New perspectives for consumer cooperatives in public services

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Some contributions from economic literature/1

- Hansmann (2005)
  - costs of contracting
    - market power
      - → natural monopoly
    - ex-post market power/lock-in
    - asymmetric information
  - costs of ownership
    - monitoring
    - collective decision-making
    - risk bearing

Some contributions from economic literature/2

- ***Costs of contracting***
- natural monopoly
  - → avoid private and social cost
  - → costs related to the regulatory activity
    - case of self-regulation (Morse, 2000)
      - efficient and effective
- asymmetric information
  - price regulation
  - quality
- externalities, social costs and benefits must be added to costs of contracting (Morse, 2000)
- a review of Hansmann's contribution is required in the light of changes occurred in the electricity sector in recent years

Some contributions from economic literature/3

- ***Costs of ownership***
  - divergence of interests between the various types of users
  - Problems related to collective decision-making (Morse, 2000)
  - It is necessary an integration concerning (Birchall, 2002):
    - monitoring on the part of consumers does not necessarily imply high costs
    - the presence of costs due to the lack of control by consumers
    - benefits of the monitoring carried out by consumers
  - Consumer involvement: the greatest strength, but also the main element of weakness

Some contributions from economic literature/4

- the intensity of market power (which in turn depends upon how sensitive the input supply and output demand are to their prices) determines which is the most efficient organizational form (Mikami, 2003)
- possible obstacle to the creation of consumer cooperatives: the initial investment
- absence of consumer cooperatives in urban areas (Hansmann, 2005)

Subject of the survey

- Consumer cooperatives
  - users of a service that join together in order to meet their needs mutually.
  - organizations similar to consumer cooperatives
    → involvement of consumers in the supply of services
- Public services:
  - Energy
    - Electricity
    - Gas
    - District heating
  - Water services
  - Telecommunications
  - Transport
  - Waste disposal

The situation in Italy/1

- main categories of consumer cooperatives in public services:
  - economic nature criterion:
    - self production cooperatives
    - purchasing cooperatives (created in order to exploit the advantages related to market power)
  - origin criterion:
    - “historical cooperatives”, created before the deregulation of public services of the two last decades, represented the only chance to ensure the services in some areas that were not covered by for profit firms,
    - “new cooperatives”, created after deregulation and liberalization process, in order to guarantee better conditions
  - operational structure criterion
    - co-operatives that have a real enterprise structure
    - cooperatives managed "voluntarily" by some users, such as the president or members of the board

The situation in Italy/2

- ***Energy***
  - Electricity
    - 32 electric cooperatives (higher concentration in Trentino-Alto Adige)
    - 71% created before the nationalization process
      - → different reasons
    - production: 340 million kWh
    - hydroelectric sources
    - distribution: 250 million kWh
    - 88% of cooperatives owned the distribution lines with a total length of 1.459,5 km
    - two useful ratios to understand these cooperatives:
      - members/non-members ratio
      - production/distribution ratio
  - Gas
  - District heating

The situation in Italy/3

- ***Water services***
  - 9 cooperative (higher concentration in Alto-Adige)
  - water distributed: 1.800.000 cubic meters
  - 360 km of networks (mainly owned by the cooperatives)
  - about 4.200 members and 5.400 users
- ***Telecommunications***

The situation in Italy/4
Le acque libere

- «consorzi idrici» (water consortia)
  - not juridically incorporated as cooperatives, but similar to water cooperatives, controlled by members/users
  - Associazione di tutela dei consorzi delle acque libere
    - 29 consortia
    - more than 1400 users
    - about 65 km of networks
    - about 100 spring sources

The situation in Italy/5
Some findings from case studies

- modest numbers in term of quantity, but high inner variability → this organizational form can adapt to very different condition
- no incentive to under-invest
- interest of members are homogeneous
- “historical cooperatives”→ dynamic realities
- examples of collaboration between cooperatives and local government
- not high involvement of members
- sometimes rely on voluntary commitment of some members
- deal with a changing regulatory environment and often not cut on the particular characteristics of this organizational form

Europe and USA/1

- ***United Kingdom***
  - Energy
    - *Energy4all*
  - Telecommunications
    - *The Phone Coop*
  - Water services
    - *Glas Cymru*
  - *Community Interest Company*
    - 11 CIC in the electricity sector
    - 36 CIC in the transport sector
- ***France***
  - *Sociétés d'Intérêt Collectif Agricole d'Electricité* (SICAE)
  - *Sociétés coopératives d'intérêt collectif* (SCIC)
    - energy, transport, waste disposal

Europe and USA/2

- ***Spain***
  - Electric cooperatives
    - 46.573 members
    - €26,34 million turnover
    - 77 employees
- ***Germany***
  - Energy
    - *Energieverbrauchergenossenschaften (*Teutoburger Energie Netzwerk eG; Greenpace Energy)
    - *Energieproduktionsgenossenschaften* (Solar-Bürger-Genossenschaft eG a Bürstadt)
    - *Energie-Erzeuger-Verbraucher-Genossenschaften*
      - *Bioenergiedörfer*
    - *Energiedienstleistungsgenossenschaften*
- ***USA***
  - Energy
    - 854 distribution cooperatives
    - 66 generation and transmission
  - Water
    - 3350 not for profit water system
  - Telecommunications
    - 255 phone cooperatives