

The economic and financial context across Europe has given rise to a growing need for public facilities, in particular those related to infrastructure and to the process of European integration. However, meeting this need has been subjected to the limitation imposed by the availability of public finance. Along these lines, it is becoming essential to adapt policy measures well-suited to users' needs and to improve infrastructure management from an overall approach of service quality and productivity.

The French experience in "delegating" the management of public services is well-established, highly-regarded and diverse.

### ● *The French experience*

Experience in the process of delegation, a process which can be traced back to Greco-Roman age, is well established since it has been applied to the construction of canals and bridges ever since the 17th or 18th century. The 19th century was the golden age of concessions, not only for railways but also for all other urban utilities: water, waste water, lighting, transportation, etc.

The experience is highly-regarded in that, over some thirty years, the process has been reshaped in order to serve the needs of highways, car parks and district heating. Recently, other types of services have made their appearance: cable television, pay television and even prisons! The success of French industrial groups working within major international project teams testifies to the effectiveness of this process in places such as the United States, Great Britain, Germany, Latin Americas, Southeast Asia, Australia or the countries of Central and Eastern Europe. Today, the World Bank speaks of a genuine "French model" for delegating the management of public services.

The experience is diverse with extremely varied initiatives being undertaken with respect to the following parameters:

- scope or nature : from delegating solely the operation to including the design and construction phases along with the operation, for both physical infrastructure facilities as well as public services;
- type of delegating authority : from the State to the local-level authority, and including all intermediate-level public bodies ;
- type of concessionaire : spanning the range from public to private sector, and including combinations thereof ( para-public corporations).

Alongside some striking successes, notably in the fields of water resources management, the French experience has also been subjected to a number of failures which in themselves provide valuable lessons.

In the majority of cases, failure is primarily due to the excessive demands placed on the concessionaire by the granting authority.

In selecting concessionaires, authorities must select experienced companies possessing the necessary technical and financial resources to be able to bear the risks involved and to develop long-term partnerships. Essentially, the factors determining the successes of concession can be outlined as follows:

- a durable partnership between the granting body and the concessionaire ;
- a balanced distributions of risk and profit depending on the nature of the project and on its level of economic and financial stability.

From this perspective, the contractual arrangements between the two parties represent a code of good behavior which is the prerequisite of a long-term relationship based on confidence. These arrangements are therefore considerably more complex than in a small public contract for works or equipment.

Two obstacles must nonetheless be avoided :

- The first is the granting of a concession which is not financially viable.
- The second is concession that yields excessive profits prematurely, a situation which is also unwelcome from the authority's standpoint for political reasons.

These two obstacles leave little room for maneuver, all the more so since the successful completion of a long-term facility is beset by numerous uncertainties. It is difficult to accurately forecast so far in advance.

Before focusing on the economics of delegating the management of public services, a further examination is required of the following question:

- Overall, what are the advantages and limitations of public service concessions? What are the reasons for delegating the management of public services?
- How should key economic parameters be included in the negotiations of the concessionary contract?

The advantages associated with delegated management are derived from a specific conception of role-sharing between the public and private sectors. For a long time in Europe, there was a divisive debate between the proponents of an "all-powerful State" and adherents to an "all-powerful private sector" philosophy. The former believed that government intervention would increase output, and the latter held that the interests of individual parties could be cumulated in order to better serve the interests of the whole society. Today, circumstances in European countries have changed significantly. In the East, following the dismantling of the Berlin Wall, the introduction of a market economy can be observed, while at the same time, America is reviving a degree of public sector interventionism. Meanwhile, Europe is attempting to strike a balance between public and private dominance, in its search for a kind of tempered liberalism. From the development of the single market to the signing of Maastricht Treaty, recent events attest this trend.

#### ● *Candidate for concession and what are the advantages of delegated management?*

Candidate for concessions are the industrial and commercial public services that fall under the control of local authorities. These concessions can be financed by user fees, an option which is not available, as already noted, to the administrative public services related to regulatory arm of these same authorities .

To speak in more specific terms, what are the advantages of delegated management?

- The first advantage is that, at a time of falling or rationed budget allocations, concessions enable authorities to call on private investment .
- The second advantage of public services concessions lies in the comprehensive integration which can be achieved in the design, construction and maintenance of a facility or a service.
- The third decisive advantage of public services concessions is that they allow replacing the constraint-oriented approach of public authority administration with the business-oriented approach of private enterprise.

Ultimately, the fundamental notion which must be retained thorough this entire discussion is that trust between partners is absolutely vital in any concessionary contract for public services or public facilities.

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#### Reference

Claude Martinand: L'Expérience française du Financement privé des Equipements publics, 1995 :DAEI, Ministère de l'Aménagement du Territoire, de l'Équipement et des Transports.