TURIN SCHOOL OF LOCAL REGULATION

SCIENTIFIC COMMITTEE

ANNUAL INTERNATIONAL MEETING

Torino | Thursday, 11th of September 2014

PROCEEDINGS

Finalized in December 2014

TURIN SCHOOL OF LOCAL REGULATION

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MEETING AGENDA

14.30 ***Welcoming*** by ***Franco Fiorino,*** Secretary of Opera Pia Barolo and ***Giuseppe Genon***, President of the Foundation for the Environment

Brief presentation of the 2013-2014 activities of the TSLR and proposals for 2014-2015, by Elisa Vanin and Alberto Asquer

Introduction to the topic: Local regulation and information by Franco Becchis

15.30 **Scheduled participants' interventions**

D. Russolillo, ***Information asymmetry between private grantmakers and grant public receivers: a case study on childcare services***

M. Baggis Akkaya, ***Revelation and incentive compatibility mechanisms***

V. Pál, ***Energy Network Regulation in the United Kingdom under RIIO: Stakeholder Activity, Information Disclosure and Decision-Making Structures***

Y. Svetiev, ***Centralised versus local regulation from an information perspective***

O. Crespi Reghizzi, ***Milan's water and sanitation service: from full direct provision to corporatization. A focus on information asymmetries***

16.50 **Open debate**

18.00 ***Concluding remarks and future perspectives,*** by Franco Becchis and Ioannis Kessides

TURIN SCHOOL OF LOCAL REGULATION

LIST OF PARTICIPANTS

MEMBERS OF THE SCIENTIFIC COMMITTEE

Name	Job position / main affiliation	Country
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Alberto ASQUER	SOAS – University of London and University of Cagliari	Italy
Meltem BAGGIS AKKAYA	Turkish Competition Authority	Turkey
Franco BECCHIS	Turin School of Local Regulation	Italy
Olivier CRESPI REGHIZZ	AgroParisTech	France
Jihad ELNABOULSI	Université Franche-Comté	France
Andrea GALLICE	University of Torino	Italy
Giuseppe GENON	Politecnico di Torino and Foundation for the Environment	Italy
Tatjana Jovanic	University of Belgrade	Serbia
Ioannis KESSIDES	Yale University	US
Franco MOLTENI	Foundation for the Environment	Italy
Renato MONTEIRO	Regulatory Agency of water services of Joinville	Brazil
Giovanni PISCHEDDA	Chamber of commerce of Torino	Italy
Andrea SBANDATI	CISPEL Toscana and Foundation for the Environment	Italy
Yane SVETIEV	European University Institute / Bocconi University	Italy

GUESTS

Name	Job position / main affiliation	Country
Dragana BABIC	Consultant	Serbia /italy
Janice BEECHER	Michigan State University - Institute for Public Utilities	US
Claudio CASSARDO	University of Torino	Italy
Fabio Massimo ESPOSITO	Italian Antitrust Authority	Italy
Henrique MONTEIRO	ISCTE - Lisbon	Portugal
Vincent PAL	Humboldt-University of Berlin	Germany
Ivana PANICCIA	Regulatory Authority for Transport	Italy
Antonella RICCI	Compagnia di San Paolo (Bank Foundation)	Italy
Roberto RONCO	Province of Torino and HydroAid	Italy
Maria SALVETTI	IAE de Paris and Florence School of Regulation	France

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Elisa Vanin

The full list of members of the Scientific Committee is on-line at www.turinschool.eu/scientific-committee. The list is constantly updated.

TURIN SCHOOL OF LOCAL REGULATION

FOREWORD (English)

The Turin School of Local Regulation (TSLR) is an initiative of Foundation for the Environment officially launched in 2012. TSLR builds on 15-year experience in research, capacity building and training in topics connected to regulation of local public services and intends to capitalize the network of experts and partner institutions that share with Foundation for the Environment an interest on specific local aspects of regulation and governance.

In September 2012 the **Scientific Committee of the TSLR** was officially established during a meeting in Torino. The first meeting of the Scientific Committee was a unique opportunity for participants to meet and share ideas. Cross-fertilization amongst different disciplines was one of the main relevant results. That is why the TSLR proposed to turn it into an annual meeting .

The proposal for 2014 was to focus on the topic "Information and regulation". The meeting aimed to outline different typologies of information endowment and transfer: indeed, the TSLR's experience suggests that there is an interesting variety of situations, all of highly regulatory relevance. We can consider for example to the different nature of information on costs and assets, and the different environments in which information transfers happen. Revelation and incentive-compatibility is also of high interest: the weakness of traditional ask/give mechanisms in information revelation among players are quite evident. Last but not least, regulatory experts are concerned by the peculiarities of the local dimension that influence information flows, in comparison with similar situations at national level (e.g. osmosis between professional/political/ managerial roles).

The meeting was articulated as follows:
- A first part of presentation of the activities and results achieved in the previous 12 months and a presentation of the TSLR's schedule for the next months
- An introduction to the topic "Information and regulation"
- A panel of scheduled interventions on the topic
- An open debate and final remarks.

The discussion on information flow- and information asymmetry-related issues took into consideration both the regulator-incumbent and the consumer-incumbent relationship: both situations show peculiar features and call for specific expertise in the regulatory agencies.

The activities of the Turin School of Local Regulation in 2014 have been co-funded by the Chamber of commerce of Torino and Fondazione Cassa di Risparmio di Torino.

CAMERA DI COMMERCIO
INDUSTRIA ARTIGIANATO E AGRICOLTURA
DI TORINO

FONDAZIONE CRT

PREFAZIONE (Italiano)

La Turin School of Local Regulation (TSLR) è un'iniziativa della Fondazione per l'Ambiente lanciata ufficialmente nel 2012. La TSLR è fondata su un'esperienza quindicinale nella ricerca, il *capacity building* e la formazione su tematiche connesse alla regolazione dei servizi pubblici locali e intende valorizzare la rete di esperti e istituzioni partner che condividono con la Fondazione per l'Ambiente un interesse sugli aspetti specificatamente locali della regolazione e della *governance*.

In settembre 2012 si è ufficialmente insediato il **Comitato Scientifico della TSLR** durante un incontro tenutosi a Torino. Il primo incontro del Comitato Scientifico è stato un'occasione unica per i partecipanti per incontrarsi e scambiarsi idee. La contaminazione tra diverse disciplinare è stato uno dei maggiori risultati. Ecco perché la TSLR ha proposto di farlo diventare un incontro annuale.

Per il 2014 si è proposto di focalizzare il meeting sul tema dell'informazione e della regolazione. Il meeting mirava a individuare le diverse tipologie di possesso e trasferimento di informazioni. Infatti l'esperienza della TSLR suggerisce come vi sia una ampia varietà di situazioni, tutte di particolare rilevanza dal punto di vista della regolazione. Possiamo considerare ad esempio la diversa natura dell'informazione sui costi o sugli asset, e i diversi ambienti nei quali il trasferimento di informazioni avviene. La rivelazione delle informazioni e l'incentivo a rivelarle è anche di grande interesse: la debolezza dei tradizionali meccanismi di richiesta e trasmissione nella rivelazione delle informazioni tra attori è abbastanza evidente. Da ultimo, ma non per importanza, gli esperti di regolazione sono interessati alle peculiarità della dimensione locale che influenzano i flussi informativi, in comparazione con altre situazioni a livello nazionale (es. osmosi tra ruoli professionali, politici, manageriali).

Il meeting si è articolato come segue:

- Una parte iniziale durante la quale sono stati presentanti le attività e i risultati raggiunti nei 12 mesi precedenti e alcune linee di sviluppo per il 2015
- Una introduzione al tema "Informazione e regolazione"
- Un panel di interventi programmati sul tema
- Il dibattito e alcune considerazioni finali.

La discussione sulle questioni relative ai flussi di informazione e alle asimmetrie informative ha preso in considerazione sia il rapporto regolatore – regolati che quello tra gestori dei servizi (incumbent) e consumatori: entrambe le situazioni mostrano caratteristiche particolari e richiedono competenze specifiche all'interno delle agenzie di regolazione.

Le attività della Turin School of Local Regulation nel 2014 hanno ricevuto il sostegno della Camera di commercio di Torino e della Fondazione Cassa di Risparmio di Torino.

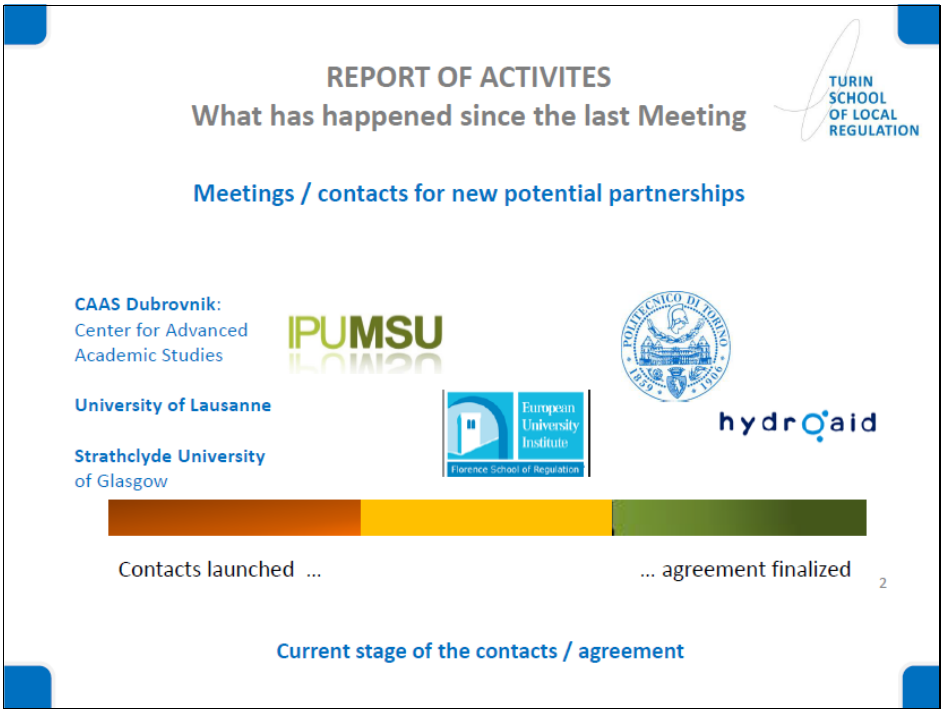
FULL PROCEEDINGS

Brief presentation of the 2013-2014 activities of the TSLR and proposals for 2014-2015

by **Elisa VANIN**, Project Manager of the TSLR and **Alberto ASQUER**, Coordinator of the Scientific Committee

Elisa VANIN: Alberto and I will try to briefly summarize the activities implemented since last meeting in September 2013. At the end of the presentation we will also give few information about next activities that we would like to launch and invite you to contribute if you are interested to.

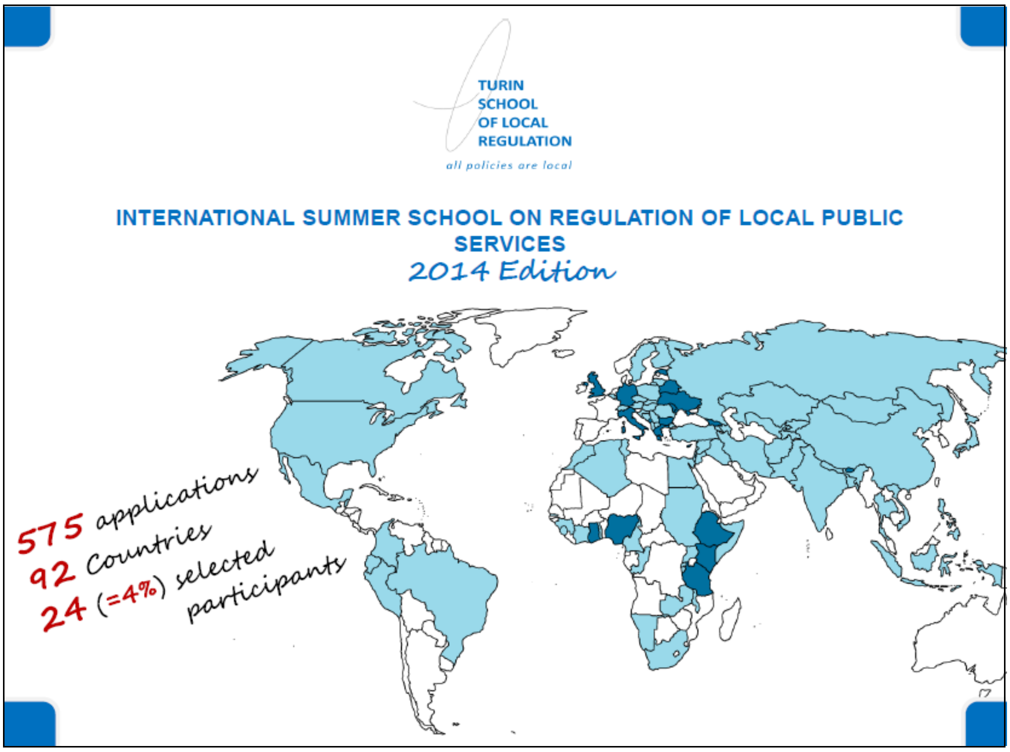
First of all, last year we already talked about the importance for us to be open to partnering with other institutions and to be part of a broad network. As you can see in **Slide 1**, in the last months we signed a new cooperation agreement with Hydroaid, an association based in Turin but with an international scope on training and capacity building on water issues, in particular technological aspects related to water and sanitation in developing countries. We found with them many complementarities and we decided to start this partnership.



Slide 1

Moreover we are going to sign in the very next weeks a specific agreement with Politecnico di Torino on the initiative Turin School of Local Regulation. Politecnico is already a founding member of Foundation for the Environment but the idea is to involve them directly on this initiative. Then we are particularly happy to have Maria Salvetti with us today because we are starting discussing with the Florence School of Regulation, in particular with the water sector, about possible partnership and we are putting on the table some ideas[1]. And I am also happy to have with us Janice Beecher from Michigan State University, the Institute of Public Utilities because we would like also to start a dialogue with this institute which has many things to share with us in order to set up some cooperation in the future. And we had also meetings with the Center for Advanced Academic Studies in Dubrovnik which is under the University of Zagreb, University of Lausanne and Strathclyde University of Glasgow. These are contacts that are at a kick-off phase but we hope they will lead to some forms of cooperation in the next future.

The Summer School, our flagship initiative, was launched on Monday and it is ongoing now. The number of applications is raising and raising year by year and also the geographical coverage of the origin of applications (**Slide 2**). We can select just a small part of these applications and I must say that participants this year are very qualified people, they come from the countries marked in dark blue, many of them are working in regulatory agencies, anti-trust authorities, some of them for their national government or they are university professors or researchers on this specific field. It is a very enriching classroom.



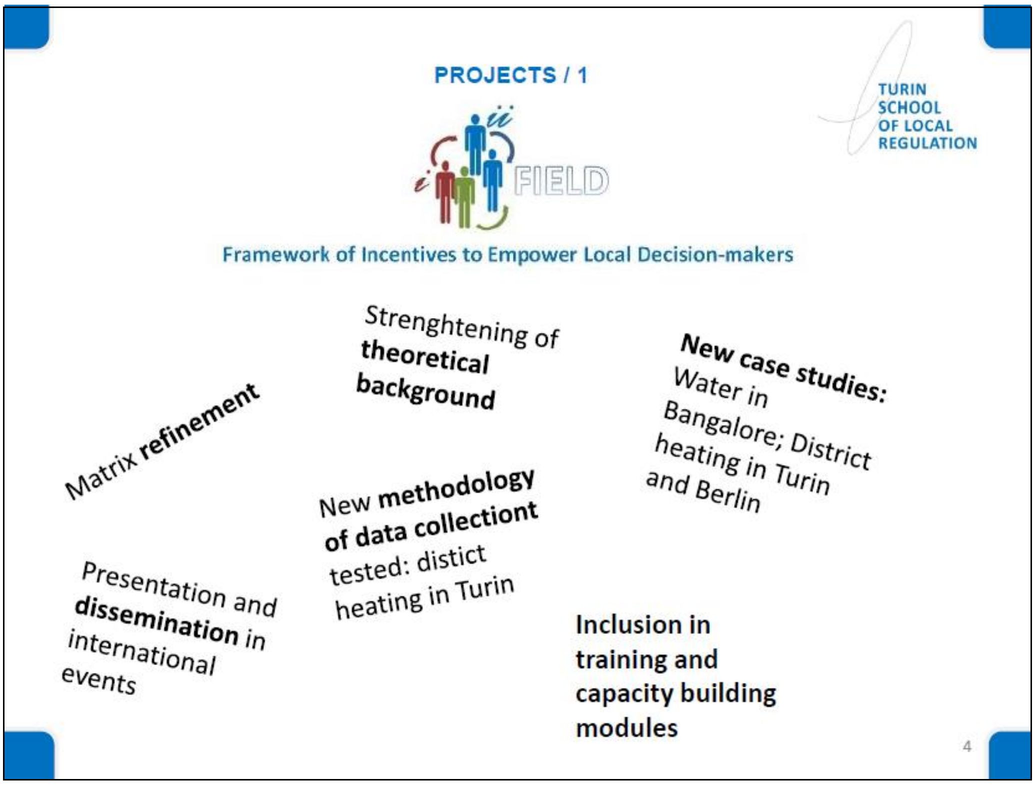
Slide 2

A few words about FIELD methodology[2]. Last year meeting was focused on this specific methodology that we developed within the TSLR. Thanks to the suggestions and also the critics that we collected last year during the scientific committee, we have been working throughout the year on some specific aspects and we made some refinements of the matrix, we tried to study how to simplify it a little bit, we added some aspects according to the suggestions raised during the meeting and we continued studying in order to strengthen the theoretical background (**Slide 3**). For example in the last few months we discovered lot of contributions that could be brought to the methodology by the social network analysis and social physics. Even if we are studying the theoretical aspects, in the last months we realized that we do not want to make

[1] The MoU with Politecnico di Torino and Florence School of Regulation have been successfulyy finalized at the time of editing this proceedings (on 28.10.2014 and 17.10.2014)

[2] http://turinschool.eu/FIELD

it an academic instrument, we want to make it a policy-oriented instrument. The idea is to really make it useful for people to take decisions in new projects, new investments, new regulatory frameworks, etc. This can be an instrument that can be used *ex-ante*, before implementing a new policy, before designing it or during the implementation of a project in order to analyze efficiency, effectiveness, etc.. We raised new case studies. So first of all I am pleased that Vincent Pál joined us today because he was one of the scholars who contributed to the work. We raised three new case studies: two in the district heating sector, in Berlin and Turin, and one in the water and sanitation sector in Bangalore (India) and this gave us also the possibility to test the methodology in different geographical and institutional contexts. We tested a new methodology of data collection in Torino for the district heating sector, where we organized a focus group, with around ten people from different institutions which are in some way involved the district heating sector governance in order to raise different points of view and to make a debate. We used the matrix as a starting point, as a basis for discussion and we found that this is even more enriching than involving single experts in collecting data. Of course it is much more time-consuming but it could be a good instrument in case you want to use it *ex-ante*, so in order to involve stakeholders and to make them debate about specific issues. We are planning to include the FIELD methodology into trainings and capacity building modules: there will be a module on FIELD methodology this year during the Summer School and in a training session that we are organizing in November for a delegation from Ethiopia and Mozambique; moreover, Franco has been invited by Florence School of Regulation at the end of October to present the methodology. Finally we spent quite a lot of energy in presenting and disseminating the methodology at international level participating to international conferences and events.



Slide 3

Another project we were involved in by SOAS, the University of London, is the PRIMI project[3] (**Slide 4**). Maybe Alberto who was the facilitator could spend a few words about it.

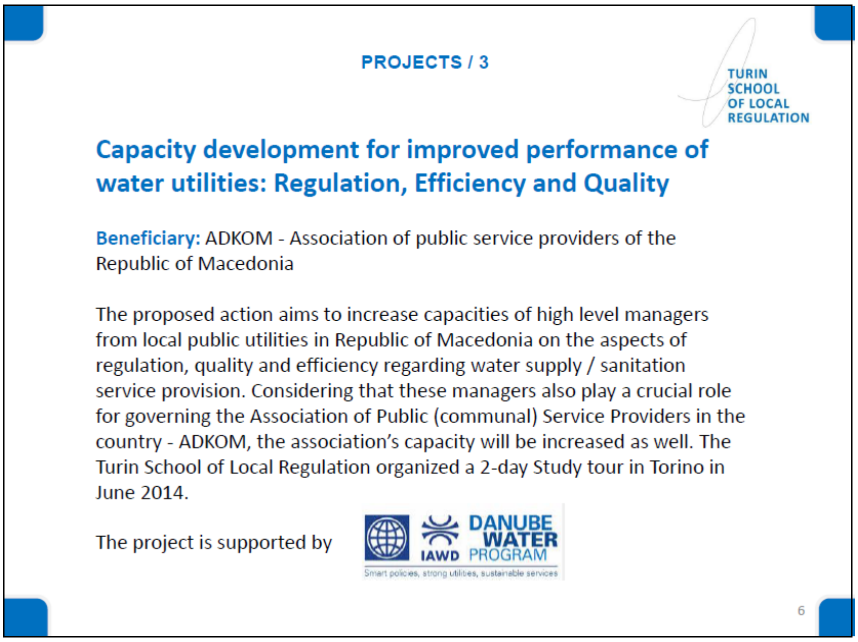
[3] http://www.soas.ac.uk/water/research/primi/

Alberto ASQUER: Thank you Elisa. Just a few words. Let's take this as an instance, if you like, of how we can build up a project out of sharing the resources and contacts. This has initiated at SOAS when I was approached by two local colleagues, Peter Mollinga, an expert on water matters in development studies and Philippe Cullet, an expert of legislation of water, especially in India to carry out a comparative research project on water security and governance across Italy, Mexico and India which was extended to some additional partners which included some university institutions in the Netherlands, in Germany and in France, including also Maria Salvetti, and of course also the Turin School of Local Regulation. The project so far mostly tackled the conceptualization of water security, what security is especially across different countries and at this present stage we closed the first part of the project that was mostly funded by SOAS, University of London and we are setting up partnership and all the materials required for applying for EU funding sources. So I just throw it as an input for approaching and talking later with anyone who could be interested to join this project.

Slide 4

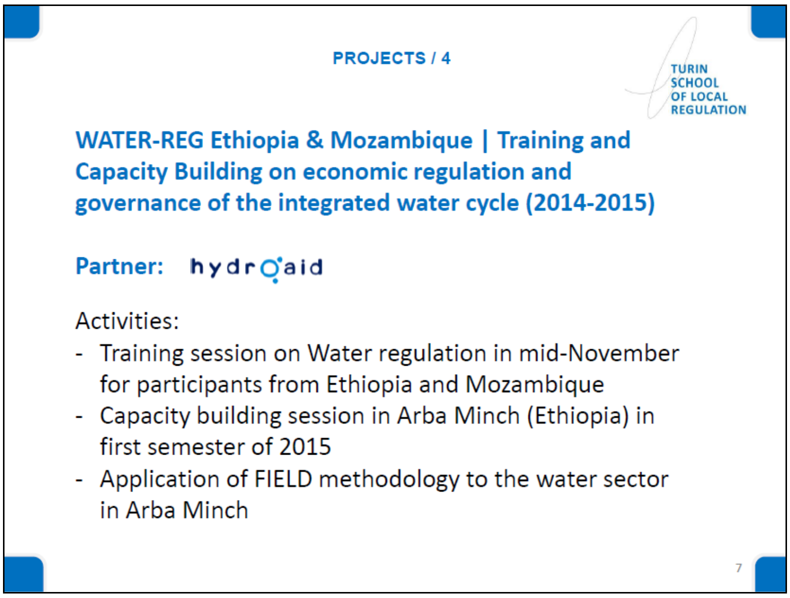
Elisa VANIN: We implemented an activity in May - June in partnership with ADKOM which is the Association of public service providers of the Republic of Macedonia who were beneficiaries of funds from the Danube Water Program[4] for capacity development in the water regulation sector (**Slide 5**). The first stage of the project consisted in a training session here in Torino about water regulation and they spent two days here in Torino, at Turin School of Local Regulation.

[4] http://www.danube-water-program.org/



Slide 5

As I anticipated before, we are also partners in a project of capacity building on water and sanitation regulation with Ethiopia and Mozambique (**Slide 6**). Our partner is Hydroaid, the association that I mentioned before, and the project is supported by the local regulatory authority for water here in Torino. They have a special fund for international cooperation and our project was selected for this fund and so we will host a one-week training session in Torino in November with participants from Ethiopia and Mozambique[5], then we will organize a capacity building session in Ethiopia, in particular in the city of Arba Minch, which in Southern Ethiopia, in the first quarter of 2015, and a mission to Mozambique in order to start and establish contacts with local institutions for future cooperation.



Slide 6

[5] Further information available here: http://turinschool.eu/training

Finally, this is the list of the different international events we participated during the year (**Slide 7**), I would like in particular to mention the first one, UECE Lisbon Meetings: Game Theory and Application, held last November, particularly interesting because it was an application of game theory to the welfare sector and in particular to the mechanisms that are established between donors and beneficiary citizens. Then there are a lot of presentations about the FIELD methodology in different sectors and in different contexts. I would also point attention on the participation to the annual conference of the network of Institutes and Schools of Public Administration in Central and Eastern Europe (NISPAcee) where since last year we have been coordinating the Working Group on Local Public Policies.

Presentations at international events (past)

7-9 November 2013	UECE Lisbon Meetings: Game Theory and Application	Lisbon, Portogallo	Paper: **Helping the poor as a repeated game**
22 November 2013	Competition and regulation in network industries	Bruxelles, Belgium	Coordinating a **panel on Local regulation** and presenting a **paper on FIELD methodology**
22-24 May 2014	22nd NISPAcee Annual Conference	Budapest, Hungary	Coordinating the **Working Group on Local Public Policies** + Paper on **FIELD** methodology
13 June 2014	Florence School of Regulation: 3rd Conference on the Regulation of Infrastructures	Fiesole, Italy	Knowing the **FIELD** for infrastructure regulation at local level: actors, information, incentives (**Water sector in Bangalore, Belgrade and Sofia and DH sector in Berlin and Turin)**
25-27 June 2014	5th Standing Group on Regulatory Governance (ECPR) Biennial Conference: Regulatory Governance Between Global and Local	Barcelona, Spain	Coordinating the **panel "Actors, incentives, relationships and information as playing field for local regulation"** + Paper on FIELD methodology
24-28 August 2014	IGU: Water sustainability: new challenges and solutions	Dubrovnik, Croatia	Paper on **FIELD** methodology applied to the water sector
8-10 October 2014	Euro Mediterranean Dialogue on Public Management	Rome, Italy	Paper on a **preliminary analysis of cost and revenues in municipal nursery-school services** in a pilot Italian city
7 November 2014	Competition and regulation in network industries	Bruxelles, Belgium	Panel proposal on **Local Regulation & Development** proposed but no sufficient paper abstracts
7-8 November 2014	WCSA World Complexity Science Academy	Budapest, Hungary	Paper on **FIELD methodology**

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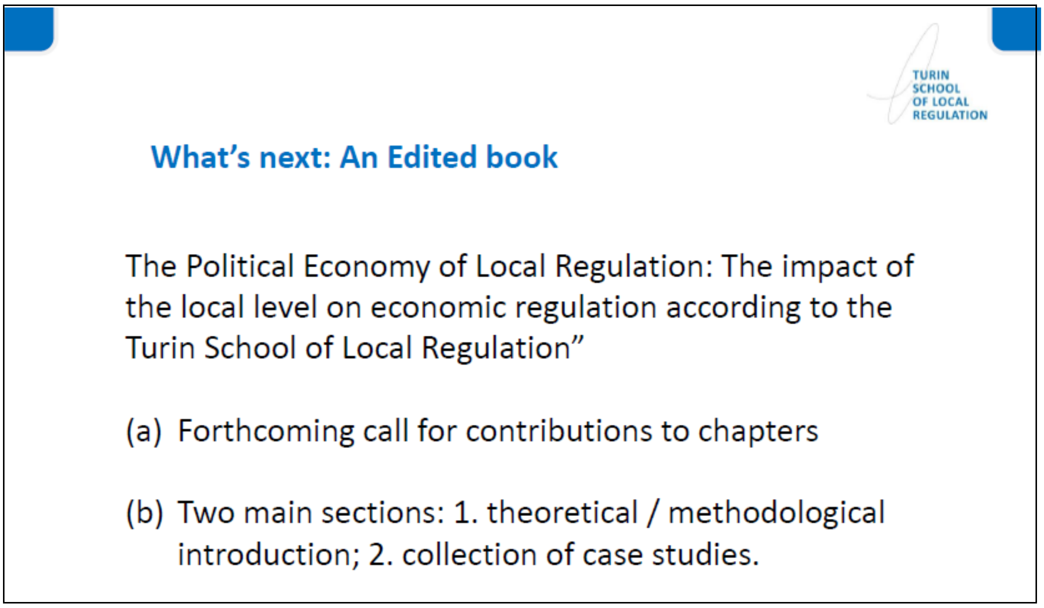
Slide 7

Alberto ASQUER: Just a few words about a couple of initiatives I followed more closely. Those related to the Competition and regulation in network industries, which is a yearly one-day conference held in Brussels, we took part to the 2013 edition in November and we also tried to set up a panel for presenting in the conference this year, which was about local regulation and development actually. We thank all those who proposed a paper. Actually we did not reach a sufficient number to finalize the panel but we will try again, possibly next year. Together also with Daniele I was a couple of months ago in Barcelona for a panel within the Regulatory Governance Conference of the European Consortium for Political Research. Again we had the opportunity to discuss FIELD methodology together with some case studies from Macedonia and Brazil.

Elisa VANIN: Going to next future activities we would like in particular to inform you about two next international conferences that we are quite interested about. You will find some materials in you folder. In particular we are coordinating again the Working Group on Local Public Services and Local Public Policies at NISPA Annual Conference which will take place in Tbilisi, Georgia, in 2015 and there is an open call for proposal now until the 15th of October, so please have a look within the materials if the contents of the call are interesting to you. The same for the International Conference on Public Policy in Milan where now there is a call for panels open and with Alberto we would like to think about a panel proposed by the Turin School[6]. So please, in you have any ideas, in particular about the call for panel, feel free to contact us in order to discuss together possible cooperation. Now I give the floor to Alberto about this specific activity of an edited a book.

Alberto ASQUER: Thank you. As you can see, this is a more ambitious kind of objective. We have been discussing with Franco and Daniele about the idea of setting up an edited book (**Slide 8**) which could support the grouping together of various ideas and contributions around the issue of local regulation which especially here are discussed on the occasion of this yearly encounters with all of us sharing an interest towards local regulation. The idea to some extent also was triggered by some colleagues who are members of a special series within Palgrave editor of books on public policies and political economy of public policies within which I think would nicely fit an initiative of an edited book which is specifically focused on the political economy of local regulation. Very roughly the idea could be the one to set up this collective work as including one part of more theoretical and methodological discussion, which especially may place the FIELD methodology at the center but still to allow for some interdisciplinarity and so for some scope of using different approaches to explore the political economy of local regulation together with a possibly another main part that could host the case studies or other kinds of more empirically based researches to support the kind of arguments that we could eventually put to the conclusions, either or theoretically or policy advice sort. So this is the very initial stage, I hope we will take this chance, together with Franco and Daniele and anyone who wants to join and take an active part in this initiative to discuss.



Slide 8

Elisa VANIN: Just to conclude, we launched the new website of the Turin School, so since last week if you go to www.turinschool.eu you will find this new website. We really hope this will help to attract even more attention on the initiative and as it is quite new, please feel free to inform us about any improvement that can be done. Now I would like to invite Franco to introduce the real topic of today. As you saw, the meeting will be focused on the topic of the links between information issues and local regulation. The idea

[6] The panel proposal (Regulatory Policy for Water and Sanitation Services: Design, Evaluation, and Policy Learning) was finally accepted and is available here: http://www.icpublicpolicy.org/conference/article/article.php?conference=2&article=64

is to have an introduction by Franco, then we have some scheduled interventions and then there will be space for open debate based mainly on the issues that Franco will raise during this introduction and the call for contributions that you found attached to the agenda.

Introduction to the topic: Local regulation and information

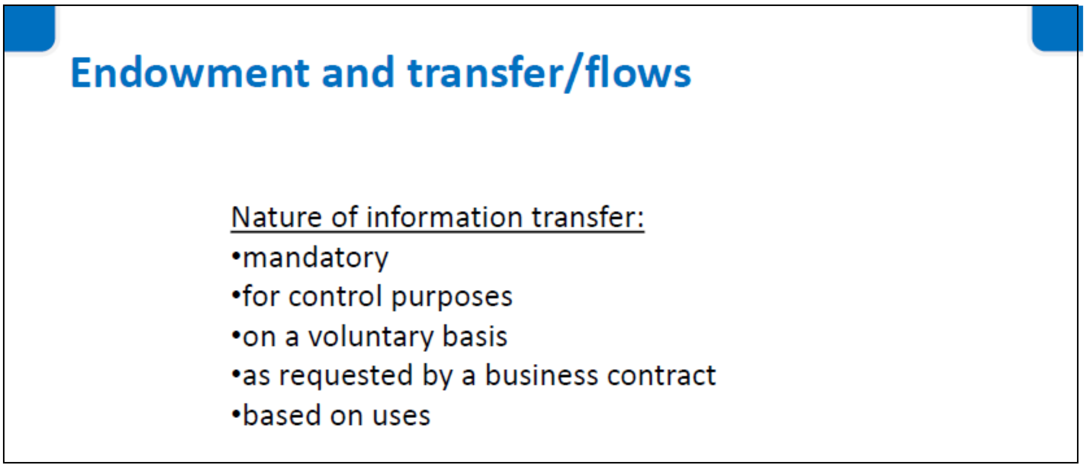
by **Franco BECCHIS,** Scientific Director Turin School of Local Regulation

Probably we discover the importance of information in our first years of life, when we start to bargain with parents about food, school duties or money later on. I discovered the crucial role of information, professionally, in a very tough way, more than twenty years ago, when I was invited to help a local consortium of municipalities to establish the gate fee for a landfill that was privately ran. The core issue was how much a ton of waste would be paid to the private monopolist and how this price would leak into the family's bill. I accepted the assignment and in a few weeks I discovered that all the relevant information was fully in the hands of the private manager, as you can imagine. In particular I cannot forget that the private manager, the private monopolist put into the costs figures related to the equipments that were not the amortization of equipments bought – such as a truck or an elevator – but the hours of machinery rental with an operator, for which of course you pay a huge price. So, they took the yearly hours of work in a landfill at an operated-equipment rental rate and this was the figure for the equipment costs that was obviously twenty times the reasonable amortization cost for this. To discover this fact we spent some afternoons analyzing data and information. In a way, this experience, that was before the set up the Foundation and before the beginning of the Summer School, for me has been very enlightening because since then all the work with my precious colleagues at Fondazione per l'Ambiente and Turin School has been around many topics, environment, regulation and may other topics, but with a kind of *fil rouge*, sometimes emerging, sometimes beneath, that is information. Before opening the debate, I would just outline some considerations starting from the fact that I really experience every day the three different levels of information and I propose you a partition into the very basic bricks that are **information** in the *strictu sensu,* bricks of data, of knowledge or something toward a more complicate, a more structured set of information that I call **knowledge** and toward a more engaging and interesting situation in which not only we have information about something, not only we have knowledge but we have **awareness** about the complexity of relationships among actors, incentives and things like that. So let me give you an example of this three-partition applied to our work. I remember a case study in Africa in water sector and information about water quantity and water tariffs was available. The knowledge of the system - for example the pipes and maintenance - was acceptable, but the fact that some functionaries had agreements with clients in order not to pay the bill, so corruption and the political links among the local élite and the water utility was not know. So awareness means that if you do not know this third level of the water governance in this city you cannot say that you have information and knowledge in a complete sense.

A question about **neutrality**: can we say that some pieces of information are neutrally provided from sources that are scientifically free and so can you divide exactly information, data into completely neutral and objective or stemming out from group of interest, stakeholders' interest, policy goals? That is an important question because mixing data that stem out from different sources can be dangerous in regulatory terms, in particular when there are strong pressure groups that dominate the political debate and sometimes also the academic agenda.

Let me say something about the public scenario in which frequently the information exchange happens. Fondazione per l'Ambiente has a long tradition of organizing seminars to improve the information assets available to the public and so we meet people, invite selected institutions, organizations, and after years of this activity I am wondering - actually thanks to Erving Goffman's work on the sociology of public life - what is the incentive for people to give information in a public scenario like a meeting like this or a meeting within the municipality, the water regulator, consumer association, political parties, banks and teachers and so on. Public scenarios, the front stage of Goffman's analysis, are so frequent but nevertheless we should analyze if they are also affordable sources of information or if they are full of incentive-incompatible situations in terms of incentives to tell the truth or to give information.

Another point of my reflection relates to flows of information, which can be divided into five categories (**Slide 9**):

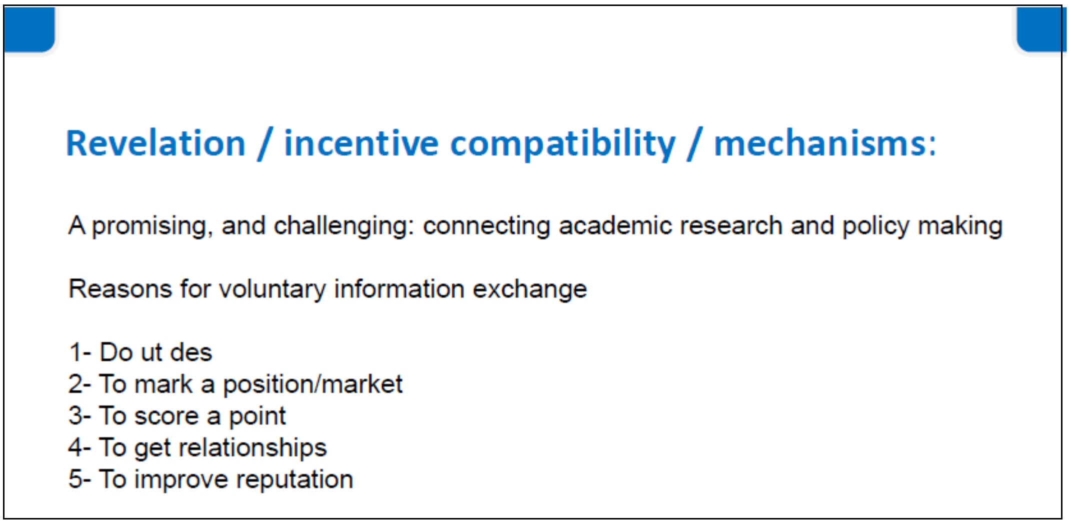


Slide 9

Mandatory, the typical command and control situation between an environmental agency and a firm or a utility. The environmental agency asks information on the basis of an authority, it is like police asking me to stop in a way and then we have information transfer for control purposes and then third and the more tricky kind of information flow is the flow of information on a voluntary basis. I will say something about this voluntary scenario later.

Then we have business contracts that include information disclosure and we know that in law if you do not disclose some information into a contract, it can be resolved. For example, selling an house without giving crucial information about the quality of the house in Italy is punished by the resolution of the contract.

Then we have also a lot of information exchange based on local uses, but as I said, let me stay for a while on the question of voluntary information exchange. I am not going too far from regulation because our experience in regulation, in regulation support is always, practically, this one: " I need to know a certain information, I do not have it. How can I get it?" Yesterday I tried to find out five motivations to voluntary information disclosure (**Slide 10**). Obviously I am talking about private information in the microeconomic sense, information that has not the features of public knowledge in the sense of interactive epistemology. I know that you know that I know, so everybody knows that today the sun is shining. I am talking about private information that has *in se* economic value because they are private property of some subjects or because there is a cost in extracting it or in finding it, a cost that we do not have to bear to know if the sun is shining or not. So in this sense information is a private good. The first motivation to voluntary disclosure is to bargain for something else, *do ut des* in Latin, but I spotted also situations in which people and organizations, utilities give information to mark a position or a market, to say something about the area of influence and the area of power or to score a point in a game, a political game or business game or obviously to get relationships that is very usual, to give private information in order to get new relationships in the particular network of relationships that feature individual power, reputation but also the organization's power and reputation. A way to get a new relationship into the FIELD matrix, so to add an arrow to the already complicated picture that we are used to spot on our desktop when we discuss FIELD. You can add an arrow using money, threats but frequently information is the price you pay to add an arrow to the network of relationships. Some of these points are obviously linked together so it is not a particular scientific separation, to improve reputation is also another motivation to give away apparently for free private and costly information. I hope that Ivana Paniccia of the Italian Transport Authority will say something about this point because is the only sectoral regulator we have today, and we are very pleased to have her here.



Slide 10

This is why we put so much details into the description of what information is, how many kinds of information you can find into the FIELD matrix that some of you knows and some of you have filled out and in **Slide 11** you can find an example of information typologies that we asked colleagues and friends to consider when they helped us to design a local FIELD. We have a lot of kinds of typologies but we are very open to critics and improvements. The information about physical assets is very neglected, nobody ever talks about the physical status of infrastructures. We have an experience in welfare sector in which all the cost is always labour cost, ordinary maintenance and nobody talks about the rebuilding, the schools in twenty or thirty years, so there is a myopic approach to assets and infrastructures.
So we have information on costs, demand side, service quality, provision for future costs and risk, financial flows, etc.. This is just a memo for you, so feel free to say something or to add something to this list.

Information typologies:

•operational costs
•investment costs
•assets: physical assets
•revenues: market revenues or transfers
•demand side: who the customers/users are, where they are located. Is there any economic information about the demand side, i.e. price vs. non-price instruments of demand? volume of demand/fluctuations
•prices/tariffs
•how revenues are organized: i.e. structure (fixed fees, volumetric payments?)
•service quality
•kind of regulation in place (formal regulation authority ? contract regulation? Informal regulation?)
•provisions for future costs: In some contexts provisions are used, in others they are not. And this will affect cost levels, investment plans and re-investment plans.
•how costs are distributed: i.e. who pays and who receives? (financial flow / relationships).

Slide 11

One thing that is completely absent in the FIELD structure is the question of **implicit contracts**. It is absent because implicit contracts, not on law basis but on economic basis, are difficult to explain if you are not used to this concept and if you succeed in explaining what an implicit contract is, it is very difficult to design, to spot their existence if you are not an insider. I have hypothesis about implicit contracts in Torino political and utilities environment and outside, in my house, with my wife and friends but they are all situations I know very well and in the case of my house I am really an insider. Nevertheless implicit contracts are absolutely relevant to understand a local situation, a project development, a regulatory framework because implicit contracts define the strategic way relationships will be managed especially in dark times, in case of litigation that cannot be a formal litigation because the contract has no rules for this state of the world and you find you in a state of the world that is not forecasted by the formal contract so you have to managed based on trust normally. **Trust** is the amniotic liquid of implicit contracts that actually stands much more longer that formal ones but formal ones can be detected, we can go to the municipality and asking for the franchising protocol for urban cleaning services, we can read and take notes but the informal contract cannot be detected like this. It is an high value piece of information but absolutely difficult to extract and nevertheless so enlightening.

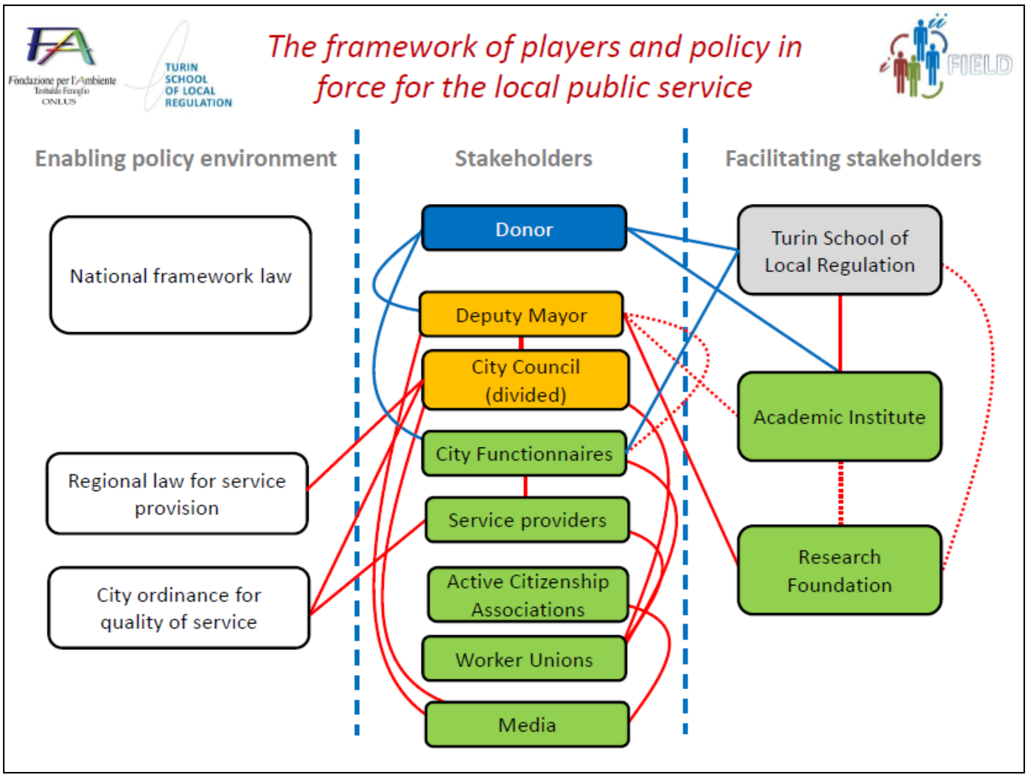
Approaching the end of my short presentation, frankly speaking yesterday Elisa, Daniele and me were speaking about the nature of this committee. It seems to me that more than a committee this is a network of people that is interested in sharing and working together on these issues, we are also thinking about the flexible nature of this meeting and maybe Ioannis, the president of this network will say something in his conclusions but one thing that I really appreciate is that it is based on people and not on organizations in the strict sense. It is people who want to share and think that this idea of the local dimension is particularly interesting and particularly challenging and need particular effort in capacity building and teaching, sharing this idea is the real connectivity of these meetings and the future ones too. I will say something after the debate, that I hope will be reach, about specific issues that we would like to treat in the next years, that are just proposals, also in the light of Alberto's proposal for the handbook but for now thank you for your attention.

Scheduled interventions

Information asymmetry between private grantmakers and grant public receivers: a case study on childcare services

by **Daniele RUSSOLILLO**, Foundation for the Environment / TSLR

I have been asked to tell you something about institutions, organizations and information extraction not from a theoretical point but from a case study, basically a sort of consulting activity or applied research project we have done in the last two years at the Turin School / Fondazione per l'Ambiente. I will not tell you a lot about the sector we applied it to, I will tell you at the end. Basically in this on-going research project there are some issues about disclosure of information, I will not be able to tell you who the actors really are, but we will get the same idea in the results and some hints for the debate. We have to do with the local public service and in **Slide 12** I have been trying to describe the system, putting on the left the enabling policy environment, in the middle the stakeholders and on the right the facilitating stakeholders. Basically the situation is that we have a City, a mid-size city in Western Europe that has some problems with a local public service provision. The problem is financial, meaning that if they do not find the money, nearly 40% of the service for the city is going to be deleted, cancelled, abruptly stopped. Luckily enough in this city there is a private donor that wants to donate a big amount of money and this donor has contacted the Turin School and also an academic institute to try to facilitate the relationships with the city to manage this very large donation because without this donation the service will be completely disrupted. The enabling environment is very easy, there is a national framework law, there is a regional law for service provision and there are some city ordinances for quality of service. From the point of view of policy environment really this is quite an easy case. As you can see from **Slide 12** there is quite a few of stakeholders.

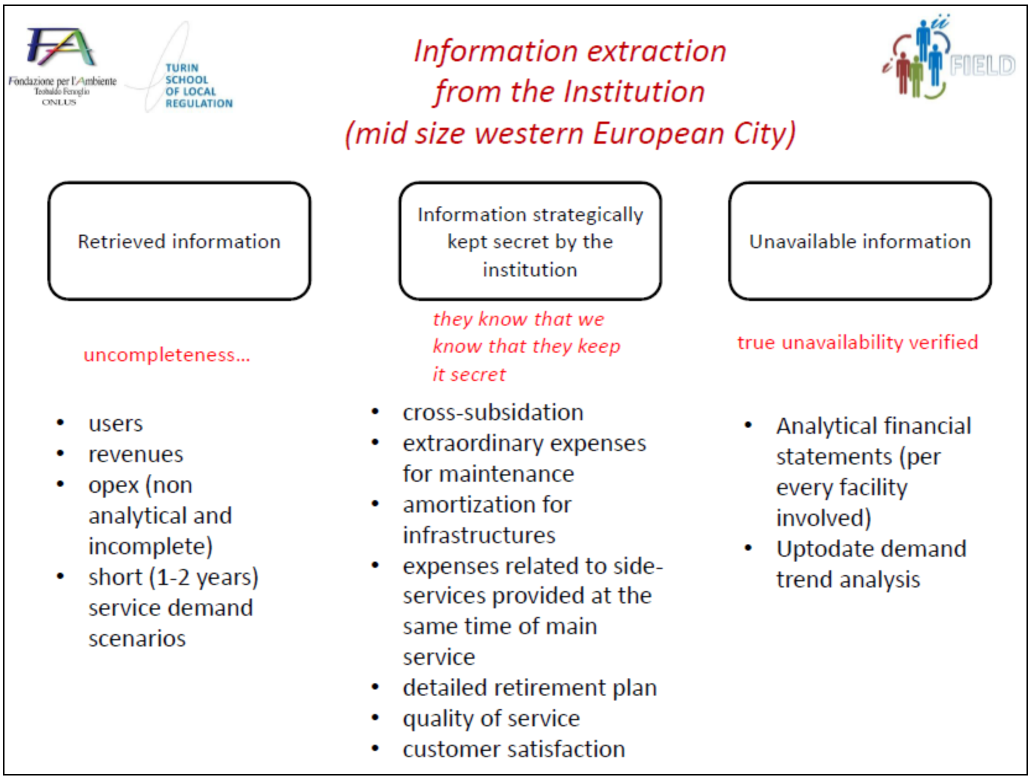


Slide 12

We have the donor, the deputy mayor, who is interested in that particular service provision, we have the city council that, being politic, is very divided on some issues related to the provision of the service, we have the city functionaries which is basically the staff of the City who is in charge of running the service, there are the service providers that are private companies that get assigned this kind of service provision by the City and they have to run it, there are some active citizenship associations, then we have some worker unions and the media. I am not going to tell you everything about the nature of those information transfer links, as you can see there are quite many. I am not going to speak about the nature but we can speak about the quality. Some of this links are particularly dysfunctional and those dysfunctional are those one with the dotted line. I am sorry, this is not rocket science, the political level in this specific case has again put on the table some problems and the connection with the deputy mayor in particular has proven particularly dysfunctional inside the city itself with the city functionaries sometimes having a dysfunctional relationship with the deputy mayor, with problems about the vision, with problems about budget allocation and this kind of issues. Another dysfunctional relationship is between the academic institute and the Turin School trying to collaborate with a research foundation that instead had a particularly strong relationship with the deputy mayor. The Turin School, that was contacted by the donor, has strong relationships with the donor itself but not with the other players and this was done on purpose to have a little bit more like third party action, it is better to be a little bit more independent but certainly, as you can see, it is not easy. Always speaking about what is at stake (**Slide 13**). The private donor is going to put on the table something like 15millions euro in three years timeframe. There are more or less 1.000 users for the public service. The workforce used by those private companies to run the service are more or less 150 and the infrastructures related to the provision of the service amount to more or less 160.000 cubic meters, so more or less 15-16 buildings, it is quite large.

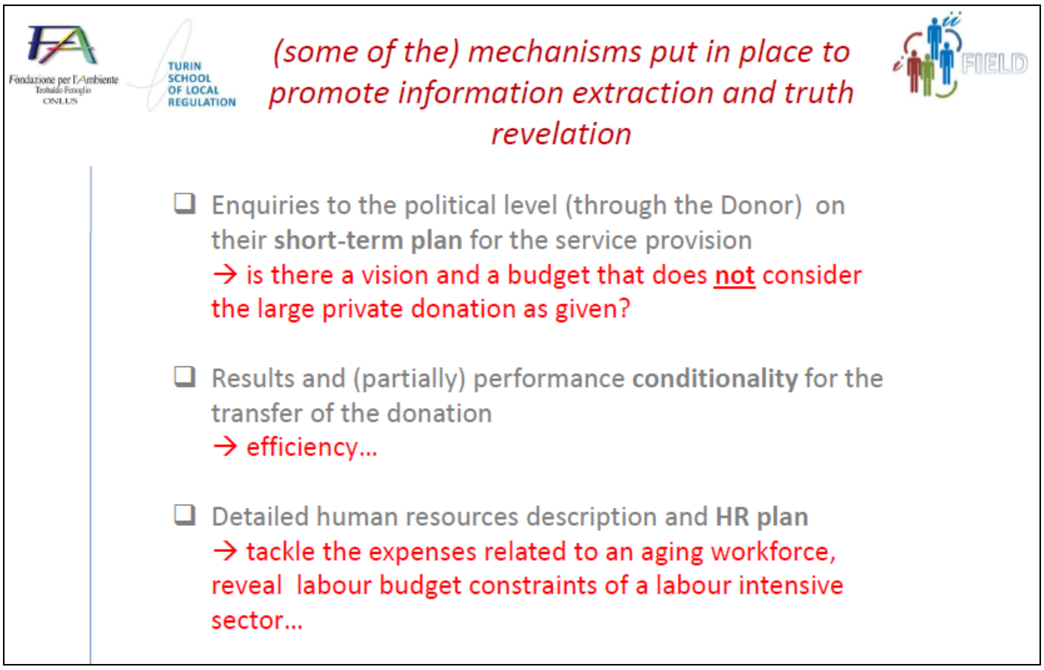
Slide 13

When we started the collaboration we had confront ourselves with the problem of information extraction because the donor wanted to give the money, they were really willing to do so, but they wanted to do it against some sort of efficiency, the wanted to know where the money was going to be used and everything. They told us that the city was not really collaborating a lot, so this is a typical case of information extraction. We created quite a big database with some forms that we gave to the donor and the donor gave it to the city and they fill it in. The results we got were quite interesting: some part of the information that we retrieved was okay, in the sense that we received information but was incomplete. Of course they told something about the users, the revenues, the opex, even if it was not complete, and they gave us a short demand scenarios (**Slide 14**). But they also, and this is not good, kept secret information and they know that we know that they keep it secret. This specific fact, that they know that we know that they keep it secret made a relationship with the donor, and the donor with the city, not really easy in the strategy of the game for the information extraction. What kind of information was strategically kept secret by the institution, by the city? Information about cross-subsidation, extraordinary expenses for maintenance, amortization for infrastructures, expenses related to side-services provided at the same time of main service, detailed retirement plan of the workforce, quality of service and customer satisfaction. They did not give us a detailed retirement plan but of course they have it because they know the people that are going to work for those services, they did not tell us a lot about the quality and we do not know anything about customer satisfaction. And then there was some information that was not absolutely available and we verified that it was true, it was impossible for them to give us those kinds of information like analytical financial statements and up-to-date demand trend analysis.



Slide 14

What we did? Basically when we understood the problem about information extraction we tried to put in place a mechanism. These are just a few of them (**Slide 15**). First of all we tried to make enquiries to the political level, always through the Donor about the short-term plan for this provisional service, try to understand if the City had some ideas of how to run this service without the money of the donor. Then we put in place some performance conditionality for the transfer of the donation. About 15millions euro in three years, I am not going to give you the lump sum at the beginning, and then you can do whatever you want, of course there was some conditionalities like have to do this, this and this and show me some performances before I give you the second or third or fourth or fifth installment. And then we asked a detailed human resources description for the human resources plan. This sector is very labour intensive so the retirement plan of the workforce was relevant.



Slide 15

What is all about? For people who know me, you know that I am an energy guy, power system guy, environmental guy, and maybe you think this is about waste, water maintenance or something? No pipes involved. It is about **childcare** and this is quite interesting because childcare for us was an incredible environment to test our tools for investigating this kind of system. When we speak about this kind of consulting activities and project we had I have to say you that if does not get right, 40% of the offer of childcare services of the City may go deleted, cancelled and this is real problems. As you know we try to approach local regulation, local public services in a very broad approach and this has proven to us to be an incredible gym to test our muscles, to try to understand if what we do in water, energy, waste can be applied, of course with the due differences, in other sectors and this is quite interesting because the topic which is childcare is really important for the media. If a pipe is broken, people cannot care about it, but if a child cannot go to the kindergarten or he is not going to receive his lunch at midday, it is going to be on the newspaper.

Revelation and incentive compatibility mechanisms

by **Meltem BAGGIS AKKAYA**, Turkish Competition Authority

Before I start, I have to say that I am really amazed by the international dimension and the scientific dimension this initiative has taken. Even most powerful and most well-known schools are unable to do this so you really deserve to be congratulated.

My talk today will include some experiences from my professional life, as enforcing competition in regulated markets, supporting locally regulated and nationally regulated markets. We always fight with regulators. As competition enforcers we usually have problems in enforcing competition in regulated markets. So my talk will give you a little bit of hints on how we see, what we perceive where the regulation fails and how the interaction between information and regulation is linked. What we have seen during our work in regulated markets is that usually regulators and policy makers are very straightforward enacting regulation, so, since it is costless, they use **mechanical information collection procedures**, the classical, conventional ones, but it usually does not result in genuine understanding of their form, who have been subject to regulation as call them regulatees can be firms, institutions or groups that are subject or that have been exposed to regulation. Regulators usually, in general speaking, should seek to build trust with the public and the regulatees. **Trust-building** is a very difficult and timely process while loss of it is very easy, being fragile. Thus, the regulators have to take into account the customs, local needs, risk perceptions, cultural norms and values of the regulatees. When this is not done, accumulation of naked data would never lead to understanding of the regulatees in question. So you end up with a very well designed regulation in paper but does not do anything. Or people want to abuse it or do not want to obey in other words. In public policy literature there are two different logics employed by the policy makers. The first is logic of consequences where pure cost-benefit analysis with quantitative data are at work. This logic naturally excludes all information that cannot be quantified and therefore cannot allow healthy analysis of a given population's preferences. The second is logic of appropriateness where qualitative data and field work prevail. Logic of appropriateness is not focused on mechanical cost-benefit analysis but seeks regulations that are in line with the regulatees' beliefs, norms and values. Therefore, the second logic is more auspicious for trust-building. For instance, when regulators attempt to learn the level of risk-averseness of a given population, the second logic can give more healthy results. One important point here is that rational actor models, where individuals are rational maximizers with perfect knowledge, do not enlighten important kinds of social and economic regulations because as behavioral economics showed bounded rationality, sunk-cost fallacy, and many biases guide human behavior rather than pure rationality. And finally, identities, ideas and cultures do shape preferences and perceptions. Regulation, from our point of you of course is about shaping behaviour in hard definition and incentivizing people and institutions toward an efficient behaviour. Without healthy understanding of individuals perceptions, preferences, ideas regulation cannot be fruitful or if it is in the short term fruitful cannot be sustainable in the long term from what we see. This is why penetrations into local populations doing much more field work, gathering qualitative data and understanding people's point of view are very important. So the regulators should establish communication networks with the public and population whatever you call it and this should be a two ways communication, not just one way going up, like in many countries you give information, as you said it could be a voluntary, a mandatory way but you always give your ideas and information, but what happens? Nothing happens. They just receive then gather information, it is a good collection of data. So you need to receive feedbacks from regulators. So interaction of regulators and regulatees is critical for the minimization of information asymmetries of course within today's topic. I was able to find two good examples of regulation regarding promotion of renewable energy and sustainable consumption. These are important examples to see why revelation incentive compatibility should be carefully adapted for successful regulatory outcomes. These two tricky areas need long term perspectives and require behaviour modification by the citizens: consuming less, paying more for energy in the short term and saving more. So if an effective two ways communication can be provided crisis and trust destruction can be avoided but of course here we have the problem of what kind of social choices or social ideas can be implemented in the terms of "implementation theory". So there are three major questions to be answered here. First, under what conditions can a social choice rule can be implemented? Second, what form does an implementing mechanism take? And last but not least, which social choice rules cannot be implemented? So this is a big policy debate going on but it is good to involve some policy and social dimension into regulation and into information gathering rather than just seeking, ask and give information, the conventional way from what we have seen in our institution. Thank you.

Energy Network Regulation in the United Kingdom under RIIO: Stakeholder Activity, Information Disclosure and Decision-Making Structures

by **Vincent PÁL**, Humboldt-University of Berlin

Today I am going to talk about some developments that there have been in the United Kingdom in the last few years.

Over the last 5 years there have been remarkable changes in the British energy industry. One important element of this development is the introduction of RIIO, which stands for “Revenue = Incentives + Innovation + Outputs”. It is the framework for regulating electricity and gas networks, both for transmission and distribution. This reform has replaced the well-known RPI-X formula. It was driven by the UK’s 2020 goals, which also require increased infrastructure investment. The British regulator Ofgem did not consider RPI-X as being fully capable of incentivising energy network investment and innovation. After all, price-cap or revenue-cap regulation in its basic form does primarily aim at raising productive efficiency.

A view to the UK provides a good example for the evolution of regulatory strategies. From a regulatory theory perspective, we can observe a tendency towards the concepts of responsive and reflexive regulation. This has also an impact on legitimacy and accountability issues. With reference to the RIIO framework, I want to highlight three aspects that are interesting from a local regulation perspective: stakeholder activity, the related information disclosure and decision-making structures.

A core element of RIIO is the so-called advanced stakeholder engagement. According to Ofgem, interested parties or – according to the RIIO terminology – stakeholders will be given greater opportunities to influence Ofgem’s and the network companies’ decision-making. Stakeholder groups are: The network companies, business and domestic end consumers, users of network services, for example generators or interconnectors,and finally Government and other parties, for example, environmental organisations or a local authority. Government can impose specific priorities through a „Strategy and Policy Statement”. This was introduced by the latest Energy Act 2013.In the end, however, Ofgem remains responsible for the final decision-making.

Network companies have to set up business plans where they describe their course of action for the regulatory period. Ofgem will only consent to a business plan if, among other things, the network company shows that it has engaged with its stakeholders and, more importantly, that stakeholder views have actually shaped the content of this plan. This approved business plan will then lead to the transmission or distribution license for network operators.

The business plans and the engagement process receive general acceptance and positive feedback by the stakeholders. But, there is no legal framework for this process. Network companies should develop themselves how to conduct stakeholder engagement .However, some (enforceable) meta rules should frame self-regulatory arrangements. At a conceptual level, information transfer is a central part of RIIO’s effective stakeholder engagement. But there are only some specifications on what type of information should be transferred. Also, it is ambiguous if such transfer should be considered as mandatory or voluntary. During the present review, network companies did provide some information on a confidential basis only to the regulator. This is, for example, the internal cost structure. Network companies rather stress the information transfer from the stakeholders. Approval and common consent might be an indication of a working system. But if we include information asymmetries and weak disclosure incentives between the stakeholders, the approval of a regulatory decision does not automatically tell us if it is a desirable decision.

Stakeholders can primarily affect the outputs that the network company has to deliver throughout the regulatory period. In one case, the overall priority for facilitating renewable heating was lowered from a high to a medium priority after consultation. However, a closer look at the process reveals that local regions actually did have different priorities relating to heating. In regulatory decision-making, median or average values are often adopted to appeal stakeholders. And in the first RIIO transmission network price control review exactly this has happened. Ofgem’s final proposals for total cost parameters represent the median value between Ofgem’s initial proposals and the network operators’ proposals. But from a normative perspective, median values should only be adopted when they are a representation of actual need and support of stakeholders. In any other cases, the regulatory agency should try to really respond to stakeholder needs and try to aim at a different solution.

How does this relate to local regulation? In the case of electricity, the UK is divided into 14 electricity distribution networks. Therefore, one network does necessarily cover different regions. Local energy and environmental policies depend on the local energy distribution networks. Low carbon technologies and distributed generation are increasingly relevant. Urban local authorities regard district heating as an important part of redevelopment within cities. Thus, coordination of network companies and local authorities and stakeholders is necessary. During the current review it became clear that network companies should be more responsive towards local needs. Local authorities still call for better coordination and cooperation as well as improved transfer of information. There is room for improvement.

To conclude, the RIIO framework enjoys general approval. Stakeholder engagement is perceived as a positive process. Stakeholders also regard the business plans of network companies as being of higher quality compared to previous regulatory periods. However, the stakeholder process so far seems to lead to partly broad-brush results. Of course, this is due to the size of each distribution network and due to future uncertainties related to such business plans. With regard to local regulation, I expect network companies to engage with local stakeholders more closely to realise the potential of local environmental and energy policies. However, only the next years will tell if the RIIO framework will enjoy higher levels of approval and, more importantly, contribute to actual local solutions.

Centralised versus local regulation from an information perspective

by **Yane SVETIEV**, European University Institute / Bocconi University

My brief intervention is based on a case study that was discussed here at the Turin School some months ago over countries in which water supply and regulation is currently in the hands of local municipalities through separate corporatized entities for communal services and where there is currently on the table a proposal for the creation of a centralized national agency for the regulation of water resources. In light of this proposal I guess there are two departure points for my intervention: one is the motto of the Turin School which is *"All policies are local"* and the second is a comment that I made in last year meeting that actually policy making and institution building is often a result of error corrections of current arrangements rather than starting from a blank slate and building something new. We often proceed on the premises that services such as water supply are to be regulated locally but both this case study and some of the comparative research that was presented by the Turin School at this meeting suggested that this does not need to be the case and maybe the research that is being gathered by the Turin School can also shade some light on this issue of institutional design choice. As Franco indicated in his opening remarks, basically the crucial aspect is the acquisition of information relevant to the regulatory problem. The institutional design question for regulation should therefore principally respond to the information acquisition problem, in my view. The question that we might ask ourselves is: are there different types of regulatory information that might be better gathered by regulators at different levels because they are able to access it more easily? We might say that services such as water and many other of the services that are of interest for the Turin School are supplied from local sources, so the information about the source of the resource and the estimated cost of supply to different points in the local environment, alternative possible sources, period of shortage and oversupply should be all types of information that would be easily accessible locally, both in order to influence supply decisions and to formulate the price, which price could also be formed in a way that reflects local conditions. In the case study jurisdictions that I mentioned earlier you might expect that given that local regulator should have an advantage in regulating this problem, the proposal for a centralized agency would come from the national government as a way of concentrating more power centrally. This can even be done for reasons of public interest, so it does not have to be just a power grab. I mean, if there is inner quality in the distribution of water resources with consistent shortages and oversupply in the same locals it might be a way to use resources more efficiently. There might be social policy aspects though cross-subsidization if some localities have consistently very costly services where other have consistently cheaper services so a centralized regulator can sort of cross-subsidize in some ways. There can be information at central level about the externalities where particular uses of water resources in some localities damaged by pollution nearby water sources above their locality so it does not have to be a power grab, it can also be sort of publicly regarding. Interestingly enough in the case study jurisdiction the proposal for the centralized agency did not come from the national government but in fact from the associations of local entities for water supply and it is not even clear that the central government wants this responsibility in a centralized agency at a national level. So it could seem surprising, why would local entities which have the power and presumably have better access to the information want to relink this power to a centralized agency? This bring me to the second dimension of my intervention, which is the capability of information acquisition and processing for regulatory purposes that has to be viewed also through the light of the decision making procedures of both local and centralized authorities. In the example in this case study the formation of the price at local level was basically subject to a political decision making procedure of local mayors and councils and they were, as you might expect, reluctant to increase water prices for local constituencies which is in fact a highly salient issue in the local context and this produces intern serious problems for the operation of the local entities that basically do not have enough resources to provide the service. Note that this kind of political decision making at the local level can produce other types of difficulties: one is that the local supply and regulatory decision can be more easily captured by strong local interest, again something that Franco mentioned in his introduction, and you might have other kind of political problems such as the question of the division of resources in ethnically mixed communities and so forth. It does not have to be just manifested in adequate price, it can be manifested in other types of problems. As we know from Elinor Ostrom's work in relatively small and homogenous communities with high neutral visibility and clear exclusion principles you do not even need a regulatory mechanism in order to manage resources effectively but when those conditions are not met then, what do you do? Does a centralized agency as proposed here improve things, is it able to access information that would in some way overcome this problem? As a starting point, central regulators are at a great distance from all of the kinds of information that are relevant for the regulatory problems, so they would not be able to access that kind of information more easily. Therefore transferring full responsibility for decision making to a centralized agency would be likely to have a deleterious effect on the process of collecting information for supplying price decisions. Here I also want to highlight the literature on experimentalist governance which suggested a different kind of role for centralized regulators even when provision and regulation remain local and there is a role of imposing discipline on local autonomies and experimentation. So how does it do that? It does so by accessing different kind of information namely, for example, comparative information from across different local entities decisions about similar regulatory problems. It might also be able to access transnational information if the centralized agency participates in international regulatory networks or regional one, such is the case in the European Union. It could do it also by accessing different types of business models information riding the economic activity away from traditional sectors where economic activity is water dependent. All of these kinds of information might be not available to local entities or at least not available in a useful and comparable way they can implement in their own decision making. The central agency in this case should not be a decision maker but a collector and distributor of information as a discipline on local decision makers. How can such a centralized regulator act? It could act through distributing benchmark information on price ranges of water within the jurisdiction itself or about other regulatory dimensions or organizing something which is familiar to people that participate in transnational networks, peer reviews sessions with local entities where they have to explain their practices and their decisions. My final point is that through this kind of sharing of information but also having informal powers to step in when there seems to be a problem at the local level, this type of a centralized regulator can disrupt two things: one is local habits of decision making that otherwise go on question but that might be no longer suitable to the environment that the regulators are regulating and secondly they might be able to expose to light the possible coalition of capture or opportunistic behaviour of the kind that Franco spoke about in his introduction, precisely because of this element of explanation of how you go take decisions, but explained not to somebody who is relatively uninformed like a court but to peers who are relatively more informed about the problem.

Milan's water and sanitation service: from full direct provision to corporatization. A focus on information asymmetries

by **Olivier CRESPI REGHIZZI**, AgroParisTech

It is very appropriate to have my session just after the previous one because it is really a case where there was only a formal local regulator and then since 2011 there has been also a national regulation authority. I will speak shortly about Milan's water and sanitation service, I made this research between 2011 and 2013. It is part of a CIRIEC project[7] on the future of public enterprises and it is a forthcoming paper but there is already a working paper version which is available online if someone is interested and it is part of my PhD thesis that I will defend shortly.

We are talking about Milan's water and sanitation service specifically in the last twenty years, after 1994 when there was a major reform of the Italian water sector: some key features of this reform were the full cost recovery principle and the switch to corporatized water services which operate jointly water and sanitation services under a corporatized status. So the operator might be public or private, in the case of Milan we are talking about a municipally-owned operator which is called Metropolitana Milanese and operates the service in the city of Milan. This is a kind of exception of the Milan case in Italy because usually the service should have been provided on a larger scale, at county level. The reform created some local regulatory authorities called "Autorità d'Ambito" and a very weak national regulator which was Conviri. Between 1994 and 2011 there was a local operator under private law and a local regulatory authority and somehow no real powerful national regulator. There were many problems into the Italian water sector which have been pointed out by may authors. In 2011 there was a big referendum and after it the government gave some regulatory powers to the National Authority for Power and Gas which was an already existing regulator with a very good reputation, powerful and experienced. So in 2011 there is a switch from a local regulation to a multilevel regulation. Less power was left to local regulators alone.

[7] http://www.ciriec.ulg.ac.be/

Regulation

Legal and regulatory framework after 1994 (*Legge Galli* and connected decrees)

- **Full cost recovery principle** : WSS should be balanced and rely only on TARIFF revenues (MTN tariff methodology)
- **Integrated water and sanitation services** operated by a joint stock company under a concession agreement
- **Joint stock company** might be municipally owned / public-private partnership / fully privately owned
- Economies of scale : Ambito Territoriale Ottimale (ATO) – often **county geographical scale**
- **Local regulatory entity** *Autorita' ambito territoriale ottimale* (AATO) + national regulator CONVIRI
- A reform implemented with great inertia and frequent legislative modifications particularly concerning the role of the private sector
- **Lack of a powerful national regulator**
- **Investments plans non « bankable » since local regulator kept tariff too low**

Civil society movement in favour of « public water » **- Referendum in 2011** on « water privatisation » : 1) did the voters want to abolish the obligation to use competitive tendering to award the WSS's service ? 2)did they want to abolish the remuneration of the invested capital ? **YES LARGELY WON**

New regulatory framework after the referendum (2011)

- **Switch to a multi-level regulation**
- **Regulatory power given to the power and gas regulatory autority (AEEG) => more powerful and experienced, with a good reputation**
- **New tariff methodology (MTT) ; less power left to local regulators**

Slide 16

I would like just to point out that Metropolitana Milanese is usually seen as a well performing company among Italian water operators and it ranks quite highly in the benchmarking among Italian water operators.

Metropolitana Milanese SpA

Metropolitana Milanese SpA – Joint stock company fully owned by Milan's municipality – since 2003 in charge of the water and sanitation service (WSS) within the city of Milan (MM-WSS). Delivers also engineering services mainly in the transport sector (MM-ENG). Our case study is focused on **MM-WSS mainly.**

MM as a whole
-turnover : 233 M euros
-number of employees : 714 people

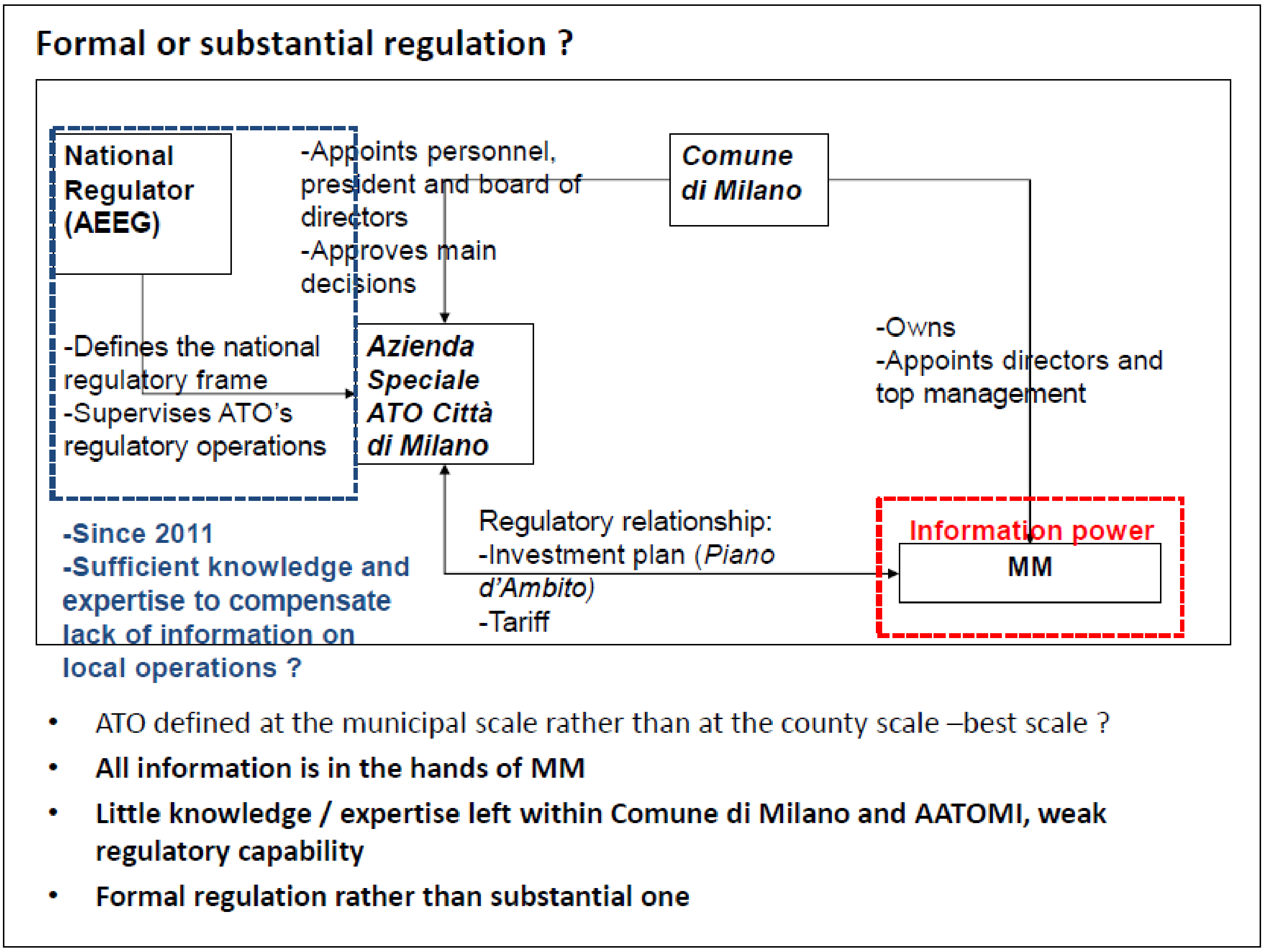
MM-WSS (Water and Sanitation part of MM only
-turnover : 123 M euros
-number of employees : 463 people
- area of operation : water and sanitation services
- population served : 1.35 M people
-number of meters : 47 136
-water volumes billed : 231 M m^3/year
-water mains : 2332 km
-sewer length : 1457 km
-waste water treatments operated by sub-contractors

MM-WSS is a well performing company (high ranking in a benchmarking)

Slide 17

In **Slide 18** you can see which are the main actors in the local regulation of Milan water and sanitation service. Until 2011 all the left part of the scheme did not exist. From my perspective, Conviri was not a very powerful regulator, before 2011 we can say that there was only a local regulation with the ATO Città di

Milano in the center of the graph, which was the local regulator, controlled by Milan Municipality, and Milan Municipality is also the only owner of the operator Metropolitana Milanese (M.M.).



Slide 18

What I want to point out here is the fact that all the information power was in the hands of Metropolitana Milanese because in fact in the ATO, the regulator, there were only two people, the director and an assistant. So of course they could not really perform a real regulation of the service. For example the investment plan, which is a very essential regulatory document, was in fact drafted by Metropolitana Milanese already with the logo of the regulatory authority. It is a kind of artificial play, from a formal point of view regulation was performed perfectly but in substance nothing was really taking place. In fact the question is if after 2011 the entry of National Regulator will manage to switch the local regulation in Milan but I guess also in many other Italian water districts from a formal regulation only to a substantial one. My case study stopped in the first months of 2013 so it was too early to see what was the real effect of the national regulator so I will not be able to answer this question. To conclude what was going on before the existence of the national regulator was a formal regulatory process which was like a play in which there are two actors which follow a script but nothing was really taking place in substance. Luckily Metropolitana Milanese was very committed to public service mission and it balanced such a lack of control but one could also be worried that this could not last forever. It would be interesting to observe if the multilevel regulation with the entry of a national regulator with expertise and knowledge is enough to compensate the lack of information on local operations by the local regulator. Moreover will this new system manage to restore the bankability of the Italian water sector and allow Metropolitana Milanese to meet its investment challenges which are quite relevant?

Open debate

Ivana PANICCIA: My speech will be a short contribution considering that the Italian Regulatory Authority for Transport is still in a start-up stage. I hope to give a more in-depth contribution next year. Since we have been established, we have been facing this problem of information. Obviously as regulators we need information on costs, on all the accounting data from companies but we need information also on what I would call information that have a public content because they are of interest for customers, for citizens who want to know not only how the public service is organized but also how their own companies perform. This is very important in transport but maybe also in water. How does the company perform? Is it effective or is there any waste of money and so on? Then we need information for new entrances, that is pro-competitive information, on how the service is organized, on revenues and information on the environment, on the transport basin, that is the franchise area. This information, for example on commuting flows, should be provided by administrative entities like regions but what we found is that entities endorsed with this duty to collect information and to control the providers of the service are not very well-organized. They should be our partners because we are a central regulator but with more indirect regulation power rather than direct one, that means that we do not set tariffs but just quality standards and so we define only criteria that regions and counties have to apply. Regions and counties should be our partners but as soon as we started to ask for data it resulted that regions did not have such data even if they were presumed to have them. Indeed companies objected that they were not available to give company management data because they considered them very sensitive. This is amazing considering that many administrative entities are also owner of in-house providing companies that means that there is a relationship that requires a direct relation. In a positive way the in-house model could be a way to overcome the asymmetry between the provider of the service and the purchaser but this experience of in-house in Italy has been very disappointing. Outsourcing has not given the results that were expected. We have a knowledge that has not improved in this 10 years of in-house experience and so our role is very difficult, our weapon, our tool is only the accounting regulation that means that we have the power to oblige companies to give us information on the basis of accounting rules and we can also apply sanctions to them but we cannot obviously sanction local administrations. Our role is quite difficult because we cannot expect companies to give us information because they trust us but they do not trust their owner, their controllers, regions because regions have not the same rules of independence we have. We have many rules of incompatibility that preserve the secrecy of data whereas regions and local counties that should be the intermediate stage have not and this complicates the pictures. We started to collect data and I hope that, because of the financial constraints there is a need to set efficient costs, there is no more money, no more financial data and this could be a push for our work. There are many expectations for our work in the direction of more efficiency of the system and this could be our only real persuasive power.

Andrea SBANDATI: I think there are many kinds of information. We use one word but there are different meanings and contexts of information, I try to say something about three of them. The first is information to the citizens and to the customers in regulated services. This is a special problem because for customers and citizens information is a limited, scarce resource, you cannot be informed about everything and so you

have to decide what is important to be informed about and sometimes I wonder if it is important or not to be informed as a citizen, like customer about something technical or economic of a complicated system. Usually information to customers and citizens is resolved like small technical information about the service, for example how to connect or how to pay, and this is important. I wonder what other kinds of information are important to say to the customers, but really important, besides the ideological approach to transparency. What is really important to a customer? It happens to discuss if it is important for a customer to know if it is a private or a public company that provides the service. I don't know. I would like to ask to people if it is important or not. Maybe yes maybe not. Is it important to understand exactly how the tariff is calculated? Yes, I think it could be interesting. In Italy in water services for example, but even in electricity and gas, we have very complicated documents for tariff calculation. I think that that kind of document can be understood by 100-200 people in Italy. It is impossible to understand what is said in that document. The problem so is how I can inform the citizens about that kind of complicated system, that is the tariff in Italy, there are no other things. This document contains the water tariff, is it possible to explain, to make information about that to normal skilled people in understanding formulas? I do not know. I would like to discuss and to ask to people, for example in the transportation sector, it could be interesting to reveal the rate of full cost covered by tariffs and I think anybody knows that. I would like to read it on the ticket. Tickets cover only 30% of the costs. I think this could be a good information. It is a simple information saying something about regulation, but I cannot explain how the tender is, it is very complicated to explain the tender document to the people. The second information is the classical information in the economical sense, like Franco said before, a regulatory information between regulator and regulatee. This is important because it is the core of the regulation, to be informed, to share information and not to have information asymmetries and I think is important to have as much information as possible. In Italy the situation of information is not good, I do not know in transportation but in gas, water there is a lack of information even if we have very skilled authorities like the Authority for electricity, gas and water and the Authority for transportation, but this is a typical problem. Tariff system is a sort of chamber of secrets, only some people can understand those documents. Only one thousand people know everything about that and the other 50 millions?
To conclude, the third kind of information that is completely different from the other two, is information to political decision makers, to the politicians. They are not citizens and customers, they are not regulator and regulatee, they are very strange because they live in a particular world, connected to be elected, to make decisions and they do not have a clear understanding of technicalities. Otherwise they pay strange attention to some particular problems and not to others, political side, political market and political theater has some rules. In Tuscany it happened that during meetings to decide tariffs politicians approved things that in fact are technically, juridically and legally impossible only for a political interest. We asked how decision makers could decide something impossible, and they answered that it did not matter because they were politicians and they could say whatever they wanted. Maybe there is a specific problem of information in that field, how to make information for the political side of the society and it is different from the first two.
Franco, I suggest to explore these different kinds of information, we use the same word but maybe there are three different ideas in our minds when we discuss about information, one for citizens and customers, one for regulator and regulatees and one for the political level.

Jihad ELNABOULSI: I have some remarks concerning the methods, concerning local regulation. Let me say that the idea of mechanism design in local regulation is very elegant. Now on a practical way, is it feasible? And we know in other fields that the mechanism design method was not applied. First because it is too complicated and second it is too costly to do. So is there anything we can do in local regulation? And specially as Daniele Russolillo said, donors are watching, supervising. If we do not use these grants or funds well they will revise the policy. How can we improve the regulatory process? And for this I will mention the words of Shin and Morris, going back to 2002 on the social value of information. We all know today that there is a huge amount of publicly disclosed information and the question is how can we make the best use of it? Even if this publicly disclosed information is not complete but there is some information available on the market. And the second part, there is some private information held by the operator, so the work of Shin and Morris (American Economic Association, 2002), they work on the financial market. Inspired by this work, I worked on environmental issues and I presented the work last year in Lisbon. I think that there is some room to use this work, we have to work a little bit, we have to change some elements and we can do some job in local regulation and we can start by simple things, let's say linear demand function, linear cost function and see what is happening. Are there any results and if yes let's go further and we generalize later on. This is a first part, so why do not we use this publicly disclosed information in local regulation? And the second part concerns more experimental economics, to my knowledge there is only one work done or the publicly and privately information. It goes back to 2012, it covers also the financial market so maybe – I am saying maybe - we can do this in local regulation if we get some solid results in the theoretical ground. These are some ways to do the job later on, probably you can get something.

Franco BECCHIS: Thank you Jihad. Your contribution is particularly welcome because actually when we started three years ago our pathway was incentives, information, FIELD and then design. I really know that mechanism design, that has been developed mainly by mathematical literature and game theory, is very hard to outline in practical terms and actually we find difficult to spot situations in which someone has really applied mechanism design in local regulation. Well, we find natural design of mechanisms in markets, in discount and things like that. So your suggestion is particularly interesting and we will for sure go deeper into what can be the substitute of theoretical mechanism design in everyday life of a local regulator, a mayor, a councilor, etc..

Lars ANWANDTER: Thank you. Basically since I work in a bank I would like to talk about the financing perspective. I mean when I was more into regulation, we always thought about the users obviously, because we usually started from a monopoly and we wanted to protect users that otherwise would be subject to abuse due to price or quality. But at the same time the interesting twist is that the users need the investments very often and so they need the financing that goes along and one of the big problem is that this investment does not happen because regulation is not perceived by banks to be solid enough. Sometimes I say "A good regulation is also in the interest of the investors" but at the end it comes back to the users because they have maybe a good wastewater treatment plant. From what I observed in the world, there seem to be a preference for financial markets because they obviously very concentrated for a national regulator. This seems to be important, at least it was the experience of the UK and even then followed by Portugal and at the end in the water sector follow as well by Italy. It is a bit about this thing of information, awareness, knowledge. Financial people are quite simple usually so they feel comforted if they have one regulatory agency and they do not have to check with hundreds agencies. So it is even a question of cost of analysis of the financing, so I think this would be an argument and it was made before for having national regulation, the financial side. So it is obviously different types of information, modern information maybe is being sure of a stability, of an application of a method. The method is complicated but you feel ensure this financial person that there are technical people that are not subject to regulatory capture who are implementing the regulation. So I think this should be made through the information that is handle more at the national level and the one at the local level. There is an important distinction. At the same time obviously, it was discussed even before, at local level you have better proximity to understand the details so I think the interaction between the two which is resulted in Portugal but even in Italy is not bad. Some people say it is a bit redundant but honestly it can be positive in making the link if the local and the national regulators talk because the national can do comparisons and spot some big differences, something that the local has more difficulties to do. The national for example can take off bad decisions like tariffs increases and the local can look at service quality. So you can really divide tasks, it is an important area of investigation. Information is clear looking at the different topics I think a very difficult one at least in the water sector is the physical assets. Just a curiosity, has any of you any experience on how you can make revelation of this information. Not only the physical assets but also your clients base, if they are paying or they are not paying. When there is an end of a concession and there is a new entrant, how often do you really observe new entrances? I do not know but maybe there are some researches on that. My impression is very scarcely because the incumbent has all the information and it will be very difficult. I was just wondering if there are some ways to make the incumbent reveal something before about the quality of the assets. For example if he has the tendency to reveal that the quality of the assets is low he does not want others to enter then you could say the termination value that you get will be lower, a bit enforcing, to give the right information. If you say it is low then you get a lower residual value. Basically if you say the operating costs are very high then you can bid another operating cost, we will take the average of your operating costs, so the incumbent cannot make a new offer, this to make an offer that is consistent to what represented over the life. If it is overrepresented, he might lose. I was just think about this moment, the bidding, which can be a moment of revelation of information.

Maria SALVETTI: Just to share with you some notes that I have taken earlier in the afternoon regarding information. First, information to the customer rather than to the regulator. It made me think about the French experience and the French situation, which is one of the situations that I know quite well in the water sector. So information to the customers made me think how users and consumers are informed about the public service, I mean what is the frequency because we have seen too much information is disregarded and is overwhelming, it is pointless, it does not tell me anything new most of the time. So frequency in my opinion matters. Another topic could be: on what kind of subjects do I get information because most of the time in water utilities you get information on the price because people want to know how much they pay, how much other people pay and so on. Information is given on water quality but that’s about it. It’s hard for instance to get information on environmental issues or social matters like on how many people have problems paying the bills. The information that is given to the consumers seems pretty standardized in my opinion. Moreover, the question of “who is providing this information” is important because in France, for instance, we have a multilevel governance mess I would say because we have regulators at national level, at river basin level, at regional level, at department level and at city level.. The information given to the consumers, is it given by the national level, at river basin level, at city level? As a consumer, I am getting different kinds of information because the region in France are in charge of the water quality, the price it is at city level, what deals with policy is at department level, so you get information on different topics from different level, so does it make sense for the end consumer? I am not sure. Also information to the consumer, what is it for? Is it for the consumers to express themselves, do we want to consult consumers on topics? If so, how often, what are the means to consult those consumers? And also one issue that is growing, I mean in France but in many countries, at least in Europe from what I know, is accountability because the mayor is responsible to deliver water, he has been elected, and has to be accountable of what he is doing to properly do his job and people are asking more and more for accountability from the elected politicians. And is there a proper way, also for those elected people to demonstrate what they have been doing in a good way or less good way, but you have to inform people. Now, very quickly about the information to the regulator. In past life I have been working for the French national regulator of water services, and basically when you talk about information to the regulator, how may entities are you regulating? In the water sector Portugal is fine, not so many, England, not so many, Italy, not so many, in France we are failing to regulate 35.000 operators. How do you manage information for 35.000 entities to regulate? Basically you do not, you fail because it is too complex and too costly. So this goes back to governance, to institutional organization of the sector, so we have tried to tackle the issues that we have been facing and we have done some open data as all the performances indicators which were put in place, all the raw data used to elaborate those performance indicators are all online, for each year, for all services, downloadable for anybody to use. We believe open data is a way to go and share information. It is also a bet, a promotion for participation? Is it going to work or fail? We will see in a few years. And I am just finishing by saying that, just for fun, when I hear the phrase “full cost recovery” each time I am a bit annoyed, let's rather say full economic cost recovery. When users pay the water bill, they do not pay for all environmental externalities, they will never pay for them I believe because it so difficult to include them in the price, so at least among us please let's make the effort to use the phrase “full economic cost recovery”.

Meltem BAGIS AKKAYA: To answer your question about environmental externalities, unfortunately in Turkey we have a very complicated water billing system. And of course to answer to Andrea's point, he said what kind of information and why do we need it? I agree fully. Why do we really need the information? Everybody wants cheap services, that is the basic answer and we want to compare them. And how do you know the information gathered from the companies regulated firms to the regulator and of course from the regulator or the mayor to the customers and users is genuine? You do not know. You cannot know. There are thousands of data gathered everyday and we are supposed to, sometimes mandatorily sometime voluntarily but this does not mean anything, so it is a plus, nobody opens data really. So the answer is why do you need it and what is the functionality of this specific information? I live in Ankara and I have a house in Istanbul, so I always compare my water bills. Ankara is always expensive, because in Ankara we have a complex system of water billing. The mayor, I do not know if he really cares about environment but he cares about getting revenues, we have a threshold, it is called the environmental threshold. If you consume a certain amount of water, I think it is 80 cubic meters you pay a certain tariff and then if you are up that one your bill double or triple it depends. In Istanbul we do not have that, because it is a big city, there is a lot of families, gathering money is a problem. In Ankara more sophisticated people do pay their bills, there are no leaks in the system. There was a discussion, if the mayor or the regulator, opens these very technical data to you, what are you going to do? What happened is that we have a new law that says that politicians are under the obligations of opening data, they have to respond to petitions including social media petitions, so Ankara mayor has a team of people tweeting all the time to the needs of the public. Somebody asked why he chose 80 cubic meters as environmental threshold, then he came off whit such a huge explanation, very technical data, engineers and all the people started a new dimension of a debate, it started a huge discussion, people forgot about money and they started asked: is it low? Why is it not 60? When a technical debate starts, you lose the ground really. What is important is indeed, how much you pay and how much that costs me? That's it. As a consumer it is important to enable me to compare what I pay here and what I pay there. All these other technical data are really technical. Before coming here I was reading a testimony by Bruce Owen and Stanford University. He was talking about neutrality and he says: it iss usually the regulated firms whose voice are heard louder always, so when you ask as a consumer you are always less oriented and less educated in terms of these technical data, so when you start a technical discussion you lose it. You are a standard person, you are just a man in the street, you have to be more balanced in that discussion, you have to know your platform, where you are standing and what you ask for so, you cannot ask for every kind of information, it does not do anything, so have to be more focused on what we are doing. To Jihad's point, I fully agree that on the local level, we have limited resources and we have grants as Daniele said, so where are under the observance of these people who give grants, so it is sort of public money in the end, and it is good to be more focused and to start with a basic model and maybe then, step by step, go further and be more functional, discussing more sophisticated issues. I think Jihad and I, we do share the same idea on the local level we should be more functional rather than more sophisticated.

Fabio Massimo ESPOSITO: I wanted to say something very similar to that said by Meltem. Actually, as Competition Authority we are interested in information that is useful to make markets work, to make competition works. So it is exactly for this that the main information that should be disseminated is information useful to consumers to take decisions, to make comparisons. If you have several local monopolies, the most important thing is to have access to simple information that allows you to make some benchmarking among these local monopolies. This is for example what happens in Finland with district heating. You can go online and on the Internet there is a publication by the Finnish District Heating Association with very simple data about revenues, heat produced and so everybody can have a very simple number which is the average price charged by other utilities. This is a very simple thing to have an idea on how much I am paying, so this is exactly what Meltem said. And then there is a point of accountability and reputation, there is a problem on how to convince the utilities to make these data public. Sometimes they are in the balance sheet but of course you cannot collect all the balance sheet and then make comparisons, so the idea is to convince them to put data that can be consulted easily by everybody on the Internet.
Another use of information to make markets work is give people data that are useful to the side, for example which suppliers, and this is something that was already said by Meltem. I was thinking of the English experience of liberalization of electricity and gas. They understood that in some way there is for some aspects too much information and under other aspects too few information so Ofgem is trying to design a very simple contract that can be easily compared. If you think about the structure of the market even in Italy, as in England, they are very local market, with a local supplier which is dominant for historical reasons, like Iride herein Torino, A2A in Milan, and so on and then there are some other competitors so in order to make competition at local level work it is important to provide consumers with very simple information that allow to compare. Thank you.

Tatjana JOVANIC: I agree with Meltem that price is the essential information for consumers but I would just like to stress that information about price means as well the methodology of forming the price. First of all we used interchangeably consumers, people and users but the question is: who does represent the interest of consumers? When filling up these tables for FIELD methodology I was always wondering who is actually to be treated as consumers? Because if we take into account, there are associations that protect the collective interest of consumers then we know that there must be some criteria. Despite of these criteria in a large part of Southern Europe, and especially South-Eastern Europe these consumer organizations are usually the grant-taking machine and sometimes it is a one-man show with some friends pretending to be a consumer organization, but when it comes to information, in one of the articles I wrote a few years ago I really tried to compare the American system of the role of representative sub-consumers in the so call rate hearings within Public Utilities Commissions and it is very nice Prof. Beecher is here so I would like to ask her just for kind of an overall evaluation of the role of utilities regulators in supervising information given to consumers and in helping them in how to cope with this price methodology in order to get the most important information which is price.

Janice BEECHER: In the US a lot of regulatory action is at the state level and my own philosophy is that representation before the commission enriches the process for the very reasons you all have identified this information is not just information, they bring their perspective, but it is very uneven and the last few years have not been kind in terms of budgets and capacities. For a while we were talking about things like consumers bill of rights and empowering consumers more that way. Some commissions invested heavily in educating consumers and the beauty of markets and the wonderful choice options so I think it has not been as good as it could be, either for the commissions stand point or the advocates but I do think consumers' expectations are changing in this area, in this age of social media and web access to information. I think there is a growing expectation so maybe consumers will drive the demand for information. I think this is first of all a wonderfully rich topic, I heard about a hundred great research questions here, I would like to encourage everyone here and especially the Turin School to focus on how the university can play a role because as you talked about the politics of information and these worries, I think universities can step up and help fill some of these gaps by providing neutral information. I will give you just one short example, in Indiana University there is a State Utility Forecasting Group and the way they forecast comes out of a professional group that then the utilities and the regulators stay quibble in the hearings but at least they have got something and I think again universities, by developing some of these information concepts and ideas and maybe even a platform for sharing information, publishing research, I think you can things that frankly sometimes the regulators cannot do and I view this as very valuable even with the understanding though I am also a little cautious on the information issue. We teach regulators to accept information asymmetry in fact. This is in special with the private model, where your job as a regulator is not to have all the information, perfect information replicated around the utilities, if you want to do that, just run the utility. The job of regulation is to set up a very carefully crafted system of incentives and accountability and standard for performance and then let them within the net, within the boundaries the regulators will allow and their shareholders will accept as investors but not to run them. Powerful regulator knows how to craft a good question, they do not necessarily know the answer. But when they come before that in that hearings, the ability to ask a very powerful question hold them accountable but not run the utility. And when regulators manage utilities they tend to assume the risk and shift it to the customer rather than keep the risk on the utility. I think the other question is when you do and how do you operate without information, it is a tricky one but I would love anybody answers that.

Concluding remarks and future perspectives

By **Ioannis KESSIDES** and **Franco BECCHIS**, TSLR

Ioannis KESSIDES: When the infrastructure reform movement started a decade ago, the question of the organizational architecture of regulatory governance and questions related to the vertical and horizontal allocation of regulatory institutions, were basically at the forefront of the regulatory discussion and indeed the decentralization and the devolution of regulatory responsibilities to lower tiers of government seemed to be attractive for the reasons that many of the participants have outlines. Decentralization seemed to be attractive because it allowed local conditions and preferences to shape regulation . It also moved the regulator closer to the services and therefore it allowed the regulator to collect better information. It could also promote competition among sub-national regulators and therefore it may facilitate private investment and finally it may improve also enforcement. Now, a couple of key issues that have emerged: one, again, whenever you have this division of regulatory responsibilities between national, regional and local regulators then there is always that underlying risk that regulatory responsibilities can be counterproductively splintered, and we have numerous examples from a variety of countries and sectors actually. Also the issue of representation bias and regulatory capture may be even more pronounced again as an effect of decentralization. And finally the technical capacity constraints become much more binding, as mentioned by some of the participants, and therefore again the work here of the TSLR in capacity building is clearly very important.
Information is key to this process. Information has very important institutional design implications, but it also has implications for the substantial content of regulation, for the economic content. What I mean by that is that perhaps we should intensify our search for substantive rules (pricing, access-pricing rules and so on) with much less severe requirements, perhaps more simple mechanisms that might be not the best but that are more realistic in terms of chances to be effectively applied . We should search, again, for rules which have much less severe information requirement , in order to be, in a sense, more consistent with the serious capacity constraints that have been focussed at the local level. And this is one area where the TSLR might focus in the future discussion.

Clearly the focus on more effective regulation at local level is of paramount importance. However, as you very well know in the last few years the policy focus has somehow shifted. There is now more concern for example about employment, most of the countries are facing now problems related to the generation of employment and therefore the issue of the impediment to the entrepreneurial activity, especially impediments to grassroots entrepreneurial activity, now are at the forefront of discussion. Therefore an emerging issue is also how we could reform regulation, in the sense of regulatory reform and deregulation. The motto of TSLR is "all policy are local". Unfortunately also many of these impediments have a local character, so that might be another area the TSLR could focus on: how we could assist local policy-makers to simplify the administrative procedures and to reduce the regulatory impediments to entrepreneurial activity so as to contribute to employment and economic growth.

Franco BECCHIS: Thank you Yannis. You always give us good suggestions and this one in particular. The word regulation is declined here in the traditional sense of industrial regulation, monopoly regulation but you know that there is also another big wave of studies on the red tape that is regulation that hinder local investments and Yannis, since the beginning, has always told us that this is another stream of research and teaching that could be highly valuable. And my answer is still the same, the idea is wonderful and if the Turin School will reach the dimension in terms of human resources and financial possibilities this would probably be one of the first steps into a new research and capacity building proposal for sure. And let me say also that I particularly appreciate your suggestion, that in a way is linked to Jihad's critics, to overcome the difficult aspects of detailed regulation with simple rules that need public information and simple information that is a good-sense suggestion but very useful to me, so thank you Yannis for your conclusions. Obviously you will receive a memo of this afternoon and this will be the occasion to share with us your thoughts, it is highly valuable, so please do not hesitate to send us your comments. We are in the phase of thinking about next year's thematic issues for the scientific committee, **Slide 19** shows a list with no hierarchical order.

Slide 19

Let me spend a word on the first one, local regulation and development that is for us a challenging issue because you cannot go with Laffont and Tirole handbook in your bag in Nairobi or in Addis Ababa or in

Mozambique. It will be highly improbable and so I know that the academy has already challenged the question of development, we know very well the books but in my view they are trying just to transplant in developing countries all the instruments that have been developed in industrialized countries with no real effort to change or enlarge the view. For me changing and enlarging the view is overcoming a purely economic approach to regulation and let anthropology, social network analysis, sociology, sometimes even ethnography intervene. Indeed they could be useful in particular in developing countries, and obviously political economy of regulation has a cap of all these contributions and there is a long way to cope with the challenges of regulation in contexts that are not Turin or Paris or Helsinki. Also local infrastructures is an issue that we care about a lot in Torino because we had a big experience of a big local infrastructure, the waste-to-energy plant, it is completed, it works, it treats 400.000 tons/each year and it is a good experience of reasonable regulation, with the game played but in a fair way with reasonable results. We have welfare and local regulation, Daniele has exposed some of the aspects and we have also smart cities. We will host next week a contribution by Uber, the taxi competitor, in our School. We know that technology is changing the way services are produced and distributed not only in the mobility sector but also in waste sector, in the electricity sector, etc.. It is just a list, please think about it and make suggestions. Jihad was asking me during the break information about COST[8], a research stream that finance things like that, meeting of experts around themes. We have tried to apply to the programme three times on the issue of information disclosure. Maybe we can retry around a more general issue that could be local dimension also in relation to the proposal by Alberto for an handbook because with COST we could set up a network that can pay people for doing some research in some topics and get here once or twice a year in the next three years, an option that we do not have for the time being for resources constraints.

To conclude, let me thank all of you for your participation and in particular let me say that a person that does not belong to our environment that has attended the opening ceremony of the Summer School on Monday told me: "Franco, you are lucky, you have a group of people that is extraordinary." This is true. All these outcomes in logistic terms and in scientific terms is due to this group. So I would like to thank all the TSLR staff.

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[8] COST Programme, European Cooperation in Science and Technology, http://www.cost.eu/