



UNIVERSITAT DE BARCELONA



Grup de Recerca *Governos i Mercats*



***Financial and managerial challenges related to the
provision and delivery of local services and
infrastructures***

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- KEY ISSUES

→ Some economic issues providing a context for the topic at stake

→ We need to distinguish between....

From here on:

→ Solid waste collection

→ Water distribution

→ Transportation services

→ And now, Remunicipalization: Debate focusing on delivery form...
but no relevant discussion on funding

I) Some economic issues providing a context for the topic at stake

Economies of scale: average cost decreases when volume of output increases

Economies of density: average cost decreases when fix cost is shared by an increasing number of users

(i.e. A new water user in the Condominium)

(i.e. Introducing a new route of X-bus might increase demand for a Y-route)

Economies of scope: average cost decreases when there is an increase of the number of services delivered either using the same infrastructure or by through the Integration of different phases of the production process:

(i.e. Integrating disposal and recycling in waste management?)

(i.e. Integrating waste management and street cleaning?)

(i.e. Integrating suburban rail and bus services?)

(i.e. Integrating airports and ports?)

- **Distinguishing between different aspects within local infrastructure and services provision**

Provision
(“Who is responsible for the good or service being delivered?”)

Production –or Delivery-
(“Who is in charge of organizing production factors to deliver the service?”)

Funding
(“Who pays for the service?”) **

**** Which is something different from who manages to get the investment funded**

Solid waste service and street cleaning

- Until 2000: 2 private companies for solid waste collection and 1 for street cleaning
- In 2000: The city was divided into 4 districts. Contracts integrating solid waste (disposal and recycling) and street cleaning awarded to FCC (2), URBASER (1), CEPESA (1)
- Costs increased, as well as service quality, particularly in recycling and street cleaning
- In 2009: FCC (1), URBASER (1), CEPESA (1), COMSA/CLD (1)
- **In 2019: What about placing one service under public production? US style of mixed delivery: Providing better info and managing competition.**
- User fees? Waste collection & street cleaning paid for with a fraction of property tax. Surcharge on water bill for recycling & incineration.
- **BTW: Multiple production forms and types of user fees in the Metro-Area of Barcelona**

Water distribution services

- Barcelona: Privately managed (and network privately owned, quite a particular case) since 1867 (Societat General Aigües de Barcelona (SGAB))
- The same company had delivery contracts (without network ownership in most cases) in most municipalities of BCN metro area.
- In 2013: A mixed firm (public-private ownership) was created: 70% (SGAB), 15% Àrea Metropolitana de Barcelona (AMB) and 15% Criteria (holding of industrial shares of a leading bank)
- **Public-private firm is under judicial process. Main issue is city govs in metro-area do not have the same position on the issue.**
- User fees? Water service is paid for by users, to which the managing company send the bills, and from whom the payment is received. Policy is full cost recovery (though this does not include sanitation)

Transportation services (Surface)

- Bus services: One gov owned firm –Transports Municipals de Barcelona (TMB)- manages about 60% routes. The remaining regular routes as well as particular services such as Airport Bus or Tourist Bus are managed by 3 private companies. US Style mixed delivery model.
- Subway service: Managed by TMB.
- Tram service: Managed by a mixed firm where gov firms (TMB and FGC) have residual ownership shares
- Pricing policy: User fees partially covering costs (recovery is about 42%). Airport and Tourist Bus obtain profits, which subsidize services regularly used by locals. Remaining 58% paid for by regional government and metro-area govs -also minor contribution central gov
- Regional railway services: Two networks; the largest one (*Rodalies*) owned and (in practical terms) managed by central government The other one is owned and managed by a gov regional company (FGC)
- Pricing Policy: Partial cost recovery.

BIG MESS !!

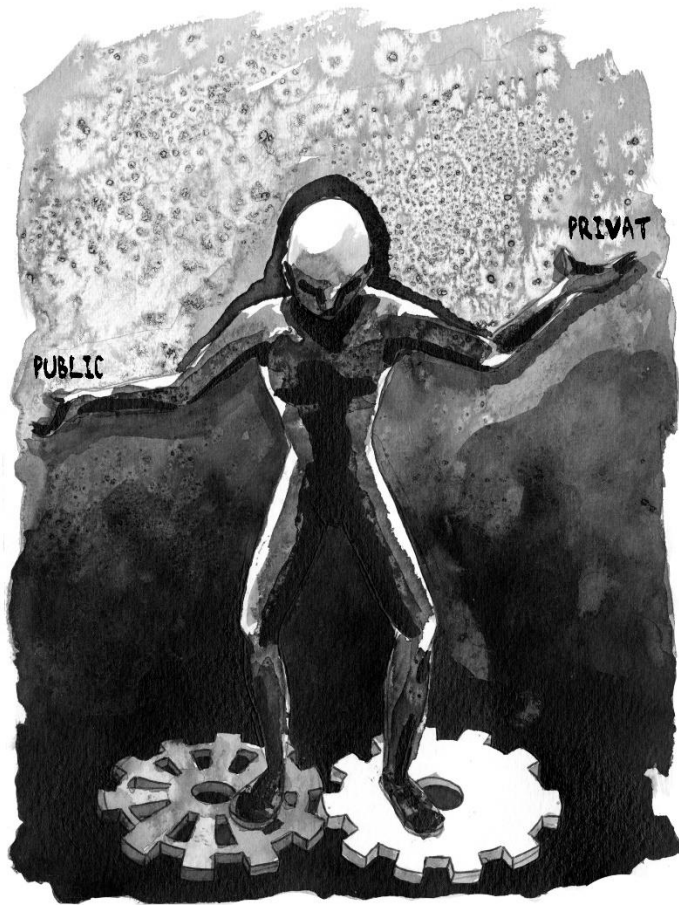
Transportation services (Air and Water-Sea-)

- BCN metro area **Airport** is owned and managed by a mixed firm, where the central government holds 51% shares (remaining 49% privately owned, and quoted in the stock market).
- **Pricing policy: Full cost recovery; benefits are transferred to other airports**
- BCN **Port** is owned by the central government. Some management issues are allocated to regional gov, although investments and fees are controlled by the central gov & legislator.
- **Pricing policy: Full cost recovery; benefits are partially transferred to other airports**

Main issues and challenges

- **Management:** Municipalization is a hot debate in Barcelona. So far, it has focused mainly on water services -among services above discussed
- **Financial:**
- 1) Should we introduce Unit Based Pricing for environmental purposes in Solid Waste Collection?
- 2) Should we fully internalize sanitation costs in the water service pricing?
- 3) Should we increase user funding of surface metro-area transportation services? (up to 50%?)
- 4) There is a huge need of renewal and new investment in regional railway services (particularly, centrally owned network)
- 5) Currently, no big issues on airport and port pricing (but whether cross subsidies reduce local facilities competitiveness).

Main issues and challenges



THANK YOU