

## **Fourth Global Forum on Reinventing Government**

### **CAPACITY DEVELOPMENT WORKSHOPS**

Citizens, Business and Governments: Dialogue and  
Partnerships for the Promotion of Democracy and  
Development

Panel n.4

Fostering the availability, quality and access to  
public services

School of Public Administration

SSPA

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## **The Panel “Fostering the availability, quality and access to public services”**

The fourth Global Forum on Reinventing the Government, organized by the United Nations – Department of Economics and social Affairs, will focus for the year 2002 on “The State, the Private Sector and the Civil Society: Partnership for Development and Democracy”.

The conference will consist of several panel discussion sessions, each characterized by a different theme. The Italian Government will be organizing a panel about “Fostering the availability, quality and access to public services”. The aim of the panel is at discussing the main reforms that each of the public utility sectors has undergone in the last few years, highlighting the major improvement that these reforms promise to deliver.

The panel will be chaired by Prof. Cesare San Mauro, Head of the Technical Secretariat of Minister Frattini, Italian Minister for Public Administration, assisted by Mr Luca Ricciardi, advisor to the Minister on public utilities issue and independent authorities.

The panel has the following speakers

- Prof. Andrea Bollino, Vice President of the Italian Association of Energy Economists
- Eng. Giovanni Fiscon, General Director of the Azienda Municipale Ambiente (AMA)
- Doct. Francesco Lo Passo, Associate Director NERA
- Doct. Francesco Pacifico, National Vice President of Associazione Nazionale Autotrasporto Viaggiatori (ANAV)
- Prof. Fabio Pistella, Economics applied to Engineering c/o University “Roma Tre”
- Prof. Ernesto Stajano, Scuola Superiore dell’economia e delle finanze.

We illustrate in turn the topic presented by each of the speakers above.

Eng. Giovanni Fiscon, General Director of the Azienda Municipale Ambiente (AMA)

The speech will focus on the Italian experience in implementing the Legge Ronchi on the waste collection, published in 1997 by the Italian Parliament. The intervention will discuss the following issues arising in the reform of the waste industry:

- Objectives of the reform: the objectives of the reform are

- Decrease the amount of waste collected to reduce the impact on the environment
  - Increase the differentiated waste collection in order to favour an easier recycling and cost reduction
  - Favour the commercial use of any waste, with or without chemical treatment
  - Increase the level of employment and create new firms according to principles of sustainable development
  - Favour the sharing of responsibilities between firms in the waste collection business and waste producers (citizens or other firms)
- Systemic approach: impact of the systemic approach adopted by the Ministry of the Environment in regulating the waste collection. Activities (like collection, recycling and reuse of wasted material) that have been usually regulated separately are now jointly regulated
  - Incentives schemes: the effects on the waste collection business of the program arrangements with public institutions that the Ministry of the Environment, together with the Ministry of the Industry, may sign. The aim is to incentivate the use of productive processes and the development of innovations respectful of the environment, the reuse of wasted material by manufacturing industries, the birth of certification companies specialized in the issues of compliance certification for industrial wasting processes.

Doct. Francesco Lo Passo, Associate Director NERA

The speech will focus on the Italian experience in reforming the water sector. In 1994, the Italian parliament published a new regulatory framework of the water and water waste sector. Such reform represents a drastic change with respect to the previous regulation. The intervention will discuss the following issues arising in the reform of the water industry:

- Scope of the reform: the aim of the reform is twofold:
  - Attract private financial capital in the sector, so far characterized mainly by public capital
  - Improve services efficiency
- Structure of the sector: the water sector may be organized according to several principles whose choice greatly affects the capability of the new regulatory framework to achieve the pre-set objectives. Among these we comment on:
  - The regional presidium (regional of interregional ambits),

- Induced degree of vertical integration (from abduction to water distribution)
- Induced degree of horizontal integration (possibility of multi-utility companies)
- Optimal degree of competition vs. a monopolistic market structure
- Sector governance: the water sector has been usually operated by public companies. The water sector reform aims at incentivating the entrance of private ownership, with the stipulation of services contracts and program agreements
- Optimal firms sizing: the water sector reform must favour the establishment of water operators sized as to
  - Pursue economies of scale,
  - Exercise the right contractual power with the major water providers,
  - Favour international water provision.
- Regulatory and political risk reduction: the definition of clear regulatory criteria, together with the possibility to involve arbitration procedures and the strengthening of the role of private operators will allow to reduce the risk of running business to water firms, allowing them to access financial markets at lower cost
- Incentive schemes: definition of incentive schemes to attract management skills, induce cost reduction, improve quality.

Prof. Fabio Pistella, Economics applied to Engineering c/o University "Roma Tre"

The speech will focus on major changes occurring in the electricity sector after the Bersani Decree issued on April 1, 1999, that implemented the EU Directive and started the gradual liberalization of all the segments of the electricity sector, liberalizing generation and opening the electricity market to eligible customers whose characteristics are defined by law. Several issues arising from the reform of the electricity sector will be discussed:

- Scope of the reform: the aim of the reform is to increase the number of operators on the electricity market in order to increase competition and to make electricity companies improve efficiency.
- Sector Governance and Structure: prior to the Bersani decree, the Italian Government licensed to ENEL and to municipal utilities generation, transmission and distribution activities and power generation was restricted to authorized producers. In the current regulatory framework, generation, import and export of electricity, are liberalized. Transmission and distribution are regulated activities. The new regulatory framework aims at enhancing competition by guaranteeing the access to the system on equal terms and condition by means of a regulated third party access.

- Tariff system: The tariff system has changed. In the old regulatory framework tariffs were fixed using a “cost plus” system, now replaced by a price cap mechanism to induce companies to improve efficiency in order to pass savings onto final costumers.

Prof. Andrea Bollino, Vice President of the Italian Association of Energy Economists

In May 2000 the Italian government has implemented the EU Gas Directive 98/30 (containing common rules for the transportation, distribution, supply and storage of natural gas) through the so-called “Gas Decree” and competition has slowly started to develop through the emergence of new operators such as consortia of local distribution companies and large eligible customers.

- Scope of the reform: the Gas Decree establishes the framework for the introduction of competition in the gas industry on the basis of principles such as regulated third party access, eligibility criteria to identify customers that can access directly the transportation and distribution networks and unbundling of the transportation and the supply activities of formerly integrated companies.
- Structure of the sector: the liberalisation envisaged by the Gas Decree will gradually modify the structure of the sector, increasing competition in all market segments. We will comment on:
  - *Access to the market*: Freedom of entry applies to all market segments. Gas transportation is considered public interest activity and is regulated; distribution and sales are considered activities in the public interest and are entrusted to companies through public tenders for no more than 12 years.
  - *Network access*: Regulated TPA grants access to all eligible customers (electricity generators, wholesale traders, distributors, final customers and associations of enterprises) on equal and transparent basis. In order to open the gas market to competition, the Letta Decree establishes that from January 1, 2002 to December 31, 2010 no company is allowed to inject in the transportation network for sale more than 75% of total natural gas sold in Italy.
- Tariff System: The main issue arising from the new regulatory framework is price regulation, i.e. the criteria to set tariffs. The privately negotiated agreements are replaced by a price cap mechanism whose aim is to force companies to improve efficiency and provide costumers with better services at lower prices.

Doct. Francesco Pacifico, National Vice President of Associazione Nazionale Autotrasporto Viaggiatori (ANAV)

The speech will focus on major changes occurring in the local transportation sector which is undergoing a process of liberalization and privatization .

Several issues arising from the reform of the transportation sector will be discussed:

- Scope of the reform: the aim of the reform is to increase transparency and efficiency of public transportation and to reduce the costs by the participation of the private sector.
- Main Targets: The public transportation system has to reach operational efficiency with reasonable service quality criteria (average speed, frequency, reliability and overcrowding); subsidies have to be set such to allow social cohesion, including accessibility and affordability of services to the elderly, those with disabilities, and those on low incomes; Environmental and congestion costs have to be minimal.
- Institutional Framework: Role for the transport planning agency which is responsible for public transport services such to achieve integrated networks, tariff integration and an overall coordination of the development of the system.
- Lessons Learned: The role that public transport is able to play in the provision of good quality services in a city's transport network will depend on attitudes to the private car, and the way in which car use is controlled, for example by use of parking restrictions and/or charges, and the way in which the car is required to yield priority to public transport vehicles