 2012 with significant powers in defining

Table 1 – Emerging patterns of local regulation in water and local public transports (2015)

Region	Water			Transports		
	Planning	Dimension of the service area	N of service areas (2015)	Planning	Dimension of the service area	N of service areas (2015)
Piemonte	Sub regional	Sub regional	6	Supra-provincial and provincial	Supra-provincial and provincial	4
Lombardia	Sub regional	Sub regional	13	Supra-provincial and provincial	Supra-provincial and provincial	6
Veneto	Sub regional	Sub regional	9	Provincial	Provincial	7
Liguria	Sub regional	Sub regional	6	Region	Regional	1
Emilia Romagna	Regional	Regional	9	Supra-provincial and provincial	Supra-provincial and provincial	5
Toscana	Regional	Regional	6	Regional	Regional	1
Umbria	Regional	Regional	4	Regional	Regional	1
Marche	Sub regional	Sub regional	5	Regional	Provincial	5
Lazio	Sub regional	Sub regional	5	Regional	not yet implemented	-
Abruzzo	Regional	Regional	6	Regional	Sub-regional	3
Campania	Sub regional	Sub regional	4	Regional	not yet implemented	1
Molise	Regional	Not yet implemented	1	Regional	not yet implemented	-
Puglia	Regional	Regional	15	Provincial	Provincial	6
Basilicata	Regional	Not yet implemented	1	Regional	Regional	1
Calabria	Regional	Not yet implemented	5	Not yet implemented	Supra-provincial and urban	5

Source: authors' own elaboration.

the standards for awarding the procedures that the local authorities should follow.

The second dimension, and the one this paper focuses on, has to do with the delegation to Regions of relevant discretionary powers over several key regulatory features, especially after 2011. To date, Regions seem to have embraced divergent strategies in the re-scaling of the governance of their services. Table 1 summarizes the regional choices with respect to the allocation of planning functions and the boundaries of the territorial areas in which services are awarded to providers. The two dimensions indicate the degree of centralization that the Region is willing and able to pursue.

With respect to centralisation, Regions can be grouped differently according to the different policy styles that emerge from the choices they made in the different LPS sectors (Citroni, Lippi and Profeti 2015b). The Regions of the Centre present a dirigiste attitude, though with some remarkable differences between sectors. In general, this proactive attitude implies a centralisation of some regulatory competences such as planning, monitoring and vigilance at the regional level within a brand new Regional Authority, while delegating the organization of the services to local governments in the Province. In Toscana, the choice to create a unique regional district and to entitle a new authority for the regulatory functions was the result of a tendency that started well before the financial crisis. Former ATOs for water services aggregated the territories of more than one province, resulting into 6 supra-provincial water districts. At first, the concessions for the water and sanitation systems were directly awarded to corporatized local utilities. In addition, also the very ownership structures of these companies were opened to competition, with tenders for the selection of private industrial and financial partners. In 2015, the dimension of water service districts for concessions is still handled at the supra-provincial level. In the case of transport, Toscana is currently implementing an even more centralizing policy, having constituted one unique district for the whole Region.

Indeed, a rather conservative and non-interventionist attitude has been showed by the Northern Regions, characterised by a strongly fragmented industrial structure of mixed private and public companies in both sectors. The Piemonte (Piedmont) and Veneto Regions maintained the districts of provincial or supra-provincial dimensions, creating neither the unique ATO nor the new Regional Authority. The Region of Lombardia (Lombardy) limits the scope of its actions to the coordination of local actors, letting local governments choose the dimension of the service areas, which can range from provincial to municipal dimensions. Interestingly, in Friuli Venezia-Giulia districts of provincial dimensions remain for issues of water but not

for transport, where the Region opted for a unique district. Overall, the legacy of strong fragmentation in service provision in the North still holds.

In the South of the Peninsula, a choice in favour of wider regional ATOs for water can be found in the legislations of Abruzzo, Molise, Basilicata and Calabria, even though implementation of recent regulation is exposed to a number of uncertainties, linked to local political conflicts and the fact that at the time of the restructuring of LPS governance, those Regions were ruled by State special commissioners. It is therefore plausible that the design of regional wide ATOs might be a top-down authoritative decision inspired by the national government. In the field of transport, the size of the districts remained mainly at the provincial level, thus mirroring the existing fragmentation of service operators. A conservative attitude far from the overall regional steering seems to be that of the Lazio Region, where the boundaries of the water and transport districts remain at the provincial level. Puglia, conversely, represents a case of particular Regional activism. Since the very first implementation of water reforms, this Region promoted the institution of a unique ATO, whereas districts remained at the provincial dimension in the transport domain.

Rescaling for efficiency's sake?

The emergence of regional patterns in two sectors such as transport and water, characterized by different business and technological requirements, might raise doubts on the very drivers of regional regulation.

According to the basic assumptions of transportation economics, while centralizing strategic planning might make sense, the choice of some Regions to create a single traffic area comprehensive of both urban and extra-urban lines is hard to justify on the sole basis of efficiency gains. In those cases where such a decision had been made, namely Umbria, Toscana, and Liguria, it seemed to have been aimed at easing the process of merging existing (and mostly loss-making) companies. The first mover, in this direction, was the Umbria Region that promoted the integration of four locally owned transportation companies, which in 2010 merged into Umbria Mobilità. After that, in 2012, the Region emended the legal framework concerning local transport creating a single traffic area and, two years later, Busitalia, a subsidiary of the Italian State Railways, took over the controlling share of Umbria Mobilità. A similar pattern is currently at work in Toscana, Liguria and Campania, where the design of a single traffic area seems to emerge as a strategy to consolidate specific operators, rather than creating efficiency through compe-

titive dynamics. The Italian Competition Authority has repetitively expressed concerns in this respect, advising those Regions to award services on the basis of more than one traffic areas. Nonetheless, Toscana has recently closed a tender in which all local transportation services – urban and non-urban – were awarded in a single bundle: an 11 years concession with subsidies amounting to €4 bn. Only two players made a bid: on the one hand Busitalia in cooperation with the majority of incumbents and, and on the other Autolinee Toscane, an Italian subsidiary of the French RATP Group, already running services in the Region. The latter won the tender, thanks to a 3% reduction on the bidding price, against the 1.75% offered by its competitor.

In the water sector, the picture of the regulatory governance and the actual dimension of service areas are more confused. As a matter of fact, the choices of the Regions to define a unique ATO and to centralise planning and monitoring functions in Regional Authorities do not automatically imply the awarding of concessions through competitive tenders within a unique water district for all the regional territory. To a certain degree, the recent choices only aim at reinforcing the regulatory role of the Region. Moreover, the presence of numerous incumbents at the municipal level as providers makes the expansion of the boundaries a tricky task. Thus, rather than intervening on the dimension of water district areas, political actors pursue the reduction of fragmentation by merging incumbent municipal providers, while leaving the dimension of the former ATOs at the provincial or at the sub-provincial level. The most explicit attempt to promote industrial aggregation through the redesign of the boundaries was made by the Toscana Region, which aggregated the former ATOs into 6 supra-provincial districts. Competitive tendering for the services provided by the incumbents was then opened.

The recent creation of a unique regional ATO in several regions mirrors the on-going process for the rationalisation of local public and mixed owned utilities (Bussu and Galanti 2015). In accordance with recent State directives, the industrialisation of the water providers should be pursued by fostering mergers and acquisitions among the local utilities, which are often controlled by the local governments as main shareholders. As a matter of fact, the mergers of local utilities could also allow a more proactive role of the Regions in designing wider service areas and then in opening them to competitive tenders. This scenario is more plausible in contexts where the number of incumbent providers has already been reduced, such as in Toscana and Emilia Romagna, where few providers control most of the former ATOs. Conversely, it seems less plausible in the North, where the aggregation of service providers is limited and the size of service areas remains at

the municipal and provincial level, such as in the cases of Lombardia, Veneto and Piemonte.

Concluding remarks

Despite the fact that Italian Regions are still implementing their own regulatory governance of local utilities, some conclusions from the reforms can be drawn. Firstly, regional governments have increased their regulatory powers over utilities. Secondly, even if only some of them seem to be effectively intentioned to centralize the governance of local services, it is not unlikely that in a near future other Regions might adopt similar strategies. This phenomenon constitutes thus a crucial aspect for both national regulators and stakeholders to deal with, even in light of the concurrent empowerment of the national autonomous agencies of several regulatory powers that were previously held by the government. Whether the increasing complexity of the institutional framework local utilities operate in will foster a more sustainable business environment or not, remains an open question.

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The Israeli experience in competitive tendering of public bus services

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Abstract - This research presents the main results of a reform in public bus services in Israel. In this reform, part of the public bus services, previously provided by two regulated monopolies, were tendered. This research also discusses the effects of tender characteristics on the quality of regulation.

Introduction

During the last decades, many countries have implemented reforms in public bus services. The main reasons were rising service costs (Hensher and Houghton 2004), and a decline in ridership, mainly due to the transition to widespread use of private vehicles. In most locations, the reforms were accompanied by changes in regulatory structure, corresponding to changes in the industry (Hensher and Stanley 2010; Hidson and Muller 2003; Van de Velde and Wallis 2013).

Examination of regulatory arrangements revealed significant geographic differences in regulatory environments, which affected liberalization and entry options of the market (Steer Davies Gleaves 2009). The United Kingdom chose a «big bang» approach in 1980. Sweden opted for more gradual change, Norway for pragmatism, and Italy for an incomplete approach (Van de Velde 2013).

Liberalization and deregulation of the bus sector was perceived as successful in those European countries that implemented it (Van de Velde 2013). Reforms usually produced considerable savings in costs mainly due to substantial reductions in bus drivers' wages (Walters 2010). Results varied concerning service levels, fares, and ridership figures (Ida and Talit 2015). Different objectives of transportation authorities also produced different tender characteristics, which served as available tools for regulators.

Bus reform results in Israel

In Israel, two cooperatives have been supplying 96% of

public bus transportation for many years. In 2000, public transportation reform was introduced. The main objectives were to improve economic efficiency of bus services in order to provide the necessary resources required to improve the scope and the quality of service and to increase ridership figures.

In 2012, eight new operators, selected through a process of competitive tendering, accounted for 34% of industry activity (in terms of vehicle kilometers), and by 2017 their portion is expected to increase to 45%. Examination of the results shows that the average kilometer cost per vehicle decreased by 37% to 50%. The main savings resulted from reduced wages, mainly that of drivers (Ida and Talit 2015). In most bus clusters included in the tenders, the level of service (scope) and ridership increased, and quality of service improved, while some bus fares decreased.

The main changes in level of service, fares and ridership are presented in Table 1.

Discussion

The Israeli experience in competitive tendering of public bus services seems to be quite successful in terms of cost savings, improvement of service quality, and increased ridership. However, the reform was accompanied by frequent changes in tender characteristics, such as: division of regulatory authority, type of contract, contract duration. These changes may reflect problems with government regulation or incongruity between tender characteristics and their defined purposes.

In most of the European Countries, local authorities traditionally provided urban public transport, either di-

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Table 1. Change in level of service, fares, and ridership figures in Israel, 2000-2010 (%)

Cluster of lines	Type of service (urban, intercity, mixed)	% change in level of service (2010)	% change in number of passengers (2010)	% change in tariffs
Nahariya – Zefat	mixed	52	45	-24
Hadera – Netanya	intercity	86	105	-19
Ramla – Matityahu	mixed	118	99	-20
Beer Sheva – Tel Aviv	intercity	104	67	-45
Tiberias	urban	126	45	-52
Ashdod – Tel Aviv	intercity	62	86	-56
Bikat Ono	urban	-21	3	-10
Elad	mixed	32	63	20
Beer Sheva	urban	17	17	5
North Negev	mixed	35	34	24.5
Emeq Yizrael	mixed	33	72	25
Modiin	mixed	-18	21	0
Petah Tikva	urban	-20	-8	2.5
Betar Illit	mixed	18	225	0
Netanya – Tel Aviv	intercity	1	62	26
Jerusalem Corridor	mixed	3	63	21
Rahat	mixed	-7	-40	30-40
Ashdod	urban	-3	28	4
Shomron	mixed	0	-2	0
Lod – Tel Aviv	mixed	1	-25	20
Sharon	mixed	NA	NA	0
Yoqneam – Tivon	mixed	0	NA	1
Bnei Brak – Jerusalem	intercity	NA	NA	0

Source: Israel's Public Transportation Authority, 2012.

rectly or through associated companies. This corresponds to the insight that public transport is a social service provided by public authorities to ensure a certain level of mobility for everybody (Hidson and Muller 2003). In addition, operators' involvement on the tactical level (setting routes, fares, frequencies) is associated with improved service and increased ridership (Hensher and Stanley 2010).

In Israel, the transportation authorities were always concentrated at the national level, by the Ministry of Transportation (Ida and Talit 2014). In addition, the dearth of operators' involvement on the tactical level prevents the transportation authority from utilizing operators' knowledge and experience. This situation may impair the ability to maintain an effective regulatory mechanism that will provide an appropriate level of service to users in different regions.

Recognition of these drawbacks has led to regulatory change. Recently, a National Transport Authority was formed in Israel. It will operate as a Ministry of Transport Support Unit, whose role will be to ensure operation of a broad, effective public transportation system, according to government policy (Ministry of Transport 2007). Subsequently, four Metropolitan Transportation Authorities will be founded to provide local transit services.

Risk distribution between the transportation authority and the operators is defined as part of the contracts. In

a gross-cost contract, the operator only bears the "production risk", namely, the risk of producing a set output, regardless of passenger figures. These contracts are considered as relatively low cost to the transit authority. In a net-cost contract, the operator receives income from selling services while bearing the "revenue risk". Thus, these contracts are considered as more motivating for operators to improve service and increase ridership (Muren 2000).

Although, until 2010, all Israeli tenders were net-cost, the cost-and-demand structure did not induce operators to improve the quality of the service. Consequently, in 2010, the transportation authority switched to gross-cost tenders (Ida and Talit 2014). To motivate operators further, the authority included incentives to increase passenger figures within the tenders (Amaral, Saussier and Yvrande-Billon 2009).

Another important tender component is the contract duration. Long contract duration reduces average cost per unit, facilitates financing and capital investment, producing improvements in workforce and equipment, and ensuring job security, particularly for drivers. However, this may not promote good service, since long contract duration reinforces the operator as a regional monopoly (Muren 2000). Low tender frequency also reduces the introduction of changes in technology or demand.

Initial contract duration in Israel was six years, later

extended to eight. In the last four tenders, the contract period was six years with two possible extensions of three years each. These extensions may prevent a regional monopoly, provided that operators do not consider them automatic extension mechanisms. However, if extension depends on performance, operator insecurity may ensue.

In order to choose the most appropriate operator the transport authority usually uses a two-stage process. First comes initial screening, designed to bar operators lacking financial solidity and previous experience. Yet the screening may also impair competition by discriminating against small companies. While the regulator's preference for financial strength and economies of scale is understandable, it may hinder competition and increase collusion among operators. This situation might ultimately produce regional monopolies that impair efficiency and service standards.

Determination of the winning criteria is the second stage of the process. Standards must reflect the regulator's goals and their relative importance. For example, since there is a trade-off relationship between savings in cost and the ability to maintain a good level of service (Muren 2000), focusing on bids that cut costs and subsidies may impair the improvement of the service. Criteria for selecting Israeli operators have changed over time for several reasons. Particularly notable was (a) the 2004-2010 shift in emphasis from reducing fares and increasing the scope of service to saving on subsidies. This change was ordered by the Israeli Ministry of Finance to save public expenditure on service delivery. From 2010, the criteria focused on cost savings and on the service proposed, with relatively greater weight ascribed to operational programs that defined standards of service. This change expresses the trend led by the Ministry of Transport to strengthen bus services, partly under pressure from Israeli NGOs that are interested in promoting this issue; (b) preventing dumping bids and renegotiation after tender awards; and (c) linking subsidy levels to ridership figures.

During the contract period, an efficient supervision and control system is essential to maintain service standards. In 2006 Israel adopted two measures to regulate quality assurance and service continuity. One considered operational control score and past experience of operators; the other included drivers' wages and plans for investment in training. Inclusion of the operators' standard-of-service score as a criterion for tender award, and increasing its relative weight from 5% to 17%, significantly increased the importance of the regulatory instrument. However, the standard of service index does not include passenger preference surveys, which show the importance of different elements of the index (Hensher and Prioni 2002). The relatively low number of bus trips measured for each operator

(about 0.4% of all rides) is another disadvantage of this supervision and control system, which may not deter operators from deviating from required standards.

Conclusion

Competitive tendering may effectively save costs of providing and improving public bus service. International differences in tender characteristics and service levels stem from different priorities regarding how to use resources that are saved because of competitive tendering.

In Israel, tender characteristics have changed frequently over the years in order to improve regulatory capabilities and to attain different objectives. The recent establishment of the National Transportation Authority and the future establishment of four Metropolitan Transport Authorities may improve regulation capabilities. Since the declared objective of the Israeli government is to promote bus services and increase the number of passengers, it seems that several characteristics still delay the achievement of these goals: (a) division of authority between the regulator and the operators is not optimal. Distance of the regulator from service end points and exclusion of operators from tactical level involvement still hinder service improvements and increased ridership; (b) diminishing the number of companies in the market may reduce competition; (c) extending contract periods may reduce competition levels in the medium to long run. It is premature to assess the impact of a short contract period with two possible extensions that are subject to operator performance; and (d) the operational control index does not include consumer preference surveys, which help reflect the value of service standards to consumers.

Implementing appropriate changes in future tenders may contribute to the goals of improving public bus services and of benefitting passengers.

Acknowledgements

The authors would like to thank the Van Leer Jerusalem Institute – Hazan Center for Social Justice and Democracy for their financial support.

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Local Public Energy Utilities: A Road to Improving Local Energy Security

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Abstract - Local public energy utilities influence the local energy security. On the one hand, their dispersed nature brings them close to citizens. On the other hand, this feature may affect the stability of the energy system. Against this background, the aim of the paper is to delve into the European approach to the issue of the local energy usage.

Introduction

Local public energy utilities have a great potential in terms of increasing the level of the local energy security. This, according to the International Energy Agency (IEA), may be defined as “the uninterrupted availability of energy sources at an affordable price”. Nevertheless, “[e]nergy security has many dimensions: long-term energy security mainly deals with timely investments to supply energy in line with economic developments and sustainable environmental needs. Short-term energy security focuses on the ability of the energy system to react promptly to sudden changes within the supply-demand balance” (IEA).

In this discussion, one may look at energy security at the international and national level, as well as at the local dimension. As far as the local dimension is concerned, energy security relates to the needs of local communities.

This may be done in various ways, but almost all of them are related to improvements of local energy infrastructure (either grid or production units), that very often involves usage of local energy resources. Herein, the local energy utilities are the answer, as they may use local energy resources, produce energy locally, as well as deliver it locally. Because of their dispersed nature, these kinds of sources are among those closest to citizens. Due to their smaller scale of investment, the installation of local energy units is very often quicker and easier, as well as a more sustainable due to the use of renewable fuels.

In light of this, this paper aims at analysing the main European strategic documents and legislation related to the issue of the local energy usage in power units owned by the local governments. The paper juxtaposes them with the circumstances influencing the development of local public energy utilities and their role for the issue of local energy security.

European Resources and Local Energy Sources

There are many indications that the European Union is committed to the development of local energy generation, as local energy units tie together a number of issues like improvements of energy efficiency, growth of renewable energy usage, reduction of greenhouse gases emissions, as well as usage of indigenous energy resources. Particularly, in the context of energy security, this latter element is crucial.

According to the priorities of the May 2013 European Council “[i]t remains crucial to further intensify the diversification of Europe’s energy supply and develop indigenous energy resources to ensure security of supply, reduce the EU’s external energy dependency and stimulate economic growth” (European Council 2013: 4). To enhance energy security, apart from finding new sources of supply, the EU focuses on increasing the usage of its own resources, as it is heavily dependent on external supplies. In 2008 the EU primary energy consumption represented 1800 Mtoe, whereas the EU own energy production covered 850 Mtoe (European Commission 2010b: 13). Moreover, the overall EU import dependency has increased (natural gas +6 p.p and crude oil +3 p.p. between 1995-2012) (European Commission 2014d: 21). Between 1995-2012 indigenous crude oil production decreased from 160 Mtoe to 71 Mtoe (European Commission 2014d: 29). With respect to natural gas production decreased from 200 Mtoe in the late 90ties to the level of below 150 Mtoe in 2012 marking the lowest level since 1995 (European Commission 2014d: 41).

In terms of various kinds of indigenous energy sources, in the EU’s strategic documents on energy one may find that “the most indigenous resource with greatest fuel diversity” is renewable energy (European Commission 2014d: 10). Despite some concerns linked with the variable nature of wind and solar power resulting in challenges in

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terms of their reliability (European Commission 2014d: 10), the EU perceives it as a preferable source of energy. It has an important role to play not only in securing indigenous energy supplies but also in tackling climate change (European Commission 2010b: 13). Decreasing oil and gas production in the EU makes exploitation of indigenous energy sources inevitable, although these sources need to be “sustainable.” Thereby, “[c]ontributions may come from renewable energy sources”. Nevertheless, the EU qualifies herein also “domestic reserves of conventional and unconventional fossil fuels (primarily natural gas) and nuclear according to Member State preferences over their energy mix and within the framework of an integrated market with undistorted competition” (European Commission 2014a: 11).

In the EU, the use of renewable energies in proportion to the total energy consumption has increased from 8.7% in 2005 to 14.1% in 2012 (European Commission 2014d: 163). This means that the EU’s energy produced at local has grown and the dependency on energy imports has decreased. The electricity sector was the main driver for this change of tendency (the share of EU produced renewable electricity increased from 15% to 24% between 2005-2012) (European Commission 2014d: 163).

The share of renewable energy sources (RES) is also influenced by the local energy utilities. “In 2013, German local public utilities had 3000 MW installed RES capacity, which constituted an increase of 32% from the previous year; [i]n Italy, local companies own 2,400 MW in hydro-power plants and 2,500 MW of biomass plants, constituting 13% and 50% of respective installed capacities on national level” (CEDEC 2015: 6). Certainly, apart from the EU policy, the policies pursued at national level have a great impact on this expansion. For instance, the German Energiewende that determined changes for the so-called “Big Four” (i.e. German main national operators) might represent an opportunity for development of the local energy utilities (Schlandt 2015), also those owned by the local authorities.

Naturally, as already mentioned, renewable energy sources are not the only way to improve energy security in the EU. “Many stakeholders agree that Europe should further diversify its energy supply sources and routes, though there is no consensus on the sources with some stakeholders focusing on shale gas, while others note that focus should be on indigenous renewables resources and energy efficiency” (European Commission 2014b: 202-203). However, because of the EU climate and energy policy and its support to the development of renewable generation, stakeholders choose local renewable energy sources as they “increase the security of supply by reducing dependence on imported fossil fuels” (European Commission 2014b:

202-203). Moreover, “NGOs and most of the renewable and non-energy intensive industrial associations, trade unions and companies are stressing that renewables and energy efficiency offer specific advantages in terms of job creation, competitiveness and innovation” (European Commission 2014b: 221). Thus, the new energy scenario of greater European energy independence will not happen without the development of new technologies. “These new technologies are needed to further reduce primary energy demand, diversify and consolidate supply options (both external and indigenous), and to optimise energy network infrastructure to fully benefit from this diversification” (European Commission 2014c: 14). Investments in research and innovation may lead to inventions of new energy storage solutions or improvements in local heating systems (European Commission 2014c: 14).

Adopted by the EU, policy frames open a window of opportunity for local public energy utility. Due to their scale of operation, much smaller than the system sources, they fit into the development of renewable generation. The local public energy utilities may choose between unconventional energy sources to supply a significant part of their energy consumers. With the help of national or European funds, they may finance investments in modernisation of former conventional energy units. Finally, they may benefit from the system of support of renewable energy. Naturally, it does not mean that every local energy source must be of a renewable character, as the Member States can shape their energy mix under the Article 194 (2) of the Treaty on the Functioning of the European Union.

Local public energy utilities also greatly contribute to improvements of energy efficiency. In many European countries (especially Central and Eastern Europe as well as Northern Europe) apart from generating electricity the local energy utilities deliver heat. For instance, in 2013 in Germany, local energy utilities generated one third of their electricity in cogeneration processes; in Austria, 30 TWh of heat and 20 TWh of electricity are annually produced in this way (CEDEC 2015). Moreover, combining heat and power has a potential to significantly increase energy efficiency. Additionally, because of this cogeneration, the combined heat and power (CHP) units emit less greenhouse gases. For example, “[t]he highly-efficient plants reach an efficiency factor of 80-90% and helped to reduce Austria’s CO₂ emission by 4 million tons in 2012 at relatively low cost” (CEDEC 2015).

With or Without Decentralised Energy Systems

Presented circumstances show the possible direction for future development of the decentralised energy systems

in the EU. It is quite clear that this process will be driven by two main factors: the growth of renewable generation and improvements of energy efficiency. The combination of these two drivers will be beneficial. As stated in the sixth recital of the preamble to Directive 2009/28/EC “[t]he move towards decentralised energy production has many benefits, including the utilisation of local energy sources, increased local security of energy supply, shorter transport distances and reduced energy transmission losses. Such decentralisation also fosters community development and cohesion by providing income sources and creating jobs locally.”

Advantages of the decentralised energy systems made them attractive for local communities. Policies to decentralise energy supplies mean that the local governments are consulted more often and have a direct impact upon the type and location of energy units (Johnston 2012). Thereby, “[l]ocal and regional authorities are calling for measures to be adopted at the most appropriate level of government. From their perspective EU energy policy should incentivise and support local sustainable energy production and distribution” (European Commission 2014b: 210).

However, the decentralised energy system does not mean moving away completely from centralised energy systems (or rather central units for the needs of the energy system). These two approaches are complementary; as rightly stated in the EU’s strategy “Energy Roadmap 2050” “centralised large-scale systems such as e.g. nuclear and gas power plants and decentralised systems will increasingly have to work together. In the new energy system, a new configuration of decentralised and centralized large-scale systems needs to emerge and will depend on each other, for example, if local resources are not sufficient or are varying in time” (European Commission 2011: 8). Because the local energy sources are dependent on the internal (breakdowns, repairs, power shortages, etc.) or external factors (unstable powers like wind or sun, increased demand, and so on), there is the need to stabilise each local energy system with the use of central units to support local energy systems whenever it is necessary.

Modern Energy Systems and Smart Cities

Looking at the status of the energy sector one may pose a question: who should be the leader of transitions in the energy system? The European policy approach is based on an active role of the public entities, which should be at the forefront of changes (it does not exclude private stakeholders, but imposes an obligation for public entities). This is confirmed in numerous strategic documents

as well as in the law. For example, as addressed in the strategy “Energy 2020” “[t]he public sector needs to lead by example. Ambitious objectives ought to be set for public sector consumption. Public procurement should support energy efficient outcomes. Innovative integrated energy solutions at local level contributing towards transition to so-called ‘smart cities’ should be supported. Municipalities represent a major actor of the required change, thus their initiatives like the Covenant of Mayors should be further strengthened. Cities and urban areas, which consume up to 80% of the energy, are at the same time part of the problem and part of the solution to greater energy efficiency” (European Commission 2010a: 7).

To support local urban development, the European Commission launched a pan-European project on smart cities, aimed at gathering “the best from the areas of renewable energies, energy efficiency, smart electricity grids, clean urban transport such as electro mobility, smart heating and cooling grids, combined with highly innovative intelligence and ICT tools” (European Commission 2010a: 16). Established in 2011 the European Innovation Partnership on Smart Cities and Communities (EIP-SCC) lists among its ambitions, inter alia, the integration of “local solutions within a European or global market, by aggregating local demand and developing common solutions” (European Innovation Partnership 2013: 19). Such integration of local solutions would foster “a more modular approach to local ecosystem solutions, which can be used in cities throughout Europe, and thus define a European market for smart city solutions, technologies and products” (European Innovation Partnership 2013: 19).

Local public energy utilities, being very close to end-users, are in a very good position for aggregating local demand. Their independence from central government give them possibilities for bottom-up actions covering all mentioned fields, i.e. renewable energy, energy efficiency, smart electricity grids, clean urban transport, smart heating and cooling grids, etc. As they act locally, they take care of local problems like energy poverty of local households or need of energy advice (CEDEC 2015: 6).

Conclusion: Act Local

The development of new energy technologies provides an opportunity to transfer the discussion on energy security to the local level. Thereby, the local public energy utilities play an important role in ensuring energy security of local communities. Building dispersed energy sources, for instance renewable generation, allows local authorities to become more independent from central energy units, and

national energy companies. As a result, they foster competitiveness of firms in the energy market.

Moreover, energy generation that is closer to final users reduces the problem of energy losses in transmission and enables faster rebuilding of the energy system in the event of emergencies. With the possibilities of supplying not only electricity but also heat, they may improve energy efficiency as well as reduce emission of greenhouse gases.

Of course, the development of the local public energy utilities may be difficult, and the local energy sources might not be able to compete with big energy companies. On the one hand, impediments for local public energy utilities may arise: for instance, it might be difficult to capture the full potential of renewable energy; there might be a lack of heat demand; there could be the need to conduct additional, costly investments. Furthermore, it should not be forgotten that the local public energy utilities, as being owned by local authorities, act for the public needs, and an important aspect of their business is meeting the needs of local communities. Among them the energy security exists.

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Management of Urban Infrastructures

A Massive Open Online Course by EPFL - MIR - IGLUS

The Chair Management of Network Industries at Ecole Polytechnique Fédérale de Lausanne (EPFL), directed by Prof. Matthias Finger, is happy to announce the release of the first free Massive Open Online Course (MOOC), on February 16th 2016, on the Management of Urban Infrastructures. This course is offered by EPFL, and diffused through the Coursera platform. The MUI MOOC provides an introduction to the principles of urban infrastructures management. In this MOOC, which is one of the outcomes of the [IGLUS](#) project, you will hear learn these principles from practitioners (City of Geneva, Veolia, Boston Consulting Group, CarPostal), Experts (The World Bank) and Academics (EPFL, CUNY). You can find more information about the course by [Clicking here](#).

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- Block3: Management of Urban Energy Infrastructure
- Block4: Management of Urban mobility Infrastructure

Besides fulfilling the mandatory requirements to obtain the course certificate from Coursera, the participants can also write an optional case study to win a prize! The 3 best case studies will win a tuition waiver scholarship to enroll in the IGLUS professional training program in Fall 2016.

You can now [subscribe for the MOOC here](#). Please follow us on [Facebook](#) and [Twitter](#) to get the latest updates from the MOOC and the IGLUS project!



Call for Papers

5th Conference on the Regulation of Infrastructures

The de- and re-regulation of the different network industries is an ongoing process at national and global levels. As this process unfolds, ever new phenomena emerge. Yet, the question about the right mixture between market, economic, technical and social regulation remains wide open in all the network industries.

The question becomes even more challenging when looking at recent infrastructure development as triggered by their pervasive **digitalization**. Not only are the different infrastructures transformed by their digitalization – e.g., digital transport, smart energy, etc. – calling for new approaches to regulating them, but moreover does digitalization become a phenomenon in its own right. The European Commission actually sees digitalization as a means to accelerate integration, to tear down regulatory walls and to move from 28 national markets to a single one. Consequently, digitalization and especially its implications in terms of privacy and security also require regulatory attention.

This [5th Florence Conference on the Regulation of Infrastructures](#) aims at taking stock of the major challenges infrastructure regulation is currently facing in the age of their rapid digitalization. It does so by:

- looking at the main infrastructure sectors, notably **telecommunications, postal services, electricity, gas, railways, air transport, urban public transport**, as well as **water distribution and sanitation**; growing intermodality among infrastructures, notably as a result of their digitalization;
- looking at infrastructure and their regulation from various disciplinary approaches, notably **engineering, economics, law and political science along with interdisciplinary approaches** are particularly encouraged; and
- linking an **academic approach with practical relevance**; **policy relevant** research papers are again particularly encouraged.

Finally, we especially welcome papers that link technology and institutions in **more than one infrastructure sector**, as to allow comparisons and highlight cross-sectoral trends. Interested junior academics – advanced

PhD students, PostDocs and Assistant Professors – along with academically minded practitioners are particularly encouraged to participate.

Publication opportunity

- Conference Proceedings include all the abstracts presented at the Conference and are listed in the publications of the Florence School of Regulation.
- Outstanding papers will have the chance to be published in the dedicated issue of the Network Industries Quarterly (Issue 18, Vol 3, September 2016). This will be included in Cadmus - the EUI Research Repository.
- Furthermore, building on the feedbacks and comments received at the Conference, selected authors will be invited to submit their papers for a Special Issue of Utilities Policy.

Unique Conference Format

Following the successful experience of the 4th edition, the format of the Florence Conference on the Regulation of Infrastructures is unique:

- each presenter has 45', which includes 20' of presentation, 10' of qualified feedback and 15' of discussion with the audience (there are only 2 papers per session, guaranteeing high quality);
- feedback will be given by senior professors associated with the Florence School of Regulation, who are specifically knowledgeable about the topic at hand;
- papers that will be retained for publication will receive additional feedback beyond the Conference.

Guidelines for the abstract: 600-1000 words, structured as follows

- title of the paper & keywords;
- name of the author(s) and full address of the corresponding author;
- the aim and methodology of the paper;
- results obtained or expected;

Timeline

- submission of the abstract until January 17th 2016 (word format download the guidelines [here](#)) using the [online form](#). For any issue regarding the submission, please contact Ms Nadia Bert at fsr.transport@eui.eu;
- notification of acceptance by February 17th 2016;
- submission of the full paper by May 24th 2016; participants who fail to comply with this deadline will be automatically removed from the programme.

Scientific Committee

- Prof. Matthias Finger (EPFL and EUI, Director of the Transport Area of FSR)
- Prof. Jean-Michel Glachant (Director of the Energy Area of FSR)
- Prof. Leigh Hancher (Director of the EU Energy Law & Policy Area)
- Prof. Xavier Labandeira (Director of FSR Climate)
- Prof. Pier Luigi Parcu (EUI, Director of the Communications and Media Area of FSR)
- Prof. Ignacio Pérez Arriaga (MIT, Comillas and EUI, Director of the Energy Training of FSR)
- Prof. Stéphane Saussier (IAE de Paris and EUI, Director of the Water Area of FSR)



The Transport Area of the Florence School of Regulation

The Florence School of Regulation (FSR) has been created in 2004 as a partnership between the European University Institute (EUI) and the Council of the European Energy Regulators (CEER). Since then, the Florence School of Regulation has expanded from Energy regulation to Telecommunications and Media (2009), Transport (2010) and Water (2014).

The Transport Area of the Florence School of Regulation (FSR Transport) is concerned with the regulation of all the transport modes and transport markets (including the relationship among them). It currently focuses on regulation and regulatory policies in railways, air transport, urban public transport, intermodal transport, as well as postal and delivery services.

The aim of FSR Transport is:

- to freely discuss topics of concern to regulated firms, regulators and the European Commission by way of stakeholder workshops;
- to involve all the relevant stakeholders in such discussions; and
- to actively contribute to the evolution of European regulatory policy by way of research.

The core activity of FSR Transport is the organization of policy events, where representatives of the European Commission, regulatory authorities, operators, other stakeholders, as well as academics in the field meet to shape regulatory policy in matters of European transport.

The results of FSR Transport's activities are disseminated by way of policy briefs, working papers and academic publications. All FSR Transport materials are open source and available on the FSR Transport webpage, as they aim to involve professors, young academics and practitioners to become part of a unique open platform for applied research.

To learn more visit our website: www.florence-school.eu or contact us at FSR.Transport@eui.eu.

Latest event:



[4th Conference on the Regulation of Infrastructures](#)

Continuing the successful format, the 4th Conference on the Regulation of Infrastructures took place on Friday, 12th June and brought together all research areas of the Florence School of Regulation to discuss current challenges in the regulation of the Infrastructure Industries. Watch the highlights and download the presentations! The call for papers for the next edition of this Conference is now open!

FSR-Transport events Spring 2016:

Date	Title
29 February 2016	4th Florence Intermodal Forum
9 March 2016	Executive Seminar at the World ATM Congress in Madrid
2 May 2016	12th Florence Rail Forum
24 June 2016	5th Conference on the Regulation of Infrastructures

For more information about our activities please contact: FSR.Transport@eui.eu.



RAIL ECONOMICS, POLICY AND REGULATION IN EUROPE

Edited by **Matthias Finger**, Ecole Polytechnique Fédérale Lausanne (EPFL), Switzerland, European University Institute, Italy and **Pierre Messulam**, Transilien SNCF, France

'Railways – they are one of the most powerful and symbolic modes of transport. They are especially important for Europe and for many decades the EU has tried to facilitate their development. This book provides a lot of good analysis of the problems of contemporary European railways. It also contains many interesting proposals on how to solve these problems. Highly recommended reading for all who are interested in transport and logistics.'

– Siim Kallas, former Vice-President of the European Commission, Commissioner for Transport 2010–2014

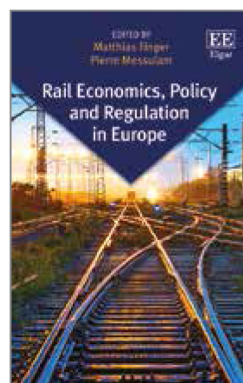
The European railway sector has gone through profound, yet mostly institutional, changes over the past 20 years, owing mainly to the initiatives of the European Commission. This book constitutes a first systematic account and assessment of the recent transformations of the European railway sector, whilst also covering the main segments such as passenger transport, high speed and freight.

The expert contributors have been charting these developments over the past five years. They provide a critical analysis of relevant, yet contentious, issues such as competition, unbundling, regulation, access charging, standards and interoperability, and public-private partnerships.

Practically-minded academics, as well as academically-oriented practitioners, interested in the railway sector and other public transport sectors will find this book to be a crucial read. It will also be of use to postgraduates studying infrastructure economics, policy and regulation.

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392 pp Hardback 978 1 78347 332 8
2015 £95.00 (UK/RoW) • Nov 2015 \$150.00 (N/S America)
Elgaronline 978 1 78347 333 5



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networkindustries

quarterly

Network Industries Quarterly, Vol. 18, issue 1, 2016 (March) “achievements and current challenges regarding public utilities’ regulation in Brazil”

The forthcoming edition of Network Industries’ Quarterly will be a special edition focused in Brazil. Our aim is to provide the reader with an overview of the achievements and current challenges regarding public utilities’ regulation in the country. It shall be edited by Patrícia Sampaio, Joísa Dutra and Edson Gonçalves, professors at Getulio Vargas Foundation in Rio de Janeiro, an institution ranked as the most prestigious think tank in Latin America according to Global Go To Think Tanks Rankings 2014.

Brazil is the seventh largest economy in the world in terms of GDP. As a consequence of the privatization program launched in the 1990s, a significant portion of public services was transferred to private investors under long-term concession agreements. This was the case in the transmission and distribution of electricity, roads, railroads and telecommunications. However, the State remained as an important player in certain strategic sectors such as electricity and oil & gas, in which State-owned companies play relevant roles competing with private concessionaires.

The 1990’s privatization program can be considered successful in many dimensions. It was able to attract more than USD 73 billion in investments between 1995 and 2002. Additionally, it allowed expanding access and improving quality of service provision. Some sectors also experienced great network expansion, such as the power grid.

However, the country has been facing huge challenges lately. Private investments in infrastructure have been declining significantly in the latest years. As a result, Brazil is lagging behind other BRIC countries.

In June 2015, the federal government launched a new program to attract almost R\$ 200 billion investments in logistics, including roads, ports, railways and airports. However, the political and economic scenarios are challenging, characterized by fiscal constraints and budgetary unbalance.

The next volume of Network Industries’ Quarterly will comprise papers that shall endow readers a broad sense of what has happened in terms of public utilities’ investment in Brazil and the trends for the future. Editors have invited specialists to present their perspectives on different sectors and subjects, such as concession agreements, inter-sectoral regulation, transport integration, universalization, and governance of State-owned companies.

The [Network Industries Quarterly](#) carries an ISBN number and is published by Ecole Polytechnique Fédérale Lausanne (EPFL) and the Florence School of Regulation (European University Institute). Published four times a year and distributes to approx. 6000 interested subscribers worldwide, the NIQ is included in Cadmus, the EUI’s Research Repository. You can find the latest issues of the NIQ here:

- [Vol 17 - no 3 - 2015 – Regulation of Infrastructure Industries in Emerging Countries](#)
- [Vol 17 - no 2 - 2015 – Urban Energy Transition](#)
- [Vol 17 - no 1 - 2015 – Network Industries in Eurasia](#)