RESEARCH ON THE "COST OF NON-EUROPE"

BASIC FINDINGS

VOLUME 5 PART A

THE "COST OF NON-EUROPE" IN PUBLIC-SECTOR PROCUREMENT

Document

COMMISSION OF THE EUROPEAN COMMUNITIES

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by

WS Atkins Management Consultants
in association with
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The "Cost of Non-Europe"

in Public Sector Procurement

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THE COST OF NON-EUROPE IN PUBLIC SECTOR PROCUREMENT

Executive Summary

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1. INTRODUCTION

1.1 Background

Since the inception of the European Economic Community in 1957, private sector trade between member states has risen substantially. However, despite the existence of directives designed to promote open tendering and competition, the public sector has not enjoyed the same level of benefit. Indeed, direct imports represent a very small proportion of public purchasing.

Today, the world is a highly competitive commercial environment. With the contraction and disappearance of old industries such as coal, steel, shipbuilding and textiles and the rapid growth of new industries, such as electronics and biotechnology, European producers have to face the joint threats from large scale high technology companies in the USA and Japan and low labour cost manufacturers/assemblers in the newly industrialising nations such as Korea, Malaysia and Taiwan.

In certain key industries, for example, telecommunications equipment, the public sector is a major - often dominant - purchaser. Therefore, by not encouraging intra-Community competition, it is implicitly supporting sub-optimal enterprises, which is reflected in European industry being less competitive in world markets. In addition, public expenditure is higher than necessary.

Against this background, WS Atkins Management Consultants have carried out a global assessment of the potential savings in public expenditure from removing all barriers to trade in public purchasing, including: national purchasing practices and procedures, standards, border formalities etc. The Consultant's brief was to quantify the measurable effects: the important dynamic effects are discussed at the end of the report.

1.2 The Public Sector

In this study, the public sector is defined to include central and local government and its agencies, and also the 'non-competitive sector', that is, those enterprises, whether privately or publicly owned, which are granted a monopoly or concession to provide a public service. Gas distribution, power generation and distribution, railways, airport authorities and the like are therefore included in the estimates of expenditure and savings. On the other hand, publicly owned manufacturing firms, for example, Regie Renault, are excluded.

2. KEY CONCLUSIONS

2.1 Barriers to Trade in Public Purchasing

Public purchasing is sometimes used by EC member states as a policy instrument to support national or regional firms or industries, either:

* for strategic reasons (e.g. defence goods, telecommunications aerospace, etc)

* to support employment in declining industries (e.g. shipbuilding)

* to compensate local communities near environmentally damaging public industries (e.g. coal mining, nuclear fuels)

* to support emerging high technology industries (e.g. new telecommunications systems, lasers)

* for more general political reasons (e.g. highly visible goods like cars, tableware).

Public purchasing authorities generally deny that overt nationalistic purchasing policies exist. However, in certain key sectors there is virtually no trade between producing countries of the Community even though they have extensive trade with other countries, as described in the case studies in Section 8. Sample contract data collected during the study (see Table 1) support the view that the degree of import penetration in public purchases is much lower than for the economy as a whole. This may be an underestimate since purchasers do not always know whether contracts let with national suppliers include the supply of imported goods.

TABLE 1 - PUBLIC SECTOR IMPORT PENETRATION FROM EC AND NON-EC SOURCES
(percent)

	Belgium	France	Germany	Italy	UK
National import penetration (1)	43	20	22	19	22
Apparent public sector import penetration (2)	21	16	12	1	4
Public purchases from foreign suppliers (3)	2.6	1.6	3.8	0.3	0.4

Sources: (1) ESA National accounts 1985, (2) and (3) Atkins sample contract database

Definitions: (1) Imports/(national production + imports)
(2) Purchases reported to be of foreign origin/total purchases (total purchases include those of unreported origin)
(3) Value of contracts with foreign suppliers/total value of contracts (includes contracts with urreported suppliers)

2.2 The Completion of the Internal Market

The consequence of closed and protective public purchasing is that in certain key high technology supplying sectors - notably capital equipment for defence, power generation, telecommunications and railways - a symbiotic relationship builds up between suppliers and purchasers. This has enabled a situation to persist in which:

* there are widely differing national design standards, for example in railways and power generation. This also creates a barrier to the trade in the goods and services supplied by the public sector, with widespread repercussions on transport and communications, and hence on the efficiency of European business

* Governments attempt to enforce competition between alternative national suppliers (e.g. GEC and Plessey, or the three German locomotive manufacturers) which directly leads to suboptimal

size of plants, and to Government support for inefficient firms which would otherwise have to improve performance or go out of business

* markets are distorted by Government subsidies, R&D support and artificially high prices

* R&D effort is duplicated, dispersed and suboptimal

* there is little incentive to invest in new technology to confront the competition from non-EC firms

* firms have shortsighted marketing and production strategies. In key sectors such as computers, aerospace, telecommunications and vehicles, US and Japanese firms, as well as non-EC firms, are making increasing inroads into the EC market by adopting European marketing strategies while EC firms shelter behind their national public sector customers and look outward only towards declining third world markets

* there is a lack of product specialisation, so that even large EC firms have uneconomically wide product ranges and short production runs.

Unless the restrictions on public purchasing are swept away, it is the Consultants' view that, far from strategic industries being protected, whole areas of industry which have high multiplier effects on other sectors of manufacturing could cease to be viable.

In most of the key industrial sectors the largest world firms are generally US or Japanese. Yet the EC's larger number of firms adds nothing to the degree of competition in EC states, because of the protectiveness of European national markets.

Completion of the internal market, as far as public purchasing is concerned, means:

* making public purchasing procedures transparent, and open to all qualified suppliers

* doing away with unnecessary differences in engineering standards and design specifications which confuse third country customers as well as making intra EC trade difficult

* viewing competition policy on an EC wide basis, permitting both national and transnational mergers so that world-league EC firms can be built.

Although the completion of the internal market will lead to increased intra-Community trade and a reduction in prices of some products, the bulk of producers in a given country will experience no significant direct impact, because:

* in most sectors public purchasing only represents a small proportion of gross output

* the restructuring effects will be limited to certain key industries, for example, telecommunications equipment

* local purchasing will still continue for a wide range of products

* as in the private sector, not all price competitive producers will take advantage of the export opportunities in the public sectors of other Community countries.

2.3 Savings in Public Expenditure

The analysis and estimates described in Section 9 indicate potential savings in annual public expenditure of some 8 to 19 billion ecus, made up of:

* 3 to 8 billion ecus (1 to 2 percent of 1984 public purchasing) for the five study countries: Belgium, France, Germany, Italy and the UK, from new trade at the prices of the lowest cost country, arising directly from opening up public procurement

  (This includes a potential 2 billion ecus saving in coal purchases by importing from outside the EC, which in the context of an overall energy policy may not be considered a cost of non-Europe)

* a further 1 to 3 billion ecus (around half a percent of 1984 public purchasing) as a result of competitive pressure on prices in sectors not previously open to international competition. It is assumed this will be matched in time by improvements in efficiency of firms by reorganisation or adoption of new technology

* a further 4 to 8 billion ecus (1 to 2 percent of 1984 public purchasing), with some time lag, in economies of scale arising from the restructuring of industry in the previously protected sectors supplying equipment for defence, power generation, railways and telecommunications.

In addition to these potential public expenditure savings there are likely to be:

* benefits for private sector purchasers of similar goods

* an important impact on the rate of innovation, investment and growth in the sectors enjoying the benefits of restructuring, with positive effects on their international competitiveness.

3. OVERVIEW OF THE STUDY METHOD

The study has been carried out in two parts:

* Part I, a study of the present public purchasing environment, which included three main streams of research:

  - institutional aspects of the purchasing entities and their purchasing procedures, in the EC and USA
  - data on total volumes of purchasing and its breakdown by purchasing entity and product group
  - compilation and analysis of an extensive database covering detailed information on a sample of over 4,000 contracts in the five study countries.

  The results of this research were presented in the Part I report.

  The compilation of data was made difficult by the reluctance of some purchasing authorities to participate, and by the lack of detailed records or data on purchasing in most authorities. In one country the current legislation precluded the provision of all the information requested on contracts, particularly price information and data on suppliers

* Part II, an evaluation of the cost of non-Europe in public procurement. This part investigated existing price differences and the potential for future cost savings through industrial restructuring, in a representative sample of products purchased by the public sector. The products include:

- a 'price effect list', of products for which there were thought to be possible restrictions on trade and price differences between countries
- a 'case study list', of products predominantly purchased by or for the public sector, for which there was thought to be strongly nationalistic purchasing, and potential for significant economies from industry restructuring.

From this analysis, the potential savings in public expenditure have been estimated in terms of:

* the **static trade effect** - by buying from the cheapest supplying country at present prices

* the **competition effect** - reduction in prices from national producers who are faced with foreign competition for the first time. It is assumed that these price reductions can be met by reduction in real production costs, by investment in new technology or by eliminating 'x-inefficiency'

* the **restructuring effect** - the long run saving arising from economies of scale, including shared R&D and distribution costs, following industry restructuring in certain key sectors dominated by public sector purchasing.

The following sections describe the analysis, assumptions and findings in more depth. They cover:

* the institutional constraints and opportunities for saving (Section 4)

* the derivation of data on the size and breakdown of total public purchasing (Section 5)

* the selection of products for detailed study of price differences and economies of scale (Section 6)

* the methodology and findings on static price savings (Section 7)

* the case studies on economies of scale (Section 8)

* the aggregation of findings and analysis of total potential savings (Section 9).

4. THE POTENTIAL FOR SAVINGS

4.1 The Institutional Framework of the Public Sector

The five countries studied have quite different institutional and legal frameworks for public purchasing.

Firstly, there are important differences between the study countries in the extent and legal form of public ownership, and hence in the degree of public control over purchasing in key sectors like transport, telecommunications, and energy.

Secondly, there are also differences in the level of decentralisation of purchasing decisions. Where purchasing is highly decentralised, contracts are generally small and of little interest to foreign suppliers except in border areas. Decentralised purchasers also have few resources to handle international tendering (if this involves evaluation of complex bids or quality assurance of foreign firms). In all countries, defence, railways and posts and telecommunications, which together make up 20 to 35 percent of public purchasing, depending on the country, are fairly centralised, whereas local government purchasing (15 to 40 percent of the total) is highly decentralised. For the rest, which includes electricity, gas, water, health, roads and other transport, purchasing is highly decentralised in Germany and Italy, and much less so in the other countries, particularly the UK.

Thirdly, there are differences in the traditional regulatory framework for public purchasing into which the current and proposed EC legislation is inserted. In France, there is a rigid legal code and central control over a widely defined concept of 'marches publics'. Less rigid systems apply in Belgium, Italy and Germany, while the UK traditionally has no central system of regulations.

4.2 Procurement Procedures

The EC Directives on public purchasing have been in force since 1971 (for works contracts) and 1977 (for supplies). These enforce transparency in tendering procedures by, amongst other provisions, requiring publication of calls for tender to a standard format in the Official Journal of the European Communities (OJEC); limiting the use of negotiated (i.e. non-competitive) tendering procedures and of brand names or restrictive specifications.

Despite the existence of these procedures, there has so far been very little effective opening up of public procurement. This is true for all sectors, and particularly so for the purchasing sectors where there is really nationalistic purchasing for strategic reasons, and where there are large specialist contracts of interest to foreign suppliers. These have up to now been excluded from coverage by the directives. They are:

* energy
* transport
* telecommunications
* drinking water supply.

In addition, certain categories of defence contracts, particularly those involving special security measures or state security, are also excluded. This study has shown that in these excluded sectors there are very large potential gains from opening up the markets.

The purchasing authorities which do comply at present (including ministries, local authorities and health authorities) tend to have a lot of small contracts, and purchases of relatively common supplies and works which could be purchased from local importers or locally established representatives or subsidiaries of foreign firms. Such authorities have not seen much benefit in terms of direct bids from foreign suppliers. Some purchasing officers view the directives as an irritant and waste resource trying to evade them. It is likely, however, that implementation of the directives has improved national firms' awareness of public sector opportunities, by increasing the extent of open tendering, and so led to saving in public purchasing even where trade has not increased. As new legislation takes effect, the benefits must increase.

In the past, legislation on procurement has not had much direct effect on trade because:

* there are too many ways to evade the rules or influence the choice of supplier during bid evaluation

* the other barriers to trade which permit price differences still exist

* purchasers perceive that their resources do not permit costly active sourcing and evaluation of international bids for low value contracts (although the thresholds set by the Directives are such that if foreign suppliers respond, the potential benefits ought to justify the additional cost)

* suppliers sometimes either do not want to export, are limited by marketing agreements or exclusive dealerships, do not want to enter into competitive bidding, or do not believe the call for tender is serious, so international tendering is unproductive.

It is hoped that by 1992 this situation will have changed.

4.3 Areas of Potential Savings

Although central purchasing agencies and large public enterprises which practice competitive tendering are sometimes very effective, resources for public procurement in many authorities are often insufficient. Purchasing is sometimes inefficient, complacent and open to corruption, particularly at the local level. There is clearly an argument for improving control and transparency in public purchasing in the interest of consumers and taxpayers. Benefits would come from improved purchasing within a country or region, not just by increased trade, and in many cases local suppliers would be forced to meet import prices.

The study has shown that for most of the products considered there are large potential savings for some countries by buying from foreign suppliers. The fact that price differences exist, indicates either that there are other barriers to trade (including lack of knowledge), or the products concerned are not really comparable. If it is the latter then some of the potential gains from trade would be overestimated. It should also be noted that except for centralised purchasing agencies which have enormous market power and act commercially, public purchasers are unlikely to be better traders than commercial trading companies; there would not be many significant savings from cross-border trade on products which are already freely traded by the private sector. The large price differences identified in the study suggest, however, that many products are not freely traded and there are very significant restrictions on private sector trade, so a few large cross-border public contracts could have a powerful knock-on effect on both purchasers and suppliers by, in particular, breaking restrictive trade practices.

A special situation exists in the case studies and similar products where the public sector is the main purchaser, contracts are large and there are few suppliers. Public purchasing in these sectors has in the past been used to maintain an indigenous capability for strategic reasons, and also at the same time to be an organ of anti-trust policy, to maintain more than one supplier. This had led to a situation in many sectors where there is virtually no trade between EC producers. Railway, power generation and telecommunications equipment are prime examples. Consequently there is overcapacity, too many firms, duplication of R&D and marketing efforts, and suboptimal scale of production. In some of these sectors (power generation equipment, railway locomotives, telecommunications equipment) technology changes and the threat from new low cost producers have now made firms want to merge, rationalise and invest in new technology. Wider public procurement is essential to permit this; without it, protectionist countries will be left with no viable producer.

Where potential benefits from trade and restructuring have been identified, these may be a result of a combination of:

* changes in public procurement procedures

* changes in Member States' protection and competition policy

* other changes in the Internal Market (e.g. freedom to create pan-European companies and harmonisation of standards)

* changes in technology (e.g. the development of TGVs in France) which give one firm an advantage and help to break up cartel arrangements.

There is possibly a danger of double counting the benefits. What this study has measured is the total benefit of the internal market, in terms of savings in public expenditure (but without taking account of the benefits to private sector purchasers caused by more competition in the public sector). Public purchasing legislation alone may not achieve these benefits without other elements of the internal market programme being implemented, and without changes in suppliers' attitudes and strategies.

5. THE VOLUME OF PUBLIC PURCHASING

In order to estimate the potential benefits of the internal market on public purchasing, data have been collected on the volume and pattern of purchases.

Three different concepts, which can be applied to any entity or group of entities, need to be distinguished:

* total expenditure, which includes wages and salaries, other employment costs, financial charges, and transfers to other individuals or authorities (e.g. grants, subsidies, etc) as well as purchasing

* total purchasing, which includes all payments for goods and services from third parties. For government (excluding public enterprises) this is typically 10 to 20 percent of government expenditure

* contract procurement, defined for this study as that portion of total purchasing which is made after tendering or negotiating a formal written contract with a limited term of validity and which theoretically could have been open to competition. This excludes a substantial portion of total purchases which are either:

    - non-competitive or non-tradable services or products such as gas and electricity, rents of buildings, post and telecommunications and administrative expenses. The data suggest that this is around 15-25 percent of total purchasing

- small purchases or other purchases not subject to formal contract procedures. From limited evidence in France and the UK these appear to make up around 20-30 percent of total purchasing (but this may be partly due to under-reporting of contracts).

Table 2 shows the macroeconomic importance of public purchasing. In 1984, it totalled 384 billion ecus in the five study countries, which indicates a total of about 440 billion ecus for the 12 member states. This is equivalent to 15 percent of GDP.

Total contract procurement (total purchasing less the above elements) is estimated at between 170 and 250 billion ecus in 1984 (200 to 280 billion ecus for the 12 member states), equal to between 6 and 10 percent of GDP.

The figures in Table 2 need to be treated with caution. The data have been compiled from a variety of sources, including Eurostat ESA National Accounts, Member States' national accounts, contract data compiled by Ministries and local government representative bodies, company accounts and the Consultants' own estimates. The values for contract procurement are approximate, because only France maintains a central record of public contracts let, and this suffers from a high degree of under-reporting. Belgium has a more limited database, which does not include local government.

Data on the breakdown of total purchases by product group have been obtained from manipulation of the input-output tables for 1980, adjusted to 1984 levels of purchasing. At the one digit level the breakdown is shown in Figure 1.

TABLE 2 - MACROECONOMIC IMPORTANCE OF PUBLIC SECTOR PURCHASING
(Billion units national currency, 1984)

	Belgium BF	France FF	Germany DM	Italy Lit	UK UKL	Total ecu
GDP	4,402	4,282	1,754	720,682	319	2,566
Total expenditure: Government	2,599	2,048	788	336,515	137	1,183
Total public purchasing:						
Government	288	369	131	60,215	38	227
Public enterprises	480	235	77	34,226	32	157
Total PP	768	604	208	94,441	70	384
Government purchasing/ expenditure	11.0%	18.0%	17.0%	18.0%	28.0%	19.0%
Total PP as % GDP	17.5%	14.1%	11.8%	13.1%	21.8%	15.0%
Estimated total contract procurement (45-65% PP)	350-500	270-400	95-140	43,000-60,000	32-45	170-250

Sources: ESA National Accounts; Atkins' estimates for public enterprises and contract procurement

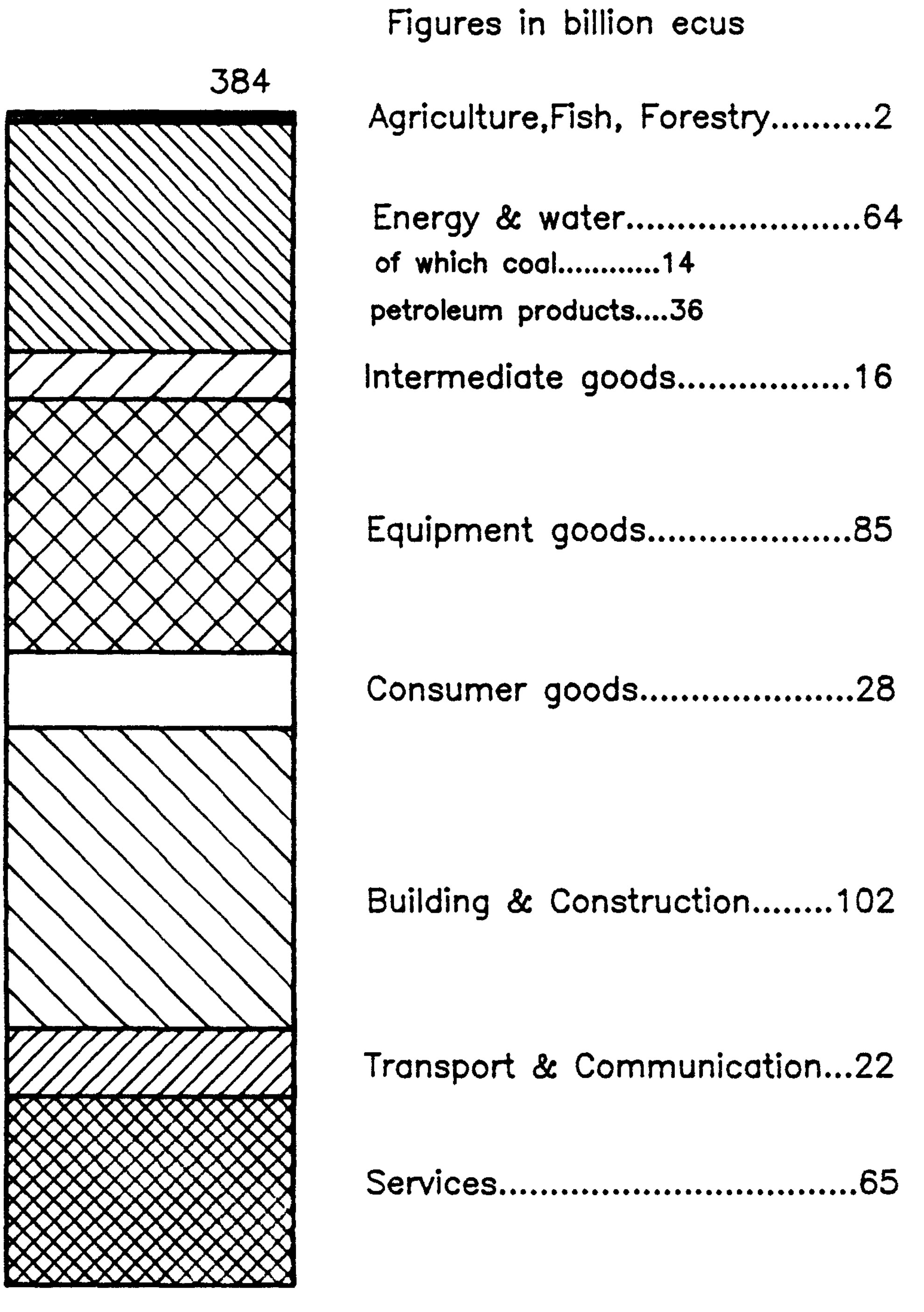

FIGURE 1. BREAKDOWN OF PUBLIC PURCHASES BY SUPPLYING SECTOR (5 Countries 1984)

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6. SELECTION OF REPRESENTATIVE PRODUCTS

The quantitative estimation of gains from trade and restructuring started from specific cases. For price comparisons, very specific products were selected and closely defined. Within the limitations of the present study there is a trade-off between the number of different products that can be studied and the level of detail at which each can be analysed. Two lists of selected products were agreed:

* a 'price effect' list of products which show a potential saving from new trade due to static price differences

* a 'restructuring effect' list of products for which there is a potential dynamic benefit from restructuring and economies of scale.

To evaluate the static trade effect of gains from new trade arising from opening up public procurement, it was necessary to look at products which:

* have a large share in public purchasing, so that price differences lead to significant savings

* are tradable

* are not at present freely traded, so that there is a possibility of price differences existing (after allowing for trading and transport costs)

* benefit from nationalistic purchasing policies, the removal of which might lead to increased trade by the public sector.

Using the NACE classification of economic activities at the three digit level, all products were reviewed against these criteria, using data on the breakdown of public purchasing. The products for which savings were considered possible are shown in the "Price Effect List", Table 3.

In order that opening up public procurement should have an effect on the efficiency of the industry through restructuring and economies of scale it is necessary in addition that the supplying industry should:

* depend heavily on public sector purchasers

* have a few dominant producers in each country, because economies of scale are important.

These products are shown in the "Restructuring Effect List", Table 3.

A further selection of these products was made to arrive at a list of products for analysis of prices, costs and industry structure and behaviour. Products of little importance in total purchasing, products not researchable for security reasons, and defence industries were eliminated from further study (but the conclusions of the analysis of selected products have been applied to all products). This left 14 product groups (42 specific products) for which an analysis of prices has been carried out and 8 products for which case studies have been prepared covering industry structure, markets, competitiveness, cost structure and economies of scale, and the industries' likely response to opening up public procurement.

Most of the products are from the manufacturing sectors. Raw materials and commodities can generally be excluded since near perfect international markets exist in most cases, and public sector purchases are low. The main exception is coal, for which restrictive purchasing agreements exist, and has been treated as a special case in the analysis.

TABLE 3 - PRODUCTS/SECTORS AFFECTED BY OPENING UP PUBLIC PROCUREMENT

Estimated share of PP affected	Price effect list	Restructuring effect list
6.8%	* Aerospace equipment/arms	* Aerospace/arms
4.6%	* Business services	-
3.7%	Coal for power stations	Coal
3.0%	* Specialised civil engineering & building	-
1.7%	Motor vehicles	-
1.6%	Pharmaceuticals	-
1.3%	* All other mechanical engineering	-
1.2%	Heavy steel fabrications	Heavy fabrications
0.9%	* Shipbuilding	* Shipbuilding
0.9%	Power generation equipment	Power generation equipment
0.9%	Telecommunication equipment	Telecom equipment
0.9%	Computer equipment	Mainframe computers
0.9%	Railway rolling stock	Raliway rolling stock
0.7%	School/office desks/furniture	-
0.7%	Uniforms/clothing	-
0.5%	Power cables	-
0.5%	Lighting (office/street)	-
0.4%	Paper	-
0.3%	* Nuclear fuels	* Nuclear fuels
0.3%	* Explosives	-
0.1%	* HVAC equipment	-
0.1%	* Mining equipment	-
0.1%	* Military/police boots	-
0.1%	-	* Steel tubes/special steels
0.1%	-	Lasers and optoelectronics
less than 0.1%	Cement	-
less than 0.1%	* Steel plant	-
less than 0.1%	* Pit props	-
less than 0.1%	* Railway track	-

Source: WS Atkins: Shares of public purchasing from analysis of input-output data

* not included in detailed studies

There are also a large number of categories of utilities and services for which the potential for trade is very weak - distribution of water and electricity, personal services, transport and communications - because proximity of the final supplier and the customer is of the essence. (This does not prevent the service being provided by a local establishment with foreign ownership, or imported materials being used in providing the service).

There are, however, undoubtedly areas within the services sector where there is potential for some expansion of trade - examples are engineering design, management consultancy, computer services, or architectural services, within the business services sector. This sector also includes insurance and finance brokers, estate agents, legal services, accountants, advertising, and technical services. In most of these sectors, language and knowledge of local laws, customs and circumstances are the main barriers to cross border trade, and nationalistic purchasing is likely to be of little importance. Most business is done by or through local representative offices. Nevertheless in this, and in some other service sectors, there is opportunity for trade in border areas and in specialist services. Completion of the internal market will facilitate this trade, for which international tendering is a prerequisite. It is not susceptible to detailed comparison of prices, but an estimate has been made of the potential impact in the calculation described in Section 9.

Building and civil engineering is a far larger supplying sector, representing about 30 percent of public purchasing. Although the potential for increased trade is in general limited by distance, the volume of purchases makes any savings potentially important. Trade is restricted by the on-site nature of most of the work, and the limited mobility of labour and the cost of transporting building materials, which also limit potential savings which could be offered by foreign contractors. Nevertheless, there are likely to be potential savings:

* in border areas

* in specialist activities such as tunnelling, airports, and innovative building methods

* when there are local areas of high construction activity and low construction activity, leading to differential profit margins, so that firms with low orders have an incentive to bid in the high demand areas.

Although there are highly innovative contractors, designers and building product manufacturers, the construction industry tends, rightly in view of the long term risks of new methods, to be cautious. The building materials trade is also prone to restrictive practices. The entry of foreign contractors with proven methods and experience which are new to national markets is likely to accelerate useful innovation, stimulate competition and by-pass materials cartels. The Commission's own experience in building 120 rue de la Loi is an example of potential savings:

> The Commission issued a call for tender in the Official Journal of the European Communities for the contract to construct a Commission office building at 120 rue de la Loi, Brussels. Responses were received from a wide range of construction companies both from within and outside the Community. They provided interested firms with a specification of works in English and French. There were few foreign tenders, which were generally more expensive than local bids. The selection was made from tenders received - not all firms submitted a tender subject to the tenderer being financially sound and complying with the works specification. The contract was awarded to a consortium of four companies, including Dumez of France, which collectively took on the role of the prime contractor. Tenders were also invited for sub-contract parcels of work and nominated sub-contractors were appointed. Although there was foreign involvement in the contract and it was not always evident as to the origin of certain materials and equipment - other than specialist equipment such as the air conditioning system, all purchases were made locally - according to the responsible Commission official:
>
> * an estimated 90% of the cost of works remained in Belgium

* the project was completed on time and to budget

* the value of the contract was some 15 - 25% below the initial estimate provided by the Belgian Ministry of Works in 1981 prior to the issue of the call for tender.

As with services, these potential areas of saving are specific to particular locations, contracts and times and are not easily quantifiable. An estimate of the potential has been made in the calculations of the static price effect.

7. PRICE COMPARISONS

For analysis of the static trade effect, inter-country comparisons of prices have been obtained from four sources:

* direct market research for 17 closely specific standard products. In each country enquiries were made to obtain quotations from three suppliers (where three exist and were willing to quote), and the price actually paid by one purchasing authority

* data held by Eurostat. Of these data, 17 products had comparable prices for at least four of the five study countries (this includes data on 18 models of car, averaged to represent one composite product)

* data on the cost of a basket of pharmaceutical products from a study by the Bureau Europeen des Unions de Consommateurs ('A Common Market in Medicines' BEUC 1987)

* data from case study interviews.

The comparison of prices raises a number of problems, the most critical of which are:

* identical products are not available in all countries, because of differing national standards, and product differentiation. In some cases the nearest available product has a quite different specification (e.g. diameter of power cable, rating of transformer) for which it has been possible in the direct price enquiries to make a correction. It is understood that similar analyses and corrections have been carried out on the Eurostat data. In other cases, however, quality and design

differences have not been able to be analysed, and may account for a part or all of the price differences observed. In the case of street lamps, for example, comparable specifications could not be found in all countries; and products like desks, however closely defined, are subject to design and quality differences

* there is a considerable variation in prices within each country. For example, a study of local authority purchasing in the UK found price differences of typically 2:1 and sometimes more, even for identical product specifications. This effect has been minimised by taking the mean of four observations where possible, but the fact that the price differentials within a country are as great as the differences between countries indicates that expenditure savings could often be made by improved purchasing without increased trade.

To calculate the potential savings, the Consultants estimated a savings threshold for typical contracts for each product and each pair of trading countries. The savings threshold is the cost of transport, trading, procurement and bidding, and a risk premium, as a percentage of the domestic price. The potential savings factor is then estimated by subtracting this savings threshold from the price differential for each pair of trading countries. Sensitivity analyses have been carried out to test the effect of different assumptions, and in particular the effect of assuming negligible trading and procurement costs and zero risk in the future internal market.

The potential savings factors calculated by this method are shown in Table 4. For several products there are no apparent potential savings at all (for example fluorescent tubes, school desks, cement, cardiac monitors). For some there are apparent potential savings of 30 to 50 percent for the high price countries (for example uniforms, filing cabinets, X-ray machines, telephones). These data are carried forward to the calculations of the trade effect, where aggregate savings are calculated for each product group and applied to product groups not covered by detailed analyses.

TABLE 4 - POTENTIAL STATIC PRICE SAVINGS BY PRODUCT
(percent of 1987 home price - base case hypothesis)

R59	Product sector	% of total purchases	Belgium	France	Germany	Italy	UK	Data source
31	Coal	3.69	0	0	50	0	25	a
151	Cement etc	0.05	0	0	0	0	0	a
170	Chemicals	3.22						
	Pharmaceuticals		9	0	52	0	40	c
190	Metal products	2.27						
	Boilers		0	0	0	0	0	d
	Filing cabinets		20	15	28	0	0	a
	Fixed armchair		0	2	23	0	5	b
	Storage cabinet		0	0	0	0	0	b
	File cabinet		4	19	0	11	0	b
	Shelf		30	0	0	0	0	b
	Swivel chair		16	0	5	0	0	b
	Weighted average		6	3	5	1	0	
210	Agriculture/industry etc	2.62	11	8	10	7	4	e
230	Office machine & instrumentation	1.76						
	Mainframe		0	0	0	0	0	a
	Typewriter I		0	10	0	28	27	b
	Calculator I		4	25	17	43	0	b
	Paper shredder		0	0	0	31	0	b
	Calculator II		0	22	0	33	0	b
	Weighted average		1	12	3	27	5	

TABLE 4 - POTENTIAL STATIC PRICE SAVINGS BY PRODUCT - CONTINUED
(percent of 1987 home price - base case hypothesis)

R59	Product sector	% of total purchases	Belgium	France	Germany	Italy	UK	Data source
250	Electrical equipment	4.69						
	Turbine generators		20	5	0	10	0	d
	Cables		28	0	0	0	0	a
	Transformers		12	16	0	0	19	a
	Transformer I		0	6	6	0	29	b
	Telephone switching		60	40	70	50	50	a
	Telephones		20	43	39	0	0	a
	Telephone II		47	63	68	34	0	b
	Laser		0	0	0	0	0	a
	Cardiac mon.		0	0	0	0	0	a
	Electrocardiograph		0	0	0	0	0	b
	X-ray machine		18	30	29	49	0	a
	Street lamp		0	0	0	0	0	a
	Fluorescent tube		0	0	0	9	0	a
	Weighted average		17	14	15	14	7	
270	Motor vehicles	1.70						
	Opel		0	11	9	9	7	a
	Average car		0	4	0	8	12	b
	Fiat		0	12	4	5	0	a
	VW		0	15	4	17	0	a
	Van B6		0	0	11	13	14	b
	Van 87		0	21	5	12	13	b
	Bus D8		0	8	0	19	0	b
	Bus D14		0	30	4	0	21	b
	Weighted average		0	13	4	10	9	

TABLE 4 - POTENTIAL STATIC PRICE SAVINGS BY PRODUCT - CONTINUED
(percent of 1987 home price - base case hypothesis)

R59	Product sector	% of total purchases	Belgium	France	Germany	Italy	UK	Data source
290	Other transport	9.01						
	Electric locos		10	0	10	20	0	d
	Goods wagon		13	0	23	5	10	a
	Weighted average		11	0	13	16	3	
410	Textiles and clothing	0.69						
	Uniforms		55	25	0	36	1	a
450	Wooden furniture	0.70						
	School desk		20	7	25	0	0	a
	Office desk		0	0	15	0	0	a
	Weighted average		10	4	20	0	0	
471	Paper and board	0.44						
	Copier paper		0	8	18	0	0	a
430	Leathers, leather & skin goods, footwear	0.13	11	6	11	14	4	e
490	Rubber & plastic products	0.71	11	6	11	14	4	e
510	Other manufacturing products	0.46	11	6	11	14	4	e
530	Building & civil engineering works	26.65	10	10	10	10	10	f

TABLE 4 - POTENTIAL STATIC PRICE SAVINGS BY PRODUCT - CONTINUED
(percent of 1987 home price - base case hypothesis)

R59	Product sector	% of total purchases	Belgium	France	Germany	Italy	UK	Data source
710	Business services provided to enterprises	4.63	10	10	10	10	10	f
		63.41						

Sources:
- a Atkins direct enquiries 1987
- b Eurostat price survey 1986
- c BEUC 'A Common Market in Medicines' 1987
- d Atkins case study interviews
- e Weighted average of other manufacturing sectors
- f Atkins hypothesis

Notes:
1. To estimate potential savings for leather goods and footwear, rubber and plastics, and other manufacturing products, a weighted average was used of the potential savings in other manufacturing sectors.
2. A straight estimate of 10% potential savings was made for building and civil works, and business services, for each country
3. The potential savings for coal are taken from the case study

8. CASE STUDIES

8.1 Selection of the Case Studies

The objective of the case studies was to examine, for specific supplying industries, the potential impact of the internal market on industry structure and economies of scale. The analysis included a comparison of the structure and competitiveness the EC and US industries. The case studies were selected from the range of special 'public sector goods', which was shown in the restructuring list in Table 3. These are principally capital equipment for the defence, transport, energy, telecomunications and water sectors. They were chosen to cover different industry sectors, traditional and hi-tech industries and different industry structures, as illustrated in Table 5.

8.2 Case Study Method

Interviews were held with senior executives and directors concerned with European marketing and development strategy in the principal firms in the five study countries, a total of some 60 companies, supplemented by desk research in Europe and USA. Many of these companies supply several of the case study products. The outstanding example is that three subsidiaries of CGE (Framatome, Alsthom and Alcatel) are virtually monopoly suppliers in France and also dominant EC suppliers of equipment to the rail, power generation and telecommunications sectors.

The interview programme and case study desk work covered:

* the industry structure: size of firms, market shares, ownership patterns

TABLE 5 - CHARACTERISTICS OF THE SELECTED CASE STUDIES

Product sector	Purchasing sector	Characteristics
Coal	Power generation	Declining industry Strategic resource
Boilers (heavy fabrications)	Power generation	Traditional industry, facing technical change. Few producers
Turbine generators	Power generation	Similar to boilers
Locomotives	Transport	Oligopolistic industry, hi-tech with traditional base
Mainframe computers	Central & local gov't & public enterprises	High technology; with external threat
Public switching	Telecommunications	High R&D costs, rapid technology change, government involvement in R&D
Telephones	Telecommunications	Small unit value, high volume, medium scale industry
Lasers	Defence and telecoms	New product, highly innovative with strategic importance

* market size, trends and existing trade patterns
* technology and technology trends
* cost structure and capacity utilisation
* relative prices
* perceived barriers to intra-EC trade
* the firms' European marketing strategies
* the firms' views of future industry scenarios and restructuring.

8.3 Characteristics of the Case Study Industries

Table 6 summarises the key market characteristics of the case study products. There is generally excess capacity (except telephones and computers) and negligible trade between EC producers (except in computers - mainly due to IBM - and public switching equipment between local subsidiaries of EC and non EC firms).

TABLE 6 - CASE STUDIES : MARKET CHARACTERISTICS, 1986

Product	Approx. EC market m Ecus	Estimated capacity utilisation	Intra-EC trade
Coal	20,000	-	negl
Boilers	2,000	20%	negl
Turbine generators	2,000	60%	negl
Locomotives	100	50% to 80%	negl
Mainframe computers	10,000	80%	30 to 100%
Public switching	7,000	approx 70%	15% to 45%
Telephones	5,000	90%	negl
Lasers	500	50%	high

Source: WS Atkins interviews and estimates

Table 7 compares the number of major firms in the EC and USA. In several of the products (boilers, turbine generators, locomotives, public switching) there are more firms in the EC than the USA, and economies of scale are important in each of these products. It is not, however, universally true that the EC has too many firms, and there are only some sectors which would be likely to undergo major restructuring in the internal market. Mainframe computer manufacturing, however, illustrates the point that although the US has more firms than the EC, in the US the biggest (like IBM) may be very big and achieve economies of scale and the smaller firms may specialise (like Cray). In Europe, product ranges and R&D are duplicated, without effective competition to improve efficiency.

TABLE 7 - CASE STUDIES : EC v USA IN 1987

Product	No. of EC firms	No. of US firms
Coal	10 majors	3,000
Boilers	12	6
Turbine generators	10	2
Locomotives	16	2
Mainframe computers	5	9
Public switching	11	4
Telephones	12	17
Lasers	over 1,000	over 1,000

Source: WS Atkins interviews

8.4 Prices and Economies of Scale

Table 8 summaries, in rounded terms, the concensus of industry views on typical price differences for the case study products, relative to either the lowest price EC supplier or the likely future open market price. These differences are included in Table 4.

In each of the sectors a quantitative analysis of potential economies of scale was made, using data on cost structures, capacity utilisation and technology. Likely scenarios, based on firms' reported strategies and their views of likely changes in industry structure, were considered. This enabled hypotheses to be developed on potential changes in the output of typical plants and potential economies in R&D and overheads.

Economies of scale can be defined in terms of:

* Short Run Economies of Scale (SREOS) - economies achievable with existing fixed capital (or with minor investment in de-bottlenecking) as a result of increased capacity utilisation and overall capacity reduction due to restructuring, with markets unchanged. The size of firms and plants are also unchanged

* Long Run Economies of Scale (LREOS) - result from increases in the size of plant (new investment) or in the size of firms (mergers and acquisitions, or market growth). In the selected case studies, increase in the size of plant and major investment in new facilities is not part of any of the scenarios. Mergers of firms leading to rationalisation of production, and elimination of duplicated R&D and marketing effort, is a common feature.

Both 'short run' and 'long run' economies of scale may take many years to be achieved, since both require industry restructuring.

TABLE 8 - CASE STUDIES : POTENTIAL PRICE SAVING

Product	Potential price saving
Coal	50% FRG 25% UK
Boilers	negl
Turbine generators	5 to 20% B, F, I
Locomotives	10 to 20% B, FRG, I
Mainframe computers	negl
Public switching	40% F 45% B 50% UK, I 70% FRG
Telephones	40% F, FRG 20% B
Lasers	negl

Source: WS Atkins interviews and price enquiries

8.5 Scenarios

A brief summary of the assumed scenarios for each of the case studies is given below. The estimated price change due to economies of scale - assuming all cost savings are passed on to customers (as they should in the new competitive environment) - is shown in Table 9.

TABLE 9 - CASE STUDIES : RESTRUCTURING EFFECTS

Product	SREOS	LREOS	Restructuring required
Coal	-	-	Pit closures
Boilers	20%	-	Mergers and plant closures
Turbine generators	10%	2%	Mergers and rationalisation
Locomotives	13%	7%	Mergers and technical collaboration, some closures
Mainframe computers	negl	5%	Rationalisation of product ranges and manufacturing
Public switching	10%	10%	Further acquisitions and rationalisation
Telephones	negl	negl	Some closures, some rationalisation
Lasers	large, not due to internal market		Natural growth and consolidation

Source: WS Atkins

* Coal: Germany and UK have purchasing agreements between power authorities and the coal industry. (France and Belgium have high production subsidies but smaller, declining industries and do not prevent imports). Removal of purchasing restrictions would lead to some accelerated closures in UK and massive closures in Germany. Germany would save around 50 percent and UK about 25 percent of coal prices by imports from outside the EC. It is assumed that imports would capture most

of the German market and about 10-20 percent of the UK market. This is only the effect of removal of purchasing restrictions, not the removal of all subsidies. In the absence of purchasing restrictions, the same protection could be afforded to coal industries by increasing production subsidies to lower home production prices, or by external tariffs. Since this is a matter of energy policy the potential savings estimated here may not be considered a 'cost of non-Europe' in the context of this study

* Boilers: there is no trade between EC producing countries, and there is massive overcapacity. Price differences give no evident static price advantage, but increased competition in the internal market would lead to some reduction in boilermaking capacity, and in the number of firms from 15 (in five countries) to around four. Unit prices and costs would fall by around 20 percent. The industry is vulnerable to low cost third world competition, and some manufacturing would probably shift offshore. These developments will require changes in national competition policy as well as opening up public procurement

* Turbine generators: As in boilers, there is little trade between the main EC producing countries, and some overcapacity. There are some price differences, so there are potential static price gains. Italy and the UK are beginning new power station building programmes, so French and German firms would be able to enter these markets. This is likely to lead to mergers and acquisitions and rationalisation of production, reducing unit costs by an estimated 12 percent, without major closures

* Electric locomotives: There is no significant trade yet between EC producing countries, but mergers and collaboration agreements are beginning to occur. Purchasing is opening up. Trade will be slow to develop because present locomotive designs were developed jointly between railway authorities and

national suppliers, and different rail systems are perceived as a barrier. Over a period of decades, the number of main manufacturers is likely to reduce from 16 (counting both mechanical and electrical subsystem manufacturers) to 3 or 4, with rationalised product ranges. Unit costs would fall by around 13 percent. Pressure for these changes already exists because of changing technology, but they cannot occur without changes in public purchasing policy

* Mainframe computers: Unlike the previous case studies, this is a highly competitive industry, but in a bilateral fashion, with indigenous producers competing against IBM in each country. IBM has become a pan-European firm, and other manufacturers are following, particularly Groupe Bull. There is no static price effect likely as a result of opening up public procurement. Some continued rationalisation of the industry is likely, leading to minor savings in R&D and marketing, estimated at around 5 percent of costs, but Europe now has fewer manufacturers (5 including IBM) than the USA (9 firms). Japan already has a strong presence in Europe (ICL, Comparex and Olivetti sell Japanese machines) and this is likely to increase, with direct sales and possibly local manufacture

* Public exchange switching equipment: There are seven different digital switching systems being installed in EC countries, five of which were developed by EC firms with the protection of national purchasing policies and R&D funding. According to interviewees and press reports, the 1987 price per line ranges from \$225 to \$500, because of varying levels of amortisation of development costs, compared to around \$100 in the USA. With open tendering the European price would probably fall to around \$150 (there are still R&D costs for adaptation to different national networks). The industry has been restructuring rapidly recently to compete for national market shares, notably by the emergence of Alcatel as a major pan-European firm and a series of other mergers and

cooperation agreements. With completely open markets there would probably be only two firms in the EC. This would give economies of scale in production, although there would still be distributed manufacturing, and would give some economies in the next round of development costs for future systems

* Telephones: There are many manufacturers of telephones and significant imports into deregulated markets. There are substantial price differences, mainly because there are high specifications for telephones into regulated markets (ie. first telephones in all but UK) and lower quality products in free markets. There are also differences in technology between manufacturers. Free competition would drive out expensive products and high cost producers, bringing prices down by 30 to 40 percent in Belgium, France and Germany, but there are no additional economies of scale to be achieved by major restructuring

* Lasers: The laser industry is very competitive, with many small firms, at the beginning of the product cycle curve. Only France is reported to have nationalistic public purchasing policies, although for telecommunications applications lasers are produced by some of the telecommunications equipment firms which are themselves protected by public purchasing. Otherwise the market is open. Costs will continue to fall as the industry matures and economies of scale will be achieved through market growth and mergers, but this will not be a result of internal market effects.

9. THE COST OF NON-EUROPE IN PUBLIC PROCUREMENT

The price analyses and case studies described in preceding sections give estimates of the potential changes in prices of products entering into public purchasing. The price changes were applied to give a weighted average price change for each 2-digit NACE product category (some of which, for perfectly traded commodities and for non-tradables, are zero). To estimate the potential savings in public expenditure, these price changes were input into a model, developed by the Consultants, of the total volume of public purchasing and potential changes in trade flows.

It is assumed throughout that there is no change in the total volume of public purchasing, nor of the volumes of private consumption. It is also assumed that all price changes result from a change in the cost of production, so that profit levels remain unchanged. Welfare gains are therefore measured directly by the change in public expenditure. This is essentially a comparative static approach. The longer term dynamic macroeconomic effects of the change in public expenditure and resource use on financial constraints, balance of payments, employment and economic growth are to be estimated by Commission staff using macroeconomic models.

The measurable effects of the internal market on prices and hence on public expenditure have been analysed in three components, the formulae for which are summarised in the technical appendix. The additional very important effects which cannot be quantified are listed at the end of the section.

* a static trade effect: this arises from increased imports from low cost producers. It is assumed that the products concerned are differentiated goods with monopolistically competitive markets (apart from coal, which is treated

differently in the analysis, traded commodities are excluded) so that the lower priced imports will take a share of the market without initially affecting the price of existing products. A range of hypotheses have been made about the potential change in import penetration. The base case assumes that public sector import penetration reaches the same level as the private sector for each product. The change in import penetration has been calculated using data from the contract database, trade statistics, and the analysis of public and private sector purchases from ESA input-output tables, for each country and each product.

For each product, the static trade effect equals:

(initial expenditure) x (% price saving) x (change in import penetration proportion)

* a competition effect: as imports increase due to the trade effect, domestic suppliers will be under pressure to cut prices to maintain market share. To the extent that there is x-inefficiency (that is, wasteful use of resources) they can do this by improving efficiency (e.g. reorganising or adopting new technology) and maintaining profit levels. If there is no x-inefficiency then <u>either</u> firms must merge or restructure to achieve economies of scale <u>or</u> any price cut is matched by loss of profits and there is no welfare gain. The existence of x-inefficiency implies an absence of profit maximising behaviour, which can only occur in non-competitive markets. The assumption is therefore made that a competition effect applies to all output in the case study sectors and similar products (where there is negligible public sector trade at present and few private sector buyers) but not at all to other products where there is a substantial private sector market.

In the previously 'non-competitive' markets therefore the competition effect equals for each product:

(initial expenditure) x (% price saving) x (1 - change in import penetration proportion)

The competition effect on prices of domestic suppliers is likely to be seen as soon as there is new trade or threat of trade. The effect on costs will take longer, since firms have to reorganise, improve procedures and possibly invest in new technology. In the intervening period there will be a loss of profits for firms, and it is this which will stimulate the efficiency improvements required.

* a restructuring effect: the development scenarios for the case study industries outlined in the previous section lead to the reduction in average costs, and hence in prices, due to the economies of scale which were shown in Table 8. Such effects would probably take 5 to 10 years to be realised. These price reductions are estimates for a 'typical' firm and are assumed to apply equally to all countries.

  The restructuring effect is estimated by:

  (initial expenditure) x (restructuring factor)

The results of a series of sensitivity analyses on the import penetration factors, savings thresholds, and price differentials is shown in Table 10. These also include the effect of an assumed ± 30 percent variation in the economies of scale factors in the restructuring effect.

The total potential savings are estimated in the range 8 to 19 billion ecus. The static trade effect, which can be assumed to be achieved by or soon after the completion of the internal market in 1992, amounts to 4 to 9 billion ecus. The competition effects on domestic suppliers, which will follow very soon after, gives an additional 1 to 3 billion ecus saving. The longer term restructuring effect is estimated to be similar in magnitude to the potential trade effect.

TABLE 10 - SUMMARY OF POTENTIAL SAVINGS IN TOTAL PUBLIC PURCHASING
(Billion Ecus 1984 - 5 countries)

Component	Value (billion ecus)	% GDP	% of total public purchasing
Static trade effect *	3 - 8	0.1 - 0.3	1 - 2
Competition effect	1 - 3	0.04 - 0.1	0.3 - 1
Restructuring effect	4 - 8	0.15 - 0.3	1 - 2
	8 - 19	0.3 - 0.7	2 - 5

* Note: Savings are calculated on total purchasing (not just contract procurement). The base case estimate of the static trade effect includes:

	billion ecus
Coal	2.0
Pharmaceuticals	1.2
Other manufactured goods	2.2
Construction	1.0
Services	0.2
	6.6

The savings in public purchasing which have been quantified exclude some very important elements, which are outside the scope of the present study:

* savings for the private sector purchasers of goods whose price has been reduced by increased competition. In the case study sectors, where the greatest savings apply, private sector purchases are small - there are few 'private' purchasers of power station equipment, railway equipment, and network telecommunications equipment, since all enterprises providing these services are included in this study's definition of the public sector. Nevertheless, the leverage wielded by public sector purchasers may break up restrictive trade practices (such as sole concessions and discriminatory pricing) and generate new gains from trade in products, such as office equipment, pharmaceuticals or construction, which are purchased by both public and private sectors. Such savings would, however, under the assumptions of this model, be partly offset by reductions in profit margins

* dynamic effects on innovation and growth. The longer term restructuring effect includes an estimate of the reduction in R&D and marketing expenditure possible as a result of company mergers and collaboration eliminating duplication. On the other hand, a more effective use of the same R&D and marketing expenditure could have a far-reaching impact on innovation, investment and growth, which has not been quantified

* external effects: the more effective use of R&D and marketing effort may have a profound effect, not just on innovation and growth, but on the survival of some sectors of European industry. In key high technology sectors such as computers, telecommunications, aerospace, transport equipment and defence goods the historical fragmentation of European industry into national preserves has made it increasingly uncompetitive, both at home and in world markets. Even though imports from outside the EC are likely to increase in the short term, major restructuring and increased competition can bring costs down and enable European industry to remain viable, compete and possibly gain new export markets in the long term.

The total estimated savings in public expenditure represent around half a percent of GDP, and this is equivalent to 2 to 5 percent of public purchasing, a very considerable saving. The dynamic effects outlined above would not only add to these savings in the long term but act as a powerful stimulant to European economic growth.

TECHNICAL APPENDIX - METHOD OF CALCULATION OF TOTAL POTENTIAL SAVINGS

1. Formulae used in the Model

Initial public purchasing = pQ

where Q = total volume of purchases from both local producers and importers

p = initial home price of both local producers and importers.

After opening up markets, expected public purchasing

$$= (p + dp_c + dp_r)\ (Q - M) + (p_m + dp_r)M$$

where M = new imports

P_m = price (delivered) of new imports from foreign supplies immediately after opening up

dp_c = change in price of local suppliers due to new competition

dp_r = change in price of all products due to restructuring effects

Savings = initial purchasing - expected purchasing

$$= (p + dp_c + dp_r)\ (Q-M) + (p_m + dp_r)\ M - pQ$$

$$= pM - dp_cQ + dp_cM - dp_rQ - p_mM$$

$$= (p-p_m)M - dp_c(Q-M) - dp_rQ$$

$$= \left(\frac{p-p_m}{p}\right) \left(\frac{M}{Q}\right) pQ \qquad \text{........ trade effect}$$

$$+ \left(\frac{-dp_c}{p}\right) \left(1 - \frac{M}{Q}\right) pQ \qquad \text{........ competition effect}$$

$$+ \left(\frac{-dp_r}{p}\right) pQ \qquad \text{........ restructuring effect}$$

define Δ = static price saving = $\frac{p-p_m}{p}$

so $(1-\Delta) = \frac{p_m}{p}$

θ = change in import penetration = $\frac{p_m M}{pQ}$

so $\frac{M}{Q} = \frac{p}{p_m}\theta = \frac{\theta}{(1-\Delta)}$

$R = \frac{-dp_r}{p}$

also, by hypothesis:

$-dp_c = \Delta$ for previously protected public sector suppliers
$= 0$ for other supply sectors

Then:

Trade effect	$= \frac{\Delta}{1-\Delta}\cdot\theta\cdot(pQ)$	
Competition effect	$= \begin{cases} \Delta\left[1-\frac{\theta}{1-\Delta}\right]pQ \\ 0 \end{cases}$	... for protected sectors ... otherwise
Restructuring effect	$= R(pQ)$	

2. Data Used

These formulae are used for calculation of the savings for each product at 2 digit NACE (R59) level. The data sources are :

Δ = the price savings shown in table 4

(pQ) = the initial (1984) public purchasing expenditure breakdown based on input-output tables

R = the economies of scale factors from the case studies, extrapolated to 2 digit NACE level

θ = change in import penetration estimated as described below.

3. Estimation of the change in import penetration

For the calculations of the "Cost of Non-Europe" in public procurement, a hypothesis has to be made about the change in public sector import penetration for each product group at the 2 digit NACE level. Since no reliable data exists on the current level of public sector import penetration, and since the 1992 public sector import penetration is pure hypothesis, an assumption was made of the maximum likely change in import penetration as follows:

* For coal: as assumed in the case study

* For construction: 10% increase, representing border areas and some specialist construction

* For services: 10% of business services, zero for other services (eg. maintenance, rents, health, travel)

* For manufactured goods: After 1992 the public sector import penetration will be similar to the private sector at present. The latter is not known, but data for total import penetration of each 2 digit sector (public and private purchases) is known.

  Estimates of the present level of import penetration in the public sector have been made on the basis of available evidence from the Contract data base. The implied private sector import penetration is then calculated, using data from the analysis of ESA input-output tables for the ratio of private and public sector purchasing (using intermediate consumption as a proxy), as follows:

Taking for each 2-digit NACE category

θ_{AV} = total import penetration, from the DGII data base (1986 or latest year available)

θ_{PRIV} = present private sector import penetration

θ_{PUB} = present public sector import penetration

E_{PUB} = public purchases of the sector output

E_{PRIV} = private sector purchases

E_{TOT} = total purchases

$$E_{TOT} \times \theta_{AV} = E_{PUB} \times \theta_{PUB} + E_{PRIV} \times \theta_{PRIV}$$

whence:

$$PUB = \frac{\theta_{AV} - \left(\frac{E_{PUB}}{E_{TOT}}\right) \theta_{PUB}}{\left(\frac{E_{PRIV}}{E_{TOT}}\right)}$$

and hence:

Change in import penetration $\theta = \theta PRIV - \theta PUB$

THE COST OF NON-EUROPE IN PUBLIC SECTOR PROCUREMENT

Full Report

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Eurequip SA-Roland Berger & Partner-Eurequip Italia

THE COST OF NON-EUROPE IN PUBLIC PROCUREMENT

PART I REPORT

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DEFINITIONS

Measures of Expenditure

* Total expenditure: all expenditure by an authority, which includes wages and salaries, financial charges, transfers to other authorities or individuals, as well as purchasing.

* Total purchasing: all purchases of goods and services from third parties, including rents and leasing, utilities such as gas, electricity and water, running expenses such as insurance, telecommunications, printing, maintenance of buildings and equipment. (Purchasing may typically be between 10-25 percent of total expenditure).

* Contract procurement: that portion of total purchasing which is made after tendering or negotiating a formal written contract with a limited term of validity, and which theoretically could have been open to competition. All purchases made "over-the-counter" with a cash transaction or via a simple purchase order are excluded, as are payments for non-competitive services such as rents, gas, electricity, posts and telecommunications, travel and subsistence expenses, insurance, legal fees, duties etc. (Contracts purchasing as here defined is typically around 50-60 percent of total purchasing).

Methods of Procurement

* "Open tendering": any procedure in which the call for tender is published and any supplier is entitled to submit a bid. The bids may be evaluated according to different criteria, but selection is made solely on the basis of the bids submitted

without further contact between bidder and purchaser, although there may be subsequent negotiation of price or scope with the winning bidder.

* "Restricted tendering": a procedure in which bidders are selected on the basis of their capabilities, technical proposals or other criteria, and then invited to submit formal bids, as in an open tender.

* "Negotiated tenders": in which one or more bidders are selected from lists of registered or approved firms or by other means. The contract is then let after negotiation of the scope and price between the purchaser and the bidder(s).

* "Europe wide tender": any of the above procedures which is open to bidders from any EC country. Note that an open tender not covered by the EC directives still need only be published in a local publication, and the selection criteria could for example require a local distribution network.

* "Over-the-counter": one-off purchases made either from a regular distributor, or after telephone or written quotations from a number of suppliers, without a formal tender or negotiation. This would be the case for small cash or expense account purchases, airline tickets, emergency supplies, maintenance or other items below agreed spending thresholds.

1. SUMMARY OF FINDINGS

1.1 Introduction

Previous studies have indicated that public procurement should be a priority area within the programme of actions to open up the internal market of the European Communities, particularly in high technology and strategic sectors such as power generation, computers, telecommunications, railways, defence, and aerospace.

The barrier to trade in public purchasing is the tendency of governments to protect national suppliers, either deliberately or otherwise, by limiting bidding to known national firms, or by permitting public services to develop and continue to use special technical standards which are not harmonised with other EC Member States.

1.2 The Public Sector (Section 3)

There are significant differences between countries in both the structure of the public sector and the organisation of public purchasing. This influences the extent to which increased cross-border trade is likely to result from removing of barriers. In particular, highly decentralised purchasing can lead to small individual contracts of little interest to foreign suppliers, and to purchasing departments with inadequate resources to handle international contracts. In some countries, notably France and UK local authorities are increasingly tending to form consortia for the purpose of pooling their purchasing resources and achieving economies.

However, assessment of the implications of particular public purchasing policies must be based not only on the number of separate purchasing entities or decision centres involved but also on the percentage distribution of public purchasing power across those entities. Evaluation of individual national policies must take due account of both these criteria.

Belgium has moderately decentralised local government spending, including health, local roads, and utilities. The main national services, however, are under direct Ministry control, including railways, the airline, telecommunications, and many other public bodies. There are around 1 000 purchasing entities with total expenditure spread widely amongst them.

France, with around 50 000 purchasing entities, has very decentralised local government purchasing and dispersed purchasing decisions in central government, but with strong central policy making and monitoring of public purchasing. There is also strong central purchasing in the key sectors of power, gas, coal, railways, airlines, telecommunications, and defence with some 58% of government contract purchasing being made by the Defence and PTT agencies.

Germany is the most decentralised of all and has around 20 000 purchasing entities, with central purchasing only for railways, telecommunications and defence. Many municipal and infrastructural activities are in the hands of local, private law companies, usually with public ownership. The public enterprise sector is very dispersed, but mainly in infrastructure activities. However, in excess of 50% of the total expenditure is made by the Ministries of Defence, Transport and Interior together with DBB, DBP and 3 or 4 states with centralised procurement.

Italy has a complex structure with around 20 000 entities, as decentralised as Germany, although power generation is also centralised. There is widespread public ownership, including commercial activities, and expenditure is spread across many agencies with little concentration.

The UK is more centralised and has only around 700 entities. It has fewer and larger local government authorities, some of which are now grouping into purchasing consortia. There are five powerful central purchasing agencies (including Defence and the DHSS, jointly accounting for over 50% of government purchases) most of which act commercially and are required to make a profit. Electricity and water are distributed by large regional bodies under commercial regimes; rail, power generation, gas and telecommunications are nationally organised. The latter two, along with airlines are now privatised.

1.3 Procurement Procedures (Section 4)

The EC legislation distinguishes three types of procedure:

* open tendering: a public call for competitive tender, with no prequalification requirements

* restricted tendering: a public call for prequalification, followed by competitive tendering amongst selected bidders

* negotiated tendering: non-competitive contract negotiation with one or more bidders (this may be preceded by competitive pre-selection of bidders).

In addition there are informal procedures. The French, Belgian and Italian systems also distinguish price-only evaluation procedures ('adjudication'/'asta') and procedures taking technical criteria into account ('appel d'offre'/'concorso-appalto').

The UK is unique among the five countries in having no national statutory framework for public procurement other than the EC and GATT rules. There is a system of regulations in Germany and statutory systems in Belgium, France and Italy.

In Belgium, France and Italy, the law specifies certain permitted procedures and favours open tendering with price-only adjudication where possible, with other procedures allowable under specified circumstances (considered by the drafters of the legislation to be exceptional). In general the choice of procedures is at the option of the purchasing agencies. In practice, for often very good and justifiable reasons, for example high cost of public tenders, sophisticated nature of the goods required etc, the open procedure has become the exception. Negotiated and restricted procedures are preferred, particularly in the public enterprises. In Italy in particular open tendering is hardly ever used.

In France, there is formal vigilance of procedures by the Commissaires. Policy and regulations are updated by the Commission Central du Marche, which also defines special norms and standards for common items of public procurement. Although intended to improve quality and competition between suppliers within France, this is the most overt example of a barrier in public procurement.

The German regulations favour selection on a price/performance index, without emphasis on price-only selection. The regulations enforce secrecy, even after contract award, making competition ineffective. They attempt to prevent concentration of market power by encouraging decentralised purchasing and frequent change of supplier. There is considerable emphasis on German norms, which makes foreign competition difficult.

The UK has in recent years been formalising procurement procedures, which have been at the discretion of individual authorities subject to overall Treasury Guidelines. A Central Unit on Purchasing has recently been established to coordinate central government purchasing. Most authorities prefer restricted tendering or negotiation with selected suppliers, using their own lists of approved suppliers. Recent reports have made a series of recommendations, including, for example, post tender negotiation with successful tenderers and debriefing of losers, to reduce prices, increase specifications and improve firms' competitiveness. Wider tendering is not seen as a significant way to reduce costs.

1.4 The Importance of Nationalistic Purchasing

Many government purchasing officers, particularly in local government, are civil servants with little professional training in purchasing and little experience of the commercial world. They are also free from the profit discipline, and may indeed want to preserve their budgets. That is why rigid procedures are often seen to be necessary. Procurement officers are often judged by their ability to meet delivery schedules and for being "good citizens", not by the cost effectiveness of their expenditures. They often find their job (and the associated red tape) difficult. They do not have the resources to deal with large numbers of bids, especially foreign ones with unfamiliar specifications from firms whose credentials it is difficult to check. Usually, there is no specific policy of buying national goods, but there are strong psychological, administrative and practical pressures.

On the other hand, the greatest volume of purchasing is by large authorities such as Ministries of Defence or Public Works, nationalised industries and central purchasing agencies, which have dedicated professional purchasing staff. In todays increasingly competitive world they are becoming more concerned with value for money.

None of the authorities interviewed admitted to a formal policy of buying national goods.

In many cases, particularly for common supplies and works, there are good economic reasons for buying locally. These include:

* value for money, because of lower transport, trading, and marketing costs

* after sales service

* lower delivery times, allowing lower stocks and reduced inventory costs

* the need for a local distribution service for delivery to end users such as schools, hospitals, depots, etc

* products adapted to local tastes, environment or methods

* other barriers to trade, especially customs procedures for imported goods

* language difficulties in dealing with foreign suppliers

* lack of response or interest from foreign suppliers

* quality assurance procedures, especially where inspection of the supplier's premises is required.

Even though there is very little direct international purchasing by the public sector purchasers, this is not in itself evidence of lack of competition. A large proportion of public supply contracts are with intermediaries and would be with importers if imported goods were considered better value for money. In fact, most purchasing officers see it as the suppliers' job to sell to them, rather than for them to seek out and help foreign suppliers and, in order to sell, suppliers should have a local agent, subsidiary or dealer.

Some purchasers actively seek out and test foreign goods, but then try to obtain similar specifications and prices from a local supplier.

Nationalistic purchasing pressures do exist and depend upon the type of product, for example

* for "visible goods" (cars, tableware, prestige furniture) there is a fear of criticism for buying foreign goods

* for strategic goods, there is a desire in all countries to maintain a national capability for security of supply, notably in:

  - defence systems
  - power generation, especially nuclear
  - telecommunications

* there is pressure to support declining sectors where non-national purchasing would cause unemployment, especially:

  - coal
  - railway rolling stock
  - shipbuilding and heavy fabrication

* the major infrastructure has a century of investment in capital stock with a heritage of different technical standards (although this may not be a serious barrier to international suppliers) notably:

  - water supply
  - power distribution
  - railway equipment

* there are deliberate policies amongst environmentally damaging industries to support local businesses (although not national ones) particularly by:

  - coal mining
  - nuclear.

1.5 The Volume of Public Sector Procurement

Statistics on public purchasing and public contracts are not readily available, nor are they easy to put on any comparable basis between countries. France and Belgium collect data on contracts let (excluding local government in Belgium) but the coverage of the data is incomplete and variable. Details of government purchasing cannot be directly identified from published statistics, except in Italy and Germany; and public enterprise purchasing cannot be directly identified at all from their published company accounts, but can be estimated. At an aggregate level, statistics on government current purchases and fixed capital formation are collected within the ESA system of national accounts. These data and Atkins' estimates of public enterprise purchases and contract procurement, are shown in Table 1.1.

Public purchasing has an important economic influence in all five countries, and average around 15 percent of GDP. The estimated total public purchasing for the 5 countries is 384 billion ecus, and about half to two-thirds of this is subject to formalised contract procurement procedures.

1.6 Breakdown by Entity

In all countries, a small group of purchasing entities account for around three quarters of all public procurement by national bodies (excluding local authorities). In general, these include the Ministry of Defence, electricity authority (except in Germany), railways, PTT and Ministry of Works. The share of local government varies from about 15 percent (UK and Belgium) to 50 percent (Italy). (Section 5.2).

1.7 Breakdown by Product

Data in this area are very difficult to reconcile. Only France and Belgium have national contract databases from which analyses are available, but the coverage is different and there is substantial

TABLE 1.1 - MACROECONOMIC IMPORTANCE OF PUBLIC SECTOR PURCHASING
(Billion units national currency, 1984)

	Belgium BF	France FF	Germany DM	Italy Lit	UK UKL	Total ecu
GDP	4,402	4,282	1,754	720,682	319	2,566
Total expenditure: Government	2,599	2,048	788	336,515	137	1,183
Total public purchasing:						
Government	288	369	131	60,215	32	227
Public enterprises	480	235	77	34,226	32	157
Total PP	768	604	208	94,441	70	384
Government purchasing/ expenditure	11.0%	18.0%	17.0%	18.0%	28.0%	19.0%
Total PP as % GDP	17.5%	14.1%	11.8%	13.1%	21.8%	15.0%
Estimated total contract procurement (45-65% PP)	350-500	270-400	95-140	43,000- 60,000	32-45	170-250

Sources: ESA National Accounts; Atkins' estimates for public enterprises and contract procurement

underreporting. Some data are available for UK Ministries, for example, but in general purchasing data is not collected by product category.

Estimates of the breakdown of total purchases have been made using Eurostat input-output tables. This enables all government current purchases to be identified and an estimate made for "non-competitive sectors" and capital purchases. Hence, the breakdown of all public purchases is calculated by supplying sector, together with the share of public purchases in the sectors' gross output. (Section 5.4). These data are used in the Part II report to estimate the total potential savings in public expenditure arising from increased trade.

1.8 Breakdown of Contract Characteristics

A database has been built covering a large sample of contracts let by all types of purchasing entity in the five countries.

Questionnaires covering details of the purchaser, goods/services purchased, contract value, method of procurement, bidders, supplier and source of supply, were collected for over 4000 contracts from over 100 entities.

The analysis of the database confirms the thesis that there is very little direct public sector purchasing from foreign suppliers (less than 2 percent of the total value of purchases). Imports are purchased from local suppliers and importers, however, products known to be imported amounted to 8 percent of the total, still a very low figure, but it may understate the true total. There are marked differences between countries. Italy and UK have very few known public sector imports (less than 5 percent); France and Germany are moderately open (10 to 16 percent); Belgium more so (21 percent). All these figures are much lower than the import penetration for the whole economy.

The database also confirms the predominant use of restricted tendering (45 percent of sample by value) and negotiated contracts (32 percent). Open tendering is less than 7 percent of the total. Again there are significant national differences.

Further details are given in the report on contract sizes, durations, advertising method, number of bidders and size of suppliers.

1.9 Comparison with the USA

Public procurement in the USA is conducted at three levels, namely Federal departments and agencies (55% of the total), State (20%) and local (25%).

Federal government procurement is the responsibility of three groups of purchasing authorities comprising the General Services Administration, the Military Agencies and the other civilian agencies. The Department of Defence alone accounts for 80% of the total value of Federal procurement. Federal purchases are made mainly through negotiation (either competitive or non-competitive) although 'sealed bidding' is the preferred method. All purchases are now covered by the Federal Acquisition Regulations and, more recently, legislation has been introduced to reduce the level of non-competitive procurements. Federal purchasing is also governed by a number of laws designed to favour or assist certain types of supplier.

Federal authorities are required to publish abstracts of tenders and to provide details of contracts let to the Commerce Business Daily. Information on contracts let is also supplied to a central statistical department and this is published in quarterly reports.

The procurement practices of State and local governments differ in terms of the degree of centralisation, the legal framework, preference laws, advertising and other procedures, paperwork and specifications. The preferred method of procurement is through formal advertising for competitive tenders, which accounts for 80-90% of all State and local government procurements and 50-60% of the dollars spent.

2. STUDY METHODOLOGY

2.1 Overall Scheme of Work

The overall scheme of the study is illustrated in Figure 2.1.1. The work programme includes the following activities:

* data collection, interviews and sample contract database building (Part I) including desk research on public procurement in the USA.

* analysis of Part I data to show:

  - the pattern of procurement by entity, by product and by procedure
  - where price differences exist between countries
  - which product groups would be affected by more open public procurement

* in-depth interviews with purchasing authorities (carried out during Part I)

* selection of product sectors for study in Part II, leading to:

  - a "price effect list" of products which are a significant volume in public purchasing and are tradeable, but where trade is restricted and where price differences are likely to exist between countries
  - an "economies-of-scale list" of supply industries for which the public sector is a major customer, where trade is restricted by public procurement policies and where opening up public procurement would lead to restructuring of the

industry and hence, possibly, to economies of scale or other dynamic effects (including increased productivity and price reductions as a result of increased competition)

* further analysis of price differences for the selected products, leading to an estimate of the Static Price Effect

* in-depth interviews with the principal suppliers in the Case Study industries selected from the "economies of scale list", plus desk research, to assess the impact on industry structure and to estimate the benefits from economies of scale, along with distributional and employment effects. The situation in the USA will be used as a yardstick for comparison.

The initial data collection stage is the most time consuming of these activities and is reported in this Interim Report.

2.2 Part I Methodology

Part I of this study is concerned with providing "a detailed and comprehensive body of data or data base on public sector procurement". Some of the work of Part II - discussions with public sector bodies - has also been carried out, in order to contribute information on the procurement procedures used in practice.

There is very little data on public procurement, and what exists is not comparable between countries. Moreover, some of the information required by the terms of reference has not previously been analysed at all in most countries.

The approach in Part I has been based on three main lines of investigation:

SCHEME OF ANALYSIS

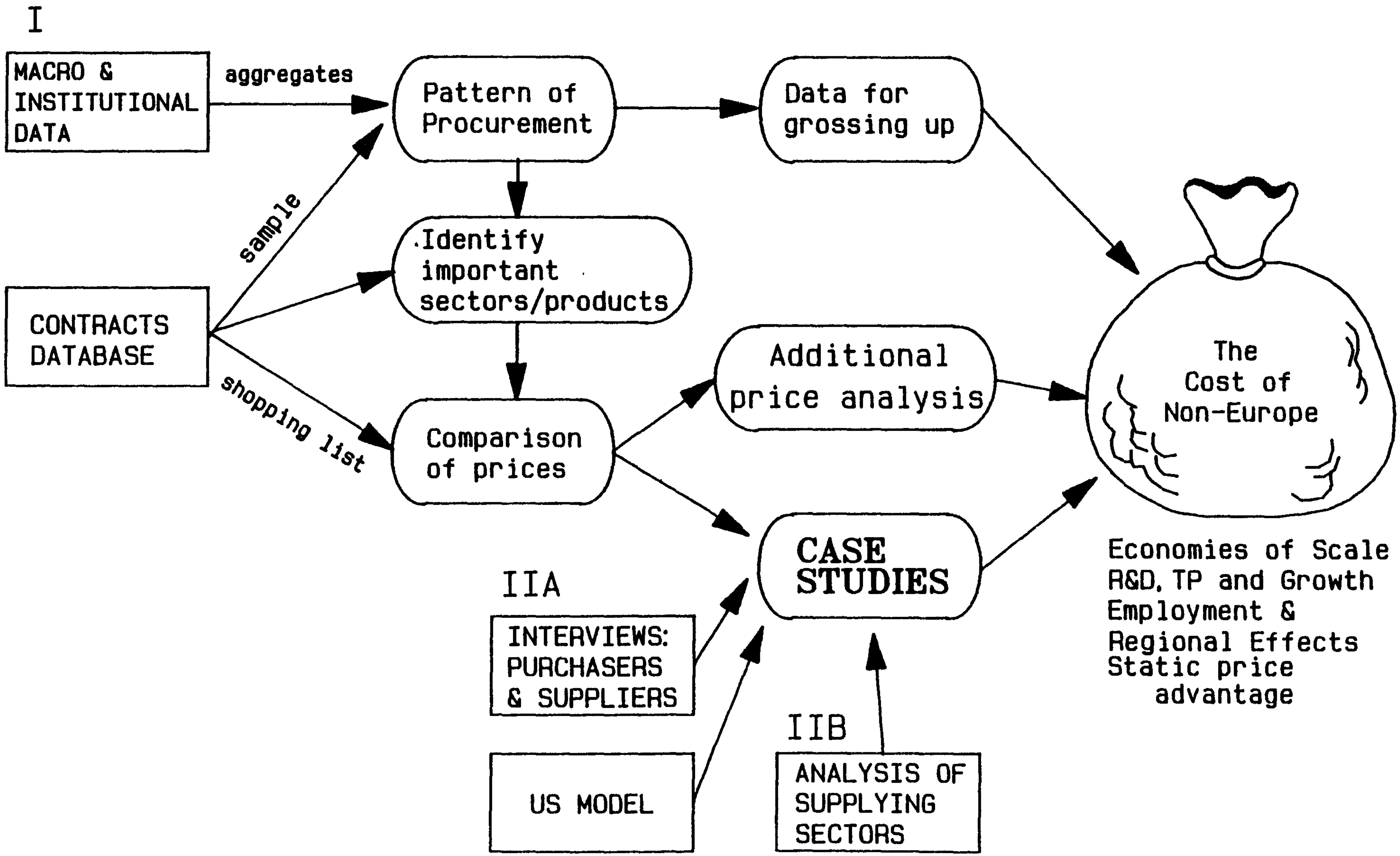

FIGURE 2.1.1 - SCHEME OF ANALYSIS

* Macro economic data

  Collection and analysis of Government and Eurostat statistics on national accounts and public expenditure; public enterprises' annual accounts, published analyses of public procurement, discussions with the compilers of published statistics in the national statistical bodies concerned, and discussions with bodies responsible for financing and controlling government expenditure.

* Procedures and practices

  Extensive in-depth interviews with procurement officials in over 150 public authorities, covering their procurement procedures and policies, related statistics, and their views on the potential for wider tendering.

* A sample database

  Because no data existed in any consistent form on the breakdown of contract procurement by contract size, type, method of procurement, source of supplies etc., it was necessary to create a sample data base covering the five study countries. This was a very time consuming exercise involving a substantial effort on the part of purchasing authorities to collect information on sample contracts. The consultant is extremely grateful to those authorities who co-operated in this exercise. The results are reported in Section 6 of this Interim Report. It may be noted that, with the sole exception of France no such data has previously been available.

3. CHARACTERISTICS OF THE PUBLIC SECTOR IN THE STUDY COUNTRIES

The structure of the public sector differs markedly between the study countries. This affects both the pattern and the procedures for public purchasing, as well as the potential impact of opening up public procurement.

In this study, a definition of the public sector has been adopted for the purposes of comparison, which does not necessarily accord with the legal definition of public bodies in terms of their constitution and ownership. The definition is in terms of functions and services, and was set out in the terms of reference of the study:

> "the public sector ... comprises central government, regional and local government, and their dependant bodies, as well as public undertakings in the non-competitive sector"

"Public undertakings" in this study does not only include companies with a majority public ownership (whether constituted as "public law" or "private law" companies), but also companies with substantially private ownership, but providing a non-competitive product or service within a government concession which gives it a local or national monopoly. This includes some of the recently privatised public services, such as British Telecom or British Gas, and also the privately owned utilities such as many small electricity companies in Germany. The following sectors are therefore included in this study:

* power generation
* gas distribution
* coal mining (if publicly owned)
* water treatment and distribution

* ports and airports
* railways
* posts and telecommunications
* public broadcasting
* publicly owned ordnance and military equipment.

On the other hand, publicly owned companies in competitive sectors are excluded from consideration, including automotive and other manufacturing industries, banking and financial services and all commercial or industrial subsidiaries of nationalised holding companies unless they fall into the non-competitive sectors listed above.

One sector for which the above definition is still ambiguous is air transport, where there are publicly owned national airlines which compete on international routes and generally behave as fully commercial companies, although there may be a national bias in their purchasing policies. Nationally owned airlines are included in this study.

<u>It must be stressed that this definition is taken primarily for the purpose of comparability between countries, and is the definition set out in the Consultant's research brief. The Consultant does not make any comment or recommendation on definitions for the purpose of EC legislation or policy.</u>

The following subsections describe the structure and characteristics of the public sector, as defined in this study, in the five countries covered by the research. The key characteristics which are important to the pattern of public procurement and its openness to European suppliers are:

* the degree of decentralisation, the number of individual purchasing entities and hence the size and accessibility of contracts

* the allocation of responsibilities for purchasing between central and local authorities, especially for roads, public works, health and public order

* the size, number and constitution of public enterprises, together with the degree of government control over their management and purchasing activities

* the nature and extent of legal restrictions and central control over public sector purchasing procedures and policy.

The first three aspects are described in this section for each of the study countries whilst procedures are described in Section 4 of the report.

3.1 The Public Sector in Belgium

3.1.1 Overview

The different categories of public body in Belgium, together with their purchasing powers, are set according to the law of 14th July, 1976. They can be classified into 4 groups:

* the State and both national and local administration

* university institutions entirely or partly subsidised by the State, including "free" universities

* Companies (personnes morales) in which the State has a majority interest

* certain private organisations subsidised by the State, such as "free" schools.

Within central and local government, which comprises the vast bulk of organisations governed by the law, the following types of organisations can be listed:

* ministries of Central Government

* "parastatal" organisations, which are linked to the different ministries. These are divided into:

  - those organisations under the direct authority of the Ministry, such as RTT (Telephones), Regie des Voies, Regie des Batiments, Fonds des Batiments Scolaires

  - those organisations linked to ministries but with autonomy of management such as SNCB (Railways), SNCV (other public transports), RTBF (Radio/TV), SNL (Housing), SNT (land)

  - certain financial institutions such as Caisse Nationale de Credit Professionnel, Caisse Nationale de Credit Agricole

NOTE: Certain public bodies in the above categories are exempted from the law governing public purchases. These include:

  - CGER (bank)
  - SABENA (airlines)
  - SNI (Nationale Investment Company) + regional investment companies.

* regional and local Government ie:

  - Communities (French, Flemish)
  - Regions (Flandres, Bruxelles, Wallonie)
  - Provinces (9 provinces)
  - Communes, communal agglomerations
  - CPAS (centres publics d'aide sociale).

* intercommunal bodies such as water and electrical authorities

* other bodies such as cultural organisations, church building authorities, canals and dykes authorities, regional development authorities and public universities.

3.1.2 Central Government

The structure of Belgian administration is based at the top on 16 Ministries with permanent Directorate Generals (civil servants) and political Ministers. The complete list is:

* Service du Premier Ministre - Fonction Publique Reforme des Institutions - Politique Scientifique
* Ministere de la Justice
* Ministere des Communications
* Ministere de l'Education Nationale et de la Culture francaise
* Ministere de l'Education Nationale et de la Culture neerlandaise
* Ministere de la Sante Publique, de la Famille et de l'Environnement
* Ministere des Finances
* Ministere de l'Interieur
* Ministere des Affaires Etrangeres, du Commerce Exterieur et de la Cooperation au Developpement
* Ministere des Affaires Economiques
* Ministere de l'Agriculture
* Ministere des Classes Moyennes
* Ministere de l'Emploi et du Travail
* Ministere des Travaux Publics
* Ministere de la Defense Nationale
* Ministere de la Prevoyance Sociale.

Some of the ministries, like Defence, are self-explanatory, but others embrace many different activities, two of the most wide-ranging being:

* Communications : which covers both transport (railways, trams, buses) and communications (telephone, post)

* Travaux Publics, which has 7 divisions:
  - Office Central des Fournitures
  - Regie des Batiments

- Administration de l'Electricite et de l'Electronique
- Fonds des Routes
- Plan Vert
- SPIS (Statistiques)
- Administration des Voies Hydrauliques.

3.1.3 Regional and Local Government

The Ministry of the Interior has overall responsibility for the Regional, Provincial and Local Administrations, but these bodies have a large degree of autonomy, especially the local communes which are the lowest tier of government.

After a fusion of communes in 1976, the total number of communes was reduced to 589. Most conurbations and groups of towns, with the exception of Brussels and, to some extent, Antwerp, have been rationalised into larger more efficient units.

Apart from the communes, there are 232 intercommunal groupings representing:

* gas/electricity/cable television (76)
* economic expansion/road use/refuse disposal/water purification (68)
* water distribution (28)
* medico-social institutions (28)
* others (32).

The communes account for more than half of regional capital expenditure while the intercommunales represent about a quarter. The balance is made up of provincial expenditures (about 10%), public assistance centres (6%) and others (7%).

3.1.4 Public Enterprises

The complete list of public utilities directly under the authority of the ministries is shown in table 3.1.1. This list includes intercommunal transport authorities, but excludes energy and water activities. The most important of these are:

* Electricity/Gas
  - INTERCOM
  - EBES
  - UNERG

  These are three large private companies with monopolies in their respective regions. They produce and distribute 80% of the gas and electricity in the country, as well as assuring TV cable distribution.

  - DISTRIGAZ responsible for gas imports (also under government control).

* Water
  - S.N.D.E.
  - C.I.B.E.
  - approx 50 regional water authorities.

3.2 The Public Sector in France

3.2.1 Overview

The public sector in France consists of:

* Central Government: the Presidency of the Republic, Chamber of Deputies, Senate, ministries and their direct dependencies in Paris or in the French provinces (known as "services exterieurs") and all their dependent public bodies (etablissements publics)

TABLE 3.1.1 - BELGIAN PUBLIC BODIES UNDER MINISTERIAL CONTROL

- Fonds Indemnisation Degats Pompage Eau Souterraine
- Fonds des Routes
- Fonds de Constructions pour les Institutions Hospitalieres
- Office pour les Renseignements d'Aide aux Familles Militaires
- Office regulateur de la Navigation Interieure - Anvers
- REFRIBEL
- Regie des Telegraphes et des Telephones
- Regie des Voies Aeriennes
- Regie des Batiments
- Regie voor Maritiem Transport
- Regie des Postes
- Fonds des Batiments Scolaires de l'Etat
- Caisse Auxiliaire d'Assurances Maladie/Invalidite
- Caisse Auxiliaire pour le Paiement d'Allocation de Chomage
- Hulp- en Voonorgskas voor Zeevarenden onder Belgisch Vlag
- Caisse Nationale des Pensions de Retraite et de Survie
- Office National des Vanaces Annuelles
- Caisse de Compensation pour Allocations Familiales des Communes, Etablissements Publics etc.
- Bijzondere Verrekenkas voor de Gezinsvergoedingen aan de Arbeiders van de Diamantnijverheid
- Bijzondere Verrekenkas voor de Gezinsvergoedingen aan de Onder-nemingen voor Scheepsherstelling
- Bijzondere Verrekenkas voor de Gezinsvergoedingen aan de onder-nemingen voor de Binnenscheepvaart
- Bijzondere Verrekenkas voor Gezinsvergoedingen aan de Aarbeiders van de Ladings- en Lossingsondernemingen van de Havens
- Bijzondere Verrekenkas voor Gezinsvergoedingen aan de Aerbeiders van de Scheepsrederij
- Maatschappij der Brugse Zeevaartinrichting
- Fonds des Accidents du Travail
- Fonds des Maladies Professionnelles
- Oeuvre medico-technique pour Ouvriers Mineurs
- Fonds National du Reclassement pour les Handicapes
- Fonds Nationale pour la Retraite des Ouvriers Mineure
- Institut Belge de Normalisation
- Radio Television Belge
- Belgische Radio- en Televisie
- Institut Geotechnique de l'Etat
- Institut National d'Assurance pour Maladie et Invalidite
- Institut National pour les Industries Extractives
- Institut National du Logement
- Institut pour l'encouragement de la Rechercche Scientifique
- Oeuvre Nationale de l'Enfance
- Oeuvre Nationale des Anciens Combattants
- Oeuvre Nationale des Invalides de guerre
- Office Belge du Commerce Exterieur
- Office Belge de l'Economie et de l'Agriculture
- Office Central d'Aide Sociale et Culturelle aux Membres de la
- Communaute Militaire
- Office de la Navigation
- Office pour la Securite Sociale d'Outre-Mer
- Institut National des Assurances Sociales pour Travailleurs Independants
- Office National des Debouches Agricoles et Horticoles
- Office National des Derives
- Office National des Pensions pour Travailleurs Salaries
- Office National de la Securite Sociale
- Office National de l'Emploi
- Dienst voor de Maatschappijelijke Veiligheid van de Zeelieden
- Theatre Royal de la Monnaie
- S.A. Canal et Installations Maritimes - BXL
- Intercommunale Maatschappij van de Linker Scheldevervoer
- Institut Geographique National
- Societe Nationale Terrienne
- Orchestre National de Belgique
- Pool voor Zeelieden ter Koopvaardij
- Port Autonome de Charlerpoi
- Port Autonome de Liege
- Societe Nationale des Chemins de Fer Belges
- Societe Nationale des Chemins de Fer Vicinaux
- Societe Nationale de la Distribution d'Eau
- Nationale Maatschappij der Waterleidingen
- Societe Nationale du Logement
- Societe Nationale pour la Garantie des Batiments scolaires
- Waterzuiveringsmaatschappij van het Kustbekken
- Belgisches Rundfunk - und Fernsehzentrum
- Caisse d'Epargne et de Retraite
- Caisse Nationale de Credit Professionnel
- Institut National du Credit Agricole
- Office Central des Credits Hypothecaires
- Office de Controle des Assurances
- Office de la Promotion Industrielle
- Office Nationale du Ducroire
- Caisse Nationale des Pensions pour Employes
- Office National des Allocations familiales pour Travailleurs Salaries
- Intercommunales des autoroutes
- Services Speciaux d'etudes des societes intercommunales de transport urbain

* Local Authorities: (22 Regions, 95 Departments and 36000 Communes) and their dependent public bodies

* Public Bodies: (etablissements publics)

* Public Enterprises.

The decentralisation in France, commenced in 1982, has changed the allocation of responsibilities for financing and expenditure. It is a complex system in which there are, on the one hand, the local arms of Central Government, ("services exterieurs") controlled by the prefects (Commissaires of the Republic) and on the other hand, the local authorities themselves. The local public bodies, including public housing authorities (OPHLM) hospitals and local public companies, are traditionally counted as separate from local government.

France now has a six-tier system of administrative decision-making:

* European
* national
* regional
* departmental
* intercommunal (associations of communes)
* communal.

In addition to the metropolitan departments, there are overseas Departments (DOMs - Guadeloupe, Martinique, Fr. Guiana and Reunion).

The overseas territories (TOMs) and the overseas "collectivites territoriales" (CTRF) have their own statutes, different from the departments (metropolitan and overseas) of the French Republic.

The Public Bodies (EPAs) include 7 large nationalised industries (Etablissements Publics de caractere Industrial et Commercial - EPICs) which are financially independent and do not have a Public Accountant. They are:

* CDF (Charbonnage de France): Coal mining
* CEA (Commissariat a l'Energie Atomique): Atomic energy
* EDF (Electricite de France): Power generation and distribution
* GDF (Gas de France): Gas distribution
* EMC (Entreprise Miniere et Chimique): potash mines and fertilizer industries
* RATP (Regie Autonome des Transports Parisiens): Paris transport authority
* SNCF (Societe Nationale des Chemins de Fer): Railways.

These EPICs are 100% controlled by the State.

The Public Enterprises are all those companies in which the State is majority shareholder (either in percent of capital or in number of votes). This sector had been considerably expanded by the nationalisations at the beginning of President Mitterand's term of office in 1981/83. At present, however, the Chirac government is carrying out a massive programme of privatisation.

It should be noted that in France the 'Code des Marches Publics' is applied according to the nature and purpose of the contract, and not the statute of the contracting parties. It is thus possible for two private enterprises to enter into a 'public contract', for example if the purchaser is a private concessionnaire for some public service, and some contracts let by public bodies may be treated as 'private contracts'.

3.2.2 Central Government

Central Government is composed of the Paris authorities, their external departments ("services externes") in the provinces and all the EPAs (Establissement Public a caractere Administratif - Administrative Public Establishment) and offices directly under them. The "services externes", however, along with the DDEs and DDAs ('directions departmentals de l'equipment' and 'de l'agriculture') are under the authority of the local commissaires and hence function as part of the local government structure.

In France, there are no rigid Government structures. They are not defined by Law nor by the Constitution, but result instead from the way tasks are allocated at each change of Government and are, therefore, in a constant state of flux. The number of Ministers and Secretaries of State also varies from one Government to the next.

Table 3.2.1 gives the structure of Mr Jacques Chirac's present Government formed on 20 and 25 March, 1986. There are:

* 1 Prime Minister
* 1 Minister of State
* 13 Ministers
* 10 Junior Ministers
* 16 Secretaries of State

Some ministries enjoy considerable continuity even if their names change with successive Governments. These are the ones carrying out uninterrupted State duties (Justice, Defence, Foreign Affairs, etc), with large central departments at their disposal. Other ministries have less massive and more flexible administrative structures and can easily be changed, grouped together or abolished.

The French Ministries each have their own specific character with regard to public purchasing. The three largest purchasers are Defence, National Education and Posts and Telecommunications.

* Defence

  Approximately 18% of the general State budget (excluding supplementary estimates). Defence procurement is decentralised and, apart from health related procurements, each of the three armed forces (Army, Airforce, Navy) does its own purchasing:

TABLE 3.2.1 - FRENCH GOVERNMENT MINISTRIES

Structure du Gouvernement

(Premier ministre : Jacques Chirac)

Ministre d'État, ministre de l'Économie, des Finances et de la Privatisation.

Garde des Sceaux, ministre de la Justice.
Ministre de la Défense.
Ministre de la Culture et de la Communication.
Ministre des Affaires étrangères.
Ministre de l'Intérieur.
Ministre de l'Équipement, du Logement, de l'Aménagement du territoire et des Transports.
Ministre des Départements et territoires d'outre-mer.
Ministre de l'Éducation nationale.
Ministre des Affaires sociales et de l'Emploi.
Ministre de l'Industrie, des P et T et du Tourisme.
Ministre de l'Agriculture.
Ministre de la Coopération.
Ministre chargé des Relations avec le Parlement.

Ministre délégué auprès du Premier ministre, chargé de la Fonction publique et du Plan.
Ministre délégué auprès du ministre de l'Économie, des Finances et de la Privatisation, chargé du Budget.
Ministre délégué auprès du ministre de l'Économie, des Finances et de la Privatisation, chargé du Commerce extérieur.
Ministre délégué auprès du ministre de l'Économie, des Finances et de la Privatisation, chargé de la Privatisation.
Ministre délégué auprès du ministre de l'Intérieur, chargé de la Sécurité.
Ministre délégué auprès du ministre de l'Équipement, du Logement, de l'Aménagement du territoire et des Transports, chargé des Transports.
Ministre délégué auprès du ministre de l'Équipement, du Logement, de l'Aménagement du territoire et des transports, chargé de l'Environnement.
Ministre délégué auprès du ministre de l'Éducation nationale, chargé de la Recherche et de l'Enseignement supérieur.

Secrétaire d'État auprès du Premier ministre, chargé de la Francophonie.
Secrétaire d'État auprès du Premier ministre, chargé des Droits de l'homme.
Secrétaire d'État auprès du Premier ministre, chargé de la Jeunesse et des Sports.
Secrétaire d'État auprès du ministre de la Culture et de la Communication.
Secrétaire d'État auprès du ministre des Affaires étrangères.
Secrétaire d'État auprès du ministre de l'Intérieur, chargé des Collectivités locales.
Secrétaire d'État auprès du ministre des Départements et des Territoires d'outre-mer, chargé des problèmes du Pacifique Sud.
Secrétaire d'État auprès du ministre de l'Éducation nationale, chargé de l'Enseignement.
Secrétaire d'État auprès du ministre de l'Éducation nationale, chargé de la Formation professionnelle.
Secrétaire d'État auprès du ministre des Affaires sociales et de l'Emploi, chargé de la Sécurité sociale.
Secrétaire d'État auprès du ministre des Affaires sociales et de l'Emploi.
Secrétaire d'État auprès du ministre de l'Industrie, des P et T et du Tourisme, chargé des P et T.

Secrétaire d'État aux Anciens Combattants.
Secrétaire d'État aux Rapatriés.
Secrétaire d'État à la Mer.

Ministre délégué auprès du ministre de l'Économie, des Finances et de la Privatisation, chargé du Commerce, de l'Artisanat et des Services.
Ministre délégué auprès du ministre des Affaires sociales et de l'Emploi, chargé de la Santé et de la Famille.
Secrétaire d'État auprès du ministre de l'Industrie, des P et T et du Tourisme, chargé du Tourisme.

- Army procurement is undertaken by 4 Departments:
  - Direction des Armements Terrestres (DAT) (Army Munitions Department) looks after the numerous programmes for munitions which may either be purchased or manufactured in its own Arsenals (armoured vehicles, etc)
  - Direction Centrale des Transmissions de l'A.T (Central Army Signals Department) purchases all the equipment associated with telephone, radio, television and data processing
  - Direction Centrale du Commissariat de l'A.T (Army Quartermaster General's Department) purchases clothing, food and day-to-day requisites
  - Direction Centrale du Materiel de l'A.T (Central Army Equipment Department) purchases all other equipment.
- Airforce procurement is undertaken by 3 Departments:
  - Direction des Constructions Aeronautiques (DCAe) (Aeronautical Engineering Department) purchases equipment (planes and helicopters) does no manufacturing but does repairs in the AIA (Ateliers Industriels de l'Aeronautique - Industrial Aeronautica Shops)
  - Direction Centrale du Commissariat de l'Armee de l'Air (Airforce Quartermaster General's Department) purchases clothing, food and day-to-day requisites
  - Direction Centrale du Materiel de l'Armee de l'Air (Airforce Equipment Department) purchases all other equipment.
- Navy procurement is undertaken by 2 departments:
  - Direction des Constructions Navales (DCN) (Naval Engineering Department, Cherborg) undertakes external procurement but especially the manufacture of naval weapons in the five naval dockyards supplying nuclear submarines, frigates, missile launchers, despatch boats
  - Direction Centrale du Commissariat de la Marine (Navy Quartermaster General's Department) purchases clothing, food, etc.

- Service de Sante is located in Orleans and responsible for health related aspects of all three services, representing a very substantial procurement agency.

The headquarters of these 9 service departments are all located in Paris or in the Paris region, although the provincial procurement centres are situated throughout France and number 50 to 60 in total. They all come directly under the Chief of Staff for the forces in question (Army, Airforce, Navy). However, there is a body called the "Controle General des Armees" which comes under the Ministry of Defence (and is therefore independent of each of the 3 chiefs of staff) which has the task of:

- checking the proper execution of ministerial instructions within the French defence system
- monitoring the performance of contracts placed with weaponry suppliers, whose accounts and financial standing are constantly assessed by Government representatives seconded to these firms. Naturally, such monitoring can only be applied to French firms (whether nationalised or not).

The Commissioners, for instance, do their utmost to increase the effectiveness of credits committed to military expenditure by checking that everything is done in the interest of the State within those establishments for which the Armed Forces are often the main or only client.

The "Controle General des Armees" is to some extent a form of internal Audit office to the defence forces which satisfies itself as to the legality of the operations brought to its notice (Compliance with laws, decrees, Code of Contracts). This control is exercised on contracts prior to placing and only concerns purchases involving a "contract". As such, the following are excluded:

- contracts internal to the Armed Force (purchasers and repairs in Arsenals)
- purchases under 180,000 francs
- purchases below the minimum thresholds for submission to control by the CSM (Commissions Specialises des Marches) of the CCM (Commission Centrale des Marches). These thresholds vary with the items involved.

* National Education

18% of the General State Budget (excluding Supplementary estimates). The procurement structure is relatively simple. The Ministry of National Education (jointly with the Ministry for the Economy, Finance and Privatisation) is the oversight authority for the UGAP (Union des Groupements d'Achats Publics). The UGAP handles most of the major procurement operations involving educational equipment and furniture; tables, chairs and blackboards, desk top computers, machine-tools etc. It also procures all public authority vehicles and is the largest purchaser of medical equipment.

Created in 1968, the UGAP is a public body which fills the role of procurement centre not only for the National Education sector (20% of the UGAP turnover) but also for any public body which wishes to use its services. The UGAP can also supply any private body undertaking a public service role (and officially declared as such by ministerial decree following appropriate enquiries).

The remaining National Education purchases mainly relate to public works and building for the Paris central departments.

It should be noted that since the Decentralisation Act of 1981, all expenditure for schools (except wages of teachers and administrative staff) is defrayed by the local communities.

- Lycees (high schools) are the responsibility of the Regions (children aged 11-18)
- Colleges come under the Departments (children 11-15)
- Schools come under the Communes (children 6-10).

This expenditure comprises the buildings, the maintenance and the furniture (through the UGAP).

Higher education establishments are either:

- entirely supported by the National Education (Universities, training colleges)
- entirely supported by other Ministries (Defence Ministry for the Paris Ecole Polytechnique, Industry Ministry for the 3 mining colleges)
- supported by funds of various sources, private or otherwise (national polytechnique institutes, Ecole Centrale, etc).

* State Department of Postal and Telecommunication Services

The General Postal department has 2 roles, namely transmission of mail and provision of financial services (money orders, giro cheques and national savings bank).

The postal department itself purchases and maintains the buildings, vehicles (cars, trucks, mail-planes), electrical and automatic teletransmission equipment. It uses the UGAP for the purchase of cars.

The General Telecommunication Department (DGT) provides the following facilities:

- telephone
- telex
- specialised links (TRANSPAC etc)
- facsimile
- minitel

The DGT purchases and maintains all the networks itself.

* Foreign Ministry: embassies, consulates and miscellaneous agencies are the responsibility of the buyers in the General Administration Departments.

* Defence Ministry: pays entirely for barracks, military bases, gendarmeries, arsenals etc both on the national territory and abroad (Berlin, etc).

* Ministry of Culture: defrays the entire cost of national museums, National Archives and National Theatres throughout the whole country.

* Interior Ministry: responsible throughout France for Prefectures, Sub-prefectures, police stations.

* Health Ministry: pays for a large number of hospitals (via the National Assistance in the case of Paris), except of course for private clinics. Manages the Social Security Scheme.

3.2.3 Regional and Local Government

At the present time, five years after the first Deferre Decentralisation Acts came into force, France's lower tiers of government administration are organised into 22 regions, 95 departments and 36,000 communes. There are critics of the new structure who believe that decentralisation in France is a source of administrative confusion. It has been said that France now gives the impression of being an administrative "patchwork" within a consolidated Europe. Great Britain has seventy times fewer "communes" than France, and Spain, Italy and West Germany have four times less.

Decentralisation in France was initiated in 1967 by General De Gaulle. The idea behind creating regions was to reduce the omnipotence of the Paris State machinery and to establish an echelon of power closer to the people. The events of 1968 and 1969 prevented De Gaulle from completing his "decentralisation" proposals. The present government, however, has carried through a form of decentralisation, and the number of administrative tiers has increased.

The large number of communes (36000 units) prohibits scale economies and makes individual commune projects very small. This, however, has led to the creation of groups of local authorities, with varying scope of responsibility over purchasing. In particular, there are the commune 'syndicats' (which let 1.4 percent of public contracts in 1983 - see Table 5.2.2.1) and also structures such as the SIVOM, the urban district, and the urban Community. The size of projects and contracts handled by the communes and their groupings has been small in the past, because until recently the groupings were unable to employ staff and have only recently begun to function as completely separate local authorities.

Departments are mainly concerned as far as purchasing is concerned, with health and welfare and the national social security system.

The weakest link in the current administrative divisions is at regional level (22 authorities), which has little budgetary and political muscle. It is possible that the regions will be removed from the administrative hierarchy in future. There are two rival schemes currently being proposed for further reorganisation of the local government structure:

* divide France into 47 new departments - in all, half of the existing 95
* divide France into 12 regions on a European scale.

It is usual to consider the OPHLMs (Offices Publics d'Habitations a Loyer Modere - State subsidised housing boards) and the OPACs (Offices Publics d'Amenagement et de Construction - State development and construction boards) with the local authorities. They are EPAs (Establissement Publics Administratifs - Public administrative establishments), but set up on the initiative of local authorities. OPHLMs and OPACs have more or less the same objective which is simply to build and manage subsidised housing.

3.2.4 Other Public Bodies: The EPAs and EPICs

In a review (7th February, 1985) entitled "National Public Establishments", the Council of State attempted to clarify the definition of public sector. One of the problems is that there are different categories of public establishment. The notion of categories was first introduced into French law by article 34 of the 1958 Constitution. A category includes all public establishments under the same controlling authority (the State, a Region, a Department, a commune or a group of authorities) and with a similar purpose.

A new category of public establishment, or a single establishment which does not fit into an existing category, may only be created by law, but then other establishments coming within this same category can be created by mere decree. There has, therefore, been a proliferation of new public establishments. Since 1981, the systematic decentralisation policy has made the State Government machinery more complex, since no reduction in the previous establishments has been made to counterbalance the new creations.

This definition of the categories made under clause 34 has, in parallel and independently, superimposed itself onto the older distinction between the two so-called basic categories of public establishments:

* administrative public establishments (EPA) and
* industrial and commercial public establishments (EPIC).

The EPA-EPIC dichotomy theoretically enables the entire French public sector to be categorised. An EPA, in pure form, does not run an industrial or commercial service and is therefore subject to the rules of public law and is under the jurisdiction of the administrative courts. An EPIC, in pure form, generally operates under conditions akin to those of similar private enterprises and is therefore subject to private law and its contentious matters come under the jurisdiction of the judicial courts, although there are some legal exceptions.

The financial, budgetary and accounting and the control system, applicable to a public establishment are entirely founded on the distinction between these two categories of establishment - EPA or EPIC. The status of staff also broadly depends on the basic category, but, in all other matters including labour law, organisation rules, operating rules, property and contracts regimes, taxation etc, the EPA-EPIC distinction hardly plays any part.

The Acts of 15 July, 1982 and 26 June, 1984, have set up higher education public establishments which are neither EPA nor EPIC and whose articles and rules are defined by the differences from the EPA regime which they most resemble.

Finally, of the EPIC, there is a small, but important group such as Charbonnages de France, EDF, RATP, and SNCF, which completely escape from the EPICs legal and financial rules in that these enterprises do not have a public accountant.

It should be noted that there is a myriad of special cases in the EPAs and the EPICs. As examples, the Chambers of Commerce and Industry and the Trades Chambers, although classed as EPAs, have no public accountant and because of this are not covered by the inspections and inventories carried out by the Public Service Audit Department.

Appendix VIII lists the national public establishments. There are:

* 7,940 EPA (including 7000 high schools and colleges)
* 81 EPIC (including 17 with no public accountant, eg: EDF, GDF, SNCF, RATP).

It can be noted that the Securite Sociale (which includes inter alia the Caisse Nationale d'Assurances Maladies des Travailleurs Salaries - National Fund for Salaried Staff Health Insurance) is a group of EPAs.

Any public body which is not listed in Appendix VIII is:

* a department of the local authorities, Regions, Departments, Communes or a group or association of these authorities
* a public enterprise and not a public establishment.

3.2.5 Public Enterprises

There are 2 types of public company in France:

* a commercial and industrial public establishment, not having a public accountant (EPIC with no public accountant) as described in the previous subsection and including EDF, GDF, SNCF, RATP.

* a public enterprises embracing all other enterprises in which the State holds the majority of the capital (eg. RENAULT, USINOR) or at least a majority for decision-making (eg. Groupe DASSAULT, BREGUET). See list in Appendix II.

There is no very clear difference in functions between the two concepts of public establishment and public enterprise. The difference is essentially legal in that those which come within the category of public establishment are public law entities, whilst the others are classed as commercial companies or private law corporate bodies. This goes back to the "summa divisio" of Roman law. However, the consequences of this distinction are almost ignored in the legal texts governing the undertakings in question. Thus, for example, the Act of 30 December, 1982, changed SNCF from a mixed economy company into an EPIC (commercial and industrial public establishment) but took great care to retain the advantages and management flexibility which existed under its previous regime and to remove the few constraints inherent in its status as a public law corporate body.

It is possible to classify public enterprises and establishments in four major sectors:

* industrial
* energy
* transport
* banking finance.

Industrial

Only semi-capital and capital goods are represented, the public sector in France containing hardly any enterprises producing consumer goods.

* Semi-capital goods (steel and chemicals):

  - Usinor
  - Sacilor
  - EMC (Entreprise Miniere et Chimique)
  - CDF Chimie (Charbonnages de France - Chimie)
  - PUK
  - Rhone-Poulenc

* Capital goods:

  - Thomson
  - CMB (Compagnie des Machines Bull)
  - SNIAS
  - SNECMA
  - Renault
  - Dassault
  - Matra.

Energy

Four major enterprises share this sector:

* CDF (Charbonnages de France)
* EDF (Electricite de France)
* GDF (Gaz de France)
* ELF (petroleum).

Transport

The main enterprises are:

* SNCF
* RATP
* Aeroports de Paris
* Air France
* CGMF (Compagnie Generale Maritime Francaise)
* CGM (Compagnie Generale Maritime)
* The Independent Ports.

NB: Air Inter is also a public enterprise but does not appear here.

Banking and Finance Sector

There were 26 nationalised banks, plus their subsidiaries, of which four have been denationalised since March, 1986, and one is going to be denationalised.

3.3 The Public Sector in Germany

3.3.1 Overview

Germany, being a Federal Republic, has a decentralised form of government. Decentralisation, moreover, descends to the commune level, where individual communes, police stations and educational establishments have more responsibility for purchasing than in other EC states covered by this study. Major exceptions to this decentralised purchasing pattern are the very centralised Defence procurement centre at Koblenz (local purchasing being restricted to food supplies) and the centralised procurement of all local authority fire fighting equipment by the Ministry of Interior. It should also be noted that the Federal enterprises for railways and post (DBB and DBP) also practise central procurement.

The levels within the public sector are:

* Federal Government
* States (Lander)
* Communities (eg. districts, municipalities)
* Federal enterprises (railways, post)
* a large number of private-law companies partly or wholly owned by Federal, State or Local bodies.

Table 3.3.1 provides an overview of public sector procurement agencies in Germany.

3.3.2 Central Government

The highest institutions of the Federal Government are:

* The Bundestag (Lower House of Parliament) which represents the German people and is the government institution which is the final decisive legislator

* The Bundesrat (Upper House of Parliament) which represents the German states and participates in law-making and government of the Bund (Federal Government)

* The Federal President who exerts the powers granted to the Head of the Government

TABLE 3.3.1 - PUBLIC PROCUREMENT ENTITIES IN GERMANY

Public Customer	Procurement Agency

Federal Government	- 16 federal ministries
	- Office of the Federal Chancellor
	- Federal President
	- more than 100 federal offices, bodies and institutes with subordinate offices, among them
	  - Federal Armed Forces (ca. 235)
	  - Federal Customs Administration (18)
	  - Federal Border Guard (ca. 95)

Federal Postal Administration (DBP)	- 2 central offices (the PTZ and the FTZ) - 1 social welfare office - 18 regional post directorates - ca. 5,000 post offices
Federal Railways (DBB)	- 2 central offices - 1 social welfare office - 11 directorates - 28 repair works
11 Federal States (incl. Metropolitan States)	- ca. 120 departments - numerous state agencies, bodies and institutes with subordinate offices
8,500(a,b) Urban and Rural Community Authorities	- main office or branch offices (up to 35)
236(b) Rural Districts	- Main office of district management or district council
25(b) District Governments	- District agencies
ca.4,000 Specific Administrative Unions	- Often member bodies

a) Independent cities and communities belonging to districts
b) According to management classification of the German States (1.1.1980)

* The Federal Government which is the executive branch of the government (as far as it does not impinge on the powers of president and Bundersrat).

In the execution of its functions, the State has access to the following "highest administrative bodies":

* the office of the President of the Federal Republic
* the office of the Federal Chancellor
* the Federal press and information office
* the Federal Audit Office,

as well as the 16 ministries:

* Ministry of Foreign Affairs, classified into

    - the central offices in Bonn
    - diplomatic, consular and other missions in foreign countries

* Federal Ministry (FM) of Defence, which operates, together with the Federal Office of Defence Technology and Procurement, as the central procurement office of military supplies. A further approximately 235 procurement offices come under the auspice of this FM

* FM of the Interior, which is responsible for all matters pertaining to domestic politics and management (as far as these do not impinge on the duties of other ministries). It is divided into 10 special departments dealing with the following areas:

    - Administrative organisation
    - Environmental affairs
    - Security of atomic installations
    - Domestic security
    - Police forces

- Civil defence
- Sports/Media policies
- Laws affecting civil servants and private citizens
- Constitutional and federal law
- Cultural affairs

Furthermore, the FM of the Interior controls more than 25 institutes, offices and other public institutions (such as the Federal Office for Civil Defence, Federal Border Guards). There is a central procurement office in Bonn for all of these public offices

* FM of Justice, which covers the eight highest courts (Federal High Court, etc), and handles all matters pertaining to the laws of the FRG

* FM of Finance, responsible for the federal budget and finance management. Within the framework of this responsibility also lies the management of federal real estate, movable and industrial federal property. It is responsible for the procurement of all FM requirements for office equipment

* FM for Economic Affairs, which functions at the level of the national and European economy. It manages special ERP funds (means for advancement of the German economy and developmental aid). This FM issues guidelines for the interpretation of VOL/VOB by its subordinate offices and institutions such as the Federal Cartel Office and Federal Office for Information on Foreign Trade

* FM of Food, Agriculture and Forestry, responsible for 13 federal research institutes among its other activities

* FM of Labour, whose duties include unemployment insurance, labour laws and national insurance, as well as health insurance

* FM of Transport, responsible for the national railroads, Deutsche Bundesbahn (DBB), road traffic and construction (motorways), as well as inland and ocean-going shipping and navigation

* FM of Post and Telecommunications, which has direct administrative control of the Federal postal services. It is organised through five central offices (among these are the central offices of postal technology and telecommunications engineering), as well as technical colleges and 18 regional postal directorates

* FM for Intra-German Relations, having among its duties the fostering of social and cultural development in border areas and the aiding of economic and road development in these areas

* FM of Housing, Town and Regional Planning, which provides financial aid to housing construction programmes of the States and renovation and development measures, and is responsible for federal construction

* FM for Youth, Family Affairs and Health, which fulfills a number of broadly based socio-political functions

* FM of Education and Science, responsible for the advancement of professional and scientific training, (Bundes-Ausbildungsfoerderungsgesetz - BAFoeg) and, although the responsibility of the individual states is greater in the area of education, it is also involved in college construction

* FM for Economic Cooperation, which operates in the area of developmental aid. One of the executive organisations it employs for this task is the Society for Technical Cooperation (Gesellschaft fur technische Zusammenarbeit - GTZ)

* FM for Research and Techology, which encourages research and coordinates research activities. In addition, two foreign based institutes (in Paris and Florence) are, by tradition, under the aegis of this ministry.

In addition, branch offices of all of these ministries, plus more than 20 federal offices, are situated in Berlin.

3.3.3 Regional and Local Government

The structure of regional and local government is divided into two levels, State and Community.

States

There are 8 major German States : Baden-Wuerttemberg, Bavaria, Hessen, Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, the Saarland and Schleswig-Holstein. There are also 3 metropolitan states: Berlin, Bremen and Hamburg.

State ministries correspond to those of the federal government and fulfill the equivalent functions, with the exception of areas for which the latter are responsible either exclusively (eg. foreign affairs, defence) or mainly (eg. post and telecommunications, intra-German issues, economic cooperation, family affairs). The management of States is usually undertaken in the appropriate Ministry of the Interior of the State authority concerned. They are also responsible for the subordinate offices of the regional governments.

Communities

At the local level of regional government there are 87 urban district authorities (Kreisstaedte) and 236 rural district authorities (Landkreise), 8,413 communities belonging to districts (Kreisangehoerigegemeinden), 25 community associations (Bezirksverbaende) and 424 offices, consolidated and associative communities (Amts-, Samt- und Verbandsgemeinden) which are in part self-managed and in part carry out functions assigned by the State government.

3.3.4 Allocation of Responsibilities

The allocation of procurement responsibilities between the various hierarchies of federal, state and local government are described below:

* Road-building

  Road-building responsibilities are split between all three levels of government (Federal, State, Community):

  - Federal highways (Autobahnen, Bundesstrassen) are financed by the Federal Government but are constructed and maintained by the States.
  - First-order country roads (Staatsstrassen) are financed and constructed by a State.
  - Second-order country roads (Kreisstrassen) are financed and constructed by the district or a Municipality.
  - Community roads (which either are a thoroughfare or connect two communities) are financed and constructed by the community/ies. The community authorities are also responsible for the maintenance of the thoroughfares (for which they may get federal subsidies) and the parking lots. For communities with less than 80,000 inhabitants, the Federal Government finances thoroughfares of federal highways (only in the community area). Moreover, communities can get federal subsidies for road-building-projects.

* Hospitals, hospital equipment, drugs

  The responsible bodies for the procurement of hospital equipment and drugs can be:

- state government
- district, municipalities and other community authorities
- private organisations of which some may have a public shareholding.

* Education

Schools are usually legally dependent institutions responsible to either the Federal Government or a community. School expenditures, in some cases, are shared by the Federation and the communities.

Universities are corporations under public law and mostly national institutions (though some are religious organisations). The responsible body usually is the Federal state, but for some special universities it is either the Catholic church, the Federal Armed Forces or another corporation under public law. In some states (Hessen, Rhineland-Palatinate, Schleswig-Holstein) however, there are also private universities, in addition to the above mentioned.

Adult education classes (Volkshochschulen) are the most important generally accessible institutions of further education. Responsibility lies mainly with public organisations, usually district authorities, or religious or trade union bodies.

* Police

Basically, policing is a State government task and financial obligation, but considerable purchasing autonomy is devolved to individual police stations. Exceptions are:

- the Federal office for the Protection of the Constitution
- the Federal Border Guards
- the Federal Bureau of Criminal Investigation.

* Fire brigades

They are a part of the police duties but are, however, administered by the local community government.

* Civil defence

This is managed by the Federal states and communities under the control of the Federal Government. The Federal Government procures the additional equipment needed in addition to the installations such as local fire fighting and medical supplies, which are provided by other services.

3.3.5 Public Enterprises

Public companies in the FRG are structured as either private or public legal entities.

* Private law forms

Management and shareholders can be purely federal or state government, community authorities and associations, or mixed. Federal participation particularly focuses on industry, banks, research, political development areas, transportation and housing. Enterprises that also involve the State governments and local authorities are mainly in the field of credit institutes, land use planning and industrial development, supply utilities and transportation.

* Public law forms

In addition to companies having private law forms, there are a number of public enterprises of great significance, especially the DBB (German Railways) and DBP (German Postal Administration). These companies have no legal status of their own, but do have separate capital assets which are independently administered. However, they basically have no organisational autonomy from the appropriate FM. The DBP is, for example, directly controlled by the Federal Government, and run by the Federal Minister of post and telecommunications. The DBP holds minor and major interests in a number of companies (eg. in housing and transport) both under public and private law.

Unfortunately, a total overview of public companies in the FRG is not possible, since no comprehensive statistics have been gathered in this field. However, CEEP (The European Centre for Public Enterprises) lists 468 public enterprises with over DM250 million capital (DM350 million in the case of housing enterprises). The involvement of public enterprises in the key sectors of telecoms, power, gas, water, and transport are described below.

* Telecommunications and Post:

  The Deutsche Bundespost (DBP) is under direct administration of the Ministry. The DBP is subdivided into 2 central offices for procurement, namely the central office of postal technology (PTZ) and the central office of postal telecommunication engineering (FTZ)

  Non-specialised telecommunications and information technology equipment, as well as office supplies and vehicles, are centrally purchased whenever this allows for better contract terms. Otherwise they are directly purchased by subordinate offices. The social welfare office undertakes some purchasing of its own requirements. The other offices with limited procurement powers are the 2 technical colleges, 18 regional postal directorates and about 5,000 of 18,000 post-offices.

* Railways:

The Federal railways (DBB) are required by law to serve and organise passenger and freight traffic in the FRG as a commercial business and, at the same time, to act in accordance with the public welfare and transportation needs.

The purchasing offices of the DBB are subdivided into two regional head offices. The Bundesbahn-Zentralamt in Munich is responsible for purchases for southern Germany whereas the northern part of Germany is supplied through the Bundesbahn-Zentralamt office in Minden.

* Electric Power Generation and Distribution:

In the Federal Republic of Germany, the generation and distribution of electrical energy is administered by a large number of electrical utility companies (EUCs) which operate independently in regard to marketing and business principles, yet within the framework of relevant national laws and regulations. In the course of the development of this industry, around 29.7 million customers (1983) has grown to be served by about 1,000 EUCs of which 686 account for more than 99% of the entire distribution of electricity in the network of public utilities.

341 EUCs have their own power plants, and 40 of these contribute about 90% of the gross generation of electricity in power plants for public utilities. A significant contribution to the provision of electrical power is made by a large number of industrial firms inputting to the public network. Above and beyond these sources, some industrial firms produce electricity for their own purposes. In total, one-sixth of all of the gross generation of electricity is produced by such industrial generating plants and by national railroad power plants.

The corporate status of the German EUCs varies very widely. Some are wholly independent companies whilst others, although legally dependent subsidiaries of their parent organisation, operate effectively as independents. All of the organisational forms recognised under German business laws are represented, especially corporations and limited liability companies, as well as trading companies and limited partnerships. Thus, the largest enterprises are run as corporations, while smaller firms are often either general trading companies or limited partnerships.

About two-thirds of the capital of the electricity supply is in the hands of public bodies (on national, state and community levels). Enterprises which run exclusively on private capital represent an insignificant segment of the electrical power industry. Characteristic of this business is the large proportion of so-called mixed ownership enterprises in which both public and private capital are represented. The 109 enterprises of this kind (with less than 95% public and less than 75% private capital) produced 70.6% of the entire effective electricity output in 1983. The 455 public institutions provided 26.0% of the effective output, and the 122 private enterprises, some 3.4%.

Three supply levels are classified for the EUCs, namely the community, the regional and interlocking system levels. Some EUCs are simultaneously active on two or three supply levels.

- Enterprises on the community level are mainly city or municipal plants which tend to supply a particular community or town with electricity, as well as with gas and water. These plant primarily obtain their electricity from other EUCs. Larger city EUCs have their own power plants and have various interests in community power plants as well.

- Regional EUCs supply broad areas whose economic structure is preponderantly agricultural. Together, their distribution covers more than half of the Federal Republic's physical area containing a third of the population which consume more than 25% of the entire electricity output.

- At the national level, there are nine EUCs with high generation capacities. These operate closely together through the high tension network of the German and Western European grid system. They principally supply other EUCs, as well as a large number of industrial and special contract clients.

Electrical utility companies in the Federal Republic of Germany are subject to national control through the competent energy control and price control boards of the federal states, as well as through the cartel board. The "law for the advancement of the electrical industry" of Dec. 13, 1935 (RGBL. IS. 1451. BGBl. III 752-1) grants far-reaching powers to energy control boards, such as regulations affecting construction, renovation, expansion or shutdown of power plants.

* Gas Supply

As in the electricity sector, there are a large number of gas supply utilities. Public GSCs supplied 85% of the total quantity of gas consumed in Germany, in 1985, of which the breakdown is as follows:

- 62% from the 511 local GSC
- 30% from the 15 remote GSC
- 4% from the 13 coking plants
- 4% from the 12 natural gas drawing companies

Some of these gas supply companies are joint power/gas suppliers. CEEP lists 8 large public sector gas supply companies and 30 combined supply companies.

* The Public Water Treatment and Supply

The German water supply companies are mainly (66%) run under communal administration. Nevertheless, there are some administration unions (Zweckverbaende) as well as companies limited by shares (Aktiengesellschaften) and limited liability companies (GmbH).

Besides these companies, rural and municipal district authorities invest large sums in:

- water supply systems
- waste water disposal systems
- water cleaning systems.

Table 3.3.2 summarises to ownership pattern of German utility companies.

* The Public Inland Ports

The bodies responsible for the public inland ports consist of either one or a mix of public authorities, ranging from federal or state level to local administration organisations.

Since 1979, the structure of services offered by the ports has been changed to include container traffic and connections to the rail and road heads. This adaptation to meet market requirements necessitates investment in infra-structure and warehouses, which amounted to DM 125 millions in 1983.

TABLE 3.3.2 - OWNERSHIP OF UTILITY SUPPLY COMPANIES, GERMANY, 1984

Type	No. of Companies	% of Companies	% of Supply
Electricity			
Private	127	19	3
Mixed	106	15	63
100% Public	454	66	34
	687	100	100
Gas			
Private	30	6	11
Mixed	66	13	76
100% Public	417	81	13
	513	100	100
Water			
Private	15	1	2
Mixed	40	3	13
Public	1296	96	85
	1351	100	100

Source: CEEP 1984

* Airports

German airports are organised in a private law form, being either limited by shares (AG) or limited liability (GmbH) companies. They are responsible for air traffic, passengers and freight and coordinate different airlines and time-tables.

The largest German airport (Frankfurt) spent DM177.6 millions in 1985.

* Air Transport

The National German airline, Deutsche Lufthansa, is structured in a private law form. In 1985 it carried about 16 million people and over 600 thousand tons of freight and post. Turnover in 1985 amounted to almost DM10 billion.

3.4 The Public Sector in Italy

3.4.1 Overview

The public sector in Italy can be divided into the following categories:

* Central Government

* Regional and Local Administrations ("enti pubblici territoriali") with three levels of administration representing the regions, the provinces and the communes

* Public Enterprises, including autonomous State corporations such as those responsible for posts and telecommunications, telephones, railways and roads, State controlled organisations such as the State electricity corporation (ENEL) and State controlled joint stock companies

* other "Enti Pubblici".

Excluded from the public sector for the purpose of the present study are the large State holding companies, ENI, IRI and EFIM, together with their subsidiaries. The holding companies have few staff and themselves make no major purchasing decisions. The subsidiaries behave essentially as independent commercial enterprises and are not subject to the same legal disciplines as the true public sector bodies. (In order to provide a more complete understanding of public enterprises, a description of these companies and their subsidiaries is given in Section 3.4.4).

3.4.2 Central Government

The central administration ("amministrazione governativa") consists of the 21 ministries, whose responsibilities are summarised in Table 3.4.1, together with the following bodies:

* the "Presidenza della Republica" (office of the President)

* the "Consiglio dello Stato" (advisory body to administration on legality of proposed regulations)

* the "Consiglio Nazionale dell 'Economia e del Lavoro" (the CNEL, a similar body specialising in economic matters)

* the "Avvocatura Generale dello Stato" (advocate-general's office)

* the "Corte dei Conti", a body charged with controlling the expenditure of the State and other public bodies. It publishes the annual reports on expenditure of each public body from which much of the data in this section of the Interim report was abstracted

* the "Presidenza del Consiglio dei Ministri" (prime minister's office).

Ministries are typically organised:

* with a number of General or Central Directorates at the centre, each concerned with a specific field of activity and sub-divided into divisions and departments

* with a number of local offices, acting under the authority of the central ministry. The degree of autonomy of these offices varies greatly from ministry to ministry. Their geographic

TABLE 3.4.1 - LIST OF ITALIAN GOVERNMENT MINISTRIES

Title	Responsibilities
Ministero degli Affari Esteri	Relations with other countries
Ministero dell'Interno	State security, civil defence
Ministero di Grazia e Giustizia	Justice, prisons
Ministero del Bilancio e della Programmazione Economica	Preparation of budgets and economic planning
Ministero delle Finanze	Taxation, excise duties, state monopolies
Ministero del Tesoro	Holding of state funds
Ministero della Difesa	External security
Ministero della Pubblica Istruzione	Education
Ministero dei Lavori Pubblici	Infrastructure
Ministero dell'Agricoltura e delle Foreste	Agriculture and forestry
Ministero dei Trasporti	Road and air transport
Ministero delle Poste e Telecommunicazione	Post and telecommunications
Ministero dell'Industria del Commercio e dell'Artigianato	Industry, commerce
Ministero del Lavoro e della Previdenza Sociale	Employment, industrial relations, social security
Ministero del Commercio con l'Estero	Foreign trade
Ministero della Marina Mercantile	Merchant shipping, ports, fishing
Ministero delle Participazioni Statali	State-owned enterprises
Ministero della Sanita	Health, hospitals
Ministero del Turismo e dello Spettacolo	Tourism, sport, entertainments
Ministero per i Beni Culturali e Ambientali	National heritage, historic buildings, libraries, museums

area of responsibility usually coincides with one of the sub-divisions of local government, a region, a commune or, most often, a province.

In general, any central purchasing decision regarding sums in excess of Lit 600 million must be referred to the relevant Minister, who may, however, choose to delegate it. The Minister also has the prerogative to change or waive the Lit 600 million threshold. The sign-off powers of local offices vary greatly, with those of the ministry of public works being able to sanction unlimited amounts of expenditure.

Much of the purchasing for the day-to-day running of the ministries and other central administrative bodies, is the responsibility of the Provveditorato Generale dello Stato (see Treasury below). The responsibilities of the ministries themselves are as follows (expenditure figures are for 1984):

* Defence

  Total expenditure Lit 15,700 billion:
  Purchases Lit 7,900 billion

  This is the one of the few ministries to undertake substantial central purchases. Its responsibilities cover the purchases of armaments, of food and clothing for the armed forces and of fuel and various other goods and services needed by those forces.

* Finance

  Total expenditure Lit 8,300 billion
  Total purchases Lit 2,700 billion

The Ministry of Finance has charge of the "Guardia di Finanza" and the customs service. Its expenditures are principally on supplies, equipment and services for its central and local offices. It also purchases helicopters and vehicles for the "Guardia di Finanza", and provides barracks and customs posts. A substantial part of its recent expenditure has been directed towards updating its information systems.

* Public Works

Total expenditure Lit 1,500 billion
Total purchases Lit 1,350 billion

Over 90% of this Ministry's expenditure is on capital items, with the remainder being on maintenance and similar services.

Responsibility for public works and construction projects is highly fragmented, even within a given category of project. Table 3.4.2 (at the end of section 3.4.6) gives a picture of the situation.

There has been a continuing erosion of the Ministry's responsibilities. Regionalisation has shifted responsibility for local roads to the regions and communes, and construction of schools, sewers and mains water supply to the communes. Other public bodies have also enlarged their areas of responsibility at this Ministry's expense, notably the Cassa per il Mezzogiorno for hydraulic and other works in the south, ANAS, ASST and FFSS in their respective areas (see section 3.4.4), the Prime Minister's Office for disaster relief, the Ministry of Justice for prisons and the postal authority for postal buildings. The responsibilities which remain are:

- ports of national importance (responsibility for other ports, in particular tourist ports, is now with the regions). These projects are managed centrally

- hydraulic works (except in the south), managed mainly at the local level

- military buildings, and barracks for carabinieri and firemen.

The Ministry's purchasing is highly decentralised, with some 90% of contracts being awarded by the "Provveditorati regionali alle opere pubbliche".

* Treasury

Total expenditure Lit 1,900 billion
Total purchases Lit 1,100 billion

This Ministry incorporates the "Provveditorato Generale dello Stato" (PGS), which was created in 1923 to purchase, stock and distribute many of the goods and services necessary to the functioning of the State administration.

In particular, the PGS is responsible for:

- the supply of paper, printed matter, publications of all types and "stamped paper" (for official documents)

- the purchase and distribution of furniture, office supplies and machinery, uniforms for junior personnel (eg. court officials) and various other goods such as vehicles, maintenance materials and spares

- the supply of services such as transport of merchandise, cleaning, heating, air conditioning and maintenance services for lifts, telephones, and office equipment.

Current practice is for state administrative bodies to purchase many of these goods and services themselves.

The PGS also has an important role in the computerisation of the central administrative services. In this instance, whilst the various departments do have the power to source equipment directly according to their requirements, the PGS does, on occasion, rent or purchase equipment and services on their behalf. It also acts as a consultant on technical and administrative matters via an ad hoc Commission which is responsible for co-ordinating the various initiatives in the field of IT.

The PGS is one of the most centralised of the purchasing organisations, with some 90% of goods and services being bought at the centre.

* Interior

Total expenditure Lit 4,000 billion
Total purchases Lit 940 billion

This Ministry is responsible for public security and for civil protection (bodies such as the fire brigade). Most of its expenditure is undertaken by the two directorates in charge of techno-logistics and property management. Typical items of expenditure are police and fire stations, fire equipment, vehicles and technical and telecommunications installations.

* Justice

Total expenditure Lit 2,100 billion
Total purchases Lit 600 billion

This Ministry is responsible for the administration of justice and also of penal institutions. Its organisation has not proved well-suited to the administration of the large capital projects associated with the second responsibility, which it acquired only in 1977. Responsibility for prison construction and modernisation therefore seems likely to return to the Ministry for Public Works, perhaps on a shared basis. The purchasing decision for judicial buildings (courts and offices) is taken by the appropriate local authority and the project is then approved and financed by the Ministry.

* Education

Total expenditure Lit 24,000 billion
Total purchases Lit 367 billion

Practically all education purchases are of revenue items, such as school books and equipment and building maintenance. The construction of schools and universities is mainly the responsibility of the communes, whilst the universities are autonomous bodies with their own budgets. The purchasing decisions are heavily decentralised to the Ministry's provincial offices.

* Agriculture

Total expenditure Lit 630 billion
Total purchases Lit 340 billion

This Ministry's purchases are predominantly of capital projects such as grain and cold stores, irrigation and soil conservation.

* Culture

Total expenditure Lit 700 billion
Total purchases Lit 270 billion

This Ministry is in charge of preserving the cultural wealth of the nation. Its expenditure thus has a significant capital element for the preservation of historic buildings and cities such as Venice.

* Transport

Total expenditure Lit 380 billion
Total purchases Lit 265 billion

Most major purchases in this area are made by other bodies such as ANAS, the Cassa per il Mezzogiorno and local authorities covering roads, the FFSS railways, the Ministry of Public Works and the Cassa per il Mezzogiorno ports. The Ministry's own purchases are principally for airports.

* Prime Minister's Office

Total expenditure Lit 340 billion
Total purchases Lit 170 billion

Aside from its normal functions in support of the prime minister, this office supports a variety of other units, including government representatives in the regions and autonomous provinces and a number of small ministries and departments such as those for public functions, civil defence, regional affairs, community policy ecology, and scientific and technical research.

* Foreign Affairs

Total expenditure Lit 570 billion
Total purchases Lit 145 billion

This Ministry's purchases are principally needed to maintain foreign representation and for foreign aid.

* Health

  Total expenditure Lit 200 billion
  Total purchases Lit 72 billion

  The great majority of purchases of drugs and medical supplies is undertaken by the "Unita sanitarie locali" (see 3.4.5). However, vaccines and certain drugs are purchased centrally, as are advertising and related services for health awareness campaigns.

It is appropriate to consider, along with the ministries, the "Agenzia per la promozione dello svillupo del mezzogiorno", which reports to the office of the prime minister. It was instituted in March 1986 to replace the "Cassa per il Mezzogiorno", which in 1984 had expenditure of Lit 4,100 billion and purchases of Lit 3,900 billion.

The "Cassa" was set up as a special instrument of action in Italy's underdeveloped south. It acted in three areas:

* infrastructural and public works projects

* promotion of productive activities

* technical assistance and management training.

Whereas the "Cassa" could take charge of and implement projects, the "Agenzia" is empowered only to promote, finance and coordinate the regional and inter-regional projects set out in its three-yearly plan (although it will continue to manage those projects already started by its predecessor). To this end, it puts together "programme accords" which must be approved by the Council of Ministers along with all the parties to the accord, private and public.

3.4.3 Regional and Local Government

Regions

Italy is divided into 20 regions, of which 5 (Sicily, Sardinia, Valle d'Aosta, Trentino, Alto Adige and Friuli-Venezia Giulia) were instituted by special statute which gives them a greater degree of autonomy than their fellows. The differences are unimportant for the purposes of the present study.

Each Region has a parliament (the "Consiglio Regionale") which elects the Region's government (the "Giunta Regionale") and its president, who then automatically assumes the presidency of the Giunta.

The regions have no powers to raise revenues on their own account. They have only the power to allocate expenditure as they see fit within the budget given them by the State. They have legislative and administrative powers in the following areas:

* administrative organisation, within which they may set up or disband "enti amministrativi locali" and control their functioning

* social services, including social welfare, health and hospitals, professional and industrial training and protection of the heritage. The regions control the communes with regard to local policing (public security and the judicial police remaining the sole responsibility of the State)

* economic development, covering fairs and markets, hotels and tourism, craft industries, industrial consortia, agriculture and forestry

* the organisation and utilisation of the Region, in particular:

- regional transport networks, including underground railways but excluding surface railways
- tideways
- services, mains water and regional civil works, such as local motorways and viaducts.

In order to avoid a proliferation of bureacratic institutions, the constitution requires the regions to delegate as many of their powers as possible to, or to work through, the provinces, the communes and other "enti locali". They have, however, the power to set up "enti locali" to exercise a given function (for example, a regional development corporation). Hitherto, the regions have preferred simply to use the "enti locali" which they inherited from the State when regional government was phased in between 1970 and 1977.

The regions have, however, set up numerous "aziende autonome regionali" modelled on the state "aziende autonome". These are treated in this study as public enterprises (section 3.4.4). Almost all the regions now have such corporations in charge of forestry and of recreation and tourism.

Provinces

There are 95 provinces, of which two (Bolzano and Trento) have special powers akin to those of the regions instituted by special statute. Each province has a Consiglio Provinciale, a Giunta Provinciale and a president which mirror the regional institutions of similar name.

Their responsibilities comprise:

* obligatory responsibilities, including social welfare, health and hospitals, mains water and civil works in the general interest and environmental protection

* an optional power to assume direct management responsibility for public transport

* further responsibilities delegated by the State or Region.

Communes

There are more than 8,000 communes, of which some 6,000 have fewer than 5,000 inhabitants. Each has a Consiglio Comunale, a Giunta Comunale, a mayor and a Secretary who is a state civil servant charged with controlling the acts of the Commune.

The communes have an important role in the field of public works in that they contribute some 1/3 of all public expenditure in this area. They have, in particular, the responsibility for constructing and maintaining communal roads, hygiene and sanitary installations, water mains and primary and secondary schools with their equipment. They also play a role in the housing sector, particularly in respect of public housing.

The communes are empowered to assume responsibility for services such as water and electricity supply, transport and refuse collection.

3.4.4 Public Enterprises

There are three forms of public enterprise in Italy:

* the "azienda autonoma" (autonomous enterprise)

* the "ente pubblico economico" (legal entity pertaining to the State)

* the "impresa a partecipazione statale" (joint stock company in which the State has a controlling interest)

Aziende Autonome

An "aziende autonoma" has the structure and autonomy of an independent company, but has no legal identity of its own. It is an arm of the public administration and is responsible directly to a minister, regional "Giunta" or mayor, depending upon which level of government brought it into being.

The organisational and administrative independence of the State "aziende autonome" manifests itself through the existence of:

* a board of directors composed of civil servants from the responsible Ministry or of ministerial nominees

* a director-general who directs and coordinates the activities of the enterprise, but is a subordinate of a minister whose directives he applies.

The "aziende municipalizzate", the "aziende autonome" instituted by the communes, are similarly endowed with an administrative committee and a director.

The major public corporations with "aziende autonome dello Stato" status are:

* the "Azienda Nazionale Autonome delle Strade" (ANAS) which reports to the Ministry of Public Works and has responsibility for the construction and maintenance of all state highways other than motorways

* the "Azienda di Stato per i Servizi Telefonici" (ASST) responsible to the Ministry of Post and Telecommunications for inter-urban telephone services, and for telephone communications within Europe and with certain Mediterranean

countries. Other international connections, together with local and middle distance telephone communications, are the preserve of SIP, part of IRI

* the "Amministrazione delle Poste e Telecommunicazione", responsible to the Ministry of Post and Telecommunications for postal services, the post-cheque system, the national and international telegram, telex and telecopier services and data transmission on the packet switching network (although other data transmission services devolve upon SIP and Intercontinental services are the responsibility of ITALCABLE and satellite services of TELESPAZIO, both being IRI companies)

* the "Amministrazione Autonoma dei Monopoli di Stato" is responsible to the Ministry of Finance for the State monopolies, most notably tobacco, and is also in charge of a number of salt production facilities

* the "Azienda Autonoma Ferrovie dello Stato" which was, until May, 1985, responsible to the Minister of Transport for the railway network which has now been transformed into an "ente pubblico economico".

There are two special cases of "aziende autonome" which are legal entities in their own right:

* the "Azienda per gli Interventi nel Mercato Agricolo" AIMA), responsible to the Ministry of Agriculture for agricultural intervention

* the "Azienda Autonoma di Assistenza al Volo", responsible to the Ministry of Transport for a number of services linked to air traffic, such as aerial telecommunications and meteorological services.

The "Azienda di Stato per le foreste demaniali" was formerly in charge of forestry, but in 1977 it was transformed into a directorate-general of the Ministry of Agriculture, with parts of its responsibilities being devolved to the Regions, to the mountain communities and to the Ministry of Culture. This devolution is not yet fully effective, and the former "azienda" retains an independent budget.

Enti Pubblici Economici

An "ente pubblico economico" (EPE) is a legal entity which the State has brought into being and to which it has delegated the management of some form of business activity. Legally, they are subject to the laws regulating private companies rather than those regulating the public administration. However, the State controls the EPE through:

* the nomination of the president and the main directors
* "general directives" regulating the corporation's activity
* the "Corte dei Conti".

In addition, the EPEs' accounts are subject to parliamentary approval.

The main EPEs in existence in 1984-85 were the electricity utility, ENEL, and IRI, ENI and EFIM. The latter three constitute a special category of EPE, "enti di gestione", and are best described as State holding companies managing government share participation in companies with private sector status. (Also see below).

More recently, the railway utility "Ferrovie dello Stato" (FFSS) has been given the same status and is now charged with acting in the market place according to "entrepreneurial" criteria.

Imprese a Partecipazione Statale

An "impresa a partecipazione statale" is a company in which the State, through a holding company, owns a controlling interest.

The State exercises strategic control of these companies through:

* the "Comitato Interministeriale per la Programmazione Economica" (CIPE)

* the "Comitato Interministeriale per la Politica Industriale" (CIPI), which, in particular, delivers opinions on the long-term plans of the holding companies

* the Ministero delle Participazione Statale.

Whilst the companies have control over their own day-to-day operations, technical and commercial authority is exercised by the relevant holding company. The three principal State holding companies and their main areas of interest are detailed below.

* IRI (Istituto per la Ricostruzione Industrialie) is the largest of the three principal holding companies, comprising a number of "finanziarie di settore" or second order holding companies each dedicated to a single sector and normally wholly owned by IRI, the major company/sectors being

  - STET (telecommunications, including SIP and Italcable)
  - FINMECCANICA (heavy engineering)
  - FINCANTIERI (shipyards)
  - SME (agriculture, foods and chainstore retailing)
  - FINSIDER (steel).

  In addition, there are a few companies directly controlled by IRI, such as RAI (radio and TV), Alitalia (the national airline) and ITALSTAT (construction and civil engineering)

* ENI (Ente Nazionale Idrocarburi) is concerned with the oil and gas sector. Its principal subsidiaries are AGIP (petroleum exploration and production), ITALGAS (gas production) and SNAM (transportation of oil and gas)

* EFIM (Ente di partecipazione e Finanziamento delle Industrie Manufatturiere) oversees a number of State corporations in the fields of metallurgy, glass and aerospace.

3.4.5 Other "enti pubblici"

The development of the social state in Italy has given rise to a particular type of organisation with the legal title of "ente pubblico". There is no particular rule as to what constitutes a "public" organisation and the awarding of this status is entirely a matter for the legislature to decide, a principle which was enshrined in statute in 1975.

These bodies are responsible to, and derive their funds from, their parent ministries, but have a degree of autonomy in their purchasing decisions. The types of goods purchased are as diverse as the organisations themselves.

The most important of these organisations is the "Unita Sanitarie Locali". The others can be classified as "enti nazionali" or "enti locali".

"Unita Sanitarie Locali"

The USL are the regional health authorities, and constitute the single most important category of "enti pubblici", accounting for some 18% of total public purchases.

They are responsible for all health services in a territory which embraces a commune or group of communes with between 50,000 and 200,000 inhabitants. Whilst they have no separate legal identity, they are operationally and financially autonomous.

The USL are accountable to a "Comitato di gestione" and are elected by an "Assemblea Generale" which contains representatives of all the "Consigli comunali" of the relevant communes.

Their purchases are mainly drugs and other medical supplies, food for the hospitals, services and maintenance.

Other "enti nazionali"

These are organisations which exercise their function over the whole of Italy. The 1975 law which established them defined a particular category of "necessary" public bodies which constitute the "parastato". The law and subsequent decrees list the following bodies in this category:

* organisations charged with the management of the compulsory national insurance, social security and pension schemes (34 in number)

* organisations for medical and other types of assistance to the poor (13)

* organisations for "economic improvement", such as the institute for foreign trade and the national cellulose organisation (8)

* organisations giving service in the public interest, such as ACI, the Automobile Club d'Italia (10)

* sporting, tourist and leisure organisations such as the Olympic committee (4)

* scientific research organisations such as the "Consiglio Nazionale di Ricerca" (11)

* organisations promoting culture and the arts, such as the "Ente autonomo della Biennale di Venezia" (8).

There are other "enti pubblici" designated as "instrumental", such as the central statistical body (ISTAT) the organisation for development of nuclear and alternative energy (ENEA), state universities and other educational institutes and the Italian foreign exchange bureau. Finally, there are the so-called "auxiliary" bodies, such as the free universities, patriotic organisations and the national rice organisation.

The "enti locali"

These are bodies whose activity or function is limited to a given sector or geographic area. The most important are the chambers of commerce, industry, craftsmen and agriculture, and the professional Orders and Colleges.

3.4.6 Summary of Responsibilities

It will be seen from the above that the responsibilities of the various layers of government and public organisations in Italy overlap to some extent. In practice, expenditure for the major areas which are normally considered the responsibility of the State is undertaken as follows:

* Defence: centrally by the Ministry

* Transport
  - roads
    . motorways: mostly ITALSTAT (IRI subsidiary)
    . state highways: ANAS
    . other roads: regions and communes

- ports: Ministry for Public Works, regions, Cassa per il Mezzogiorno
- airports: Ministry of Transport
- railways: FFSS

* Water
  - infrastructural expenditure: see Table 3.4.2
  - normal supply is administered by independent provincial utilities or directly by local authorities

* Sewers: communes

* Energy
  - electricity: ENEL
  - gas
    . production: ITALGAS (part of ENI)
    . distribution: local utilities (where mains gas supply is available)
  - oil: AGIP (part of ENI) plus independents

* Telecommunications: ASST, "Amministrazione delle poste e telecommunicazione", SIP, ITALCABLE, TELESPAZIO

* Health
  - hospital building: Unita Sanitarie Locali (USL) and Cassa per il Mezzogiorno
  - some vaccines, diagnostic equipment and campaigns: Ministry
  - other expenditure: USL

* Education
  - school and university buildings: communes, provinces, Ministry
  - school equipment: ditto
  - school supplies: Ministry of Education through local offices
  - university supplies and equipment: universities

* Police
  - National police (carabinieri): Ministry of Interior
  - Local police: communes
  - Financial police and customs: Ministry of Finance

* Prisons: Ministry of Justice

* Fire: Ministry of the Interior

* Civil Defence: Ministry of the Interior, Prime Minister's Office.

Table 3.4.2 shows the actual breakdown of expenditure for 1983 on building and public works between the different types of organisation.

TABLE 3.4.2 - BREAKDOWN OF PUBLIC WORKS EXPENDITURE, ITALY, 1983

	State	Cassa Mezzo-giorno	Aziende Auto-nome	Regions	Provnc's Communes	TOTAL (Lit billion)
Railways	8%		92%			1614
Maritime	92%		8%			300
Airports	100%					98
Roads		9%	36%	23%	32%	3871
Buildings:						
Postal			100%			564
Educational	27%				73%	462
Hospitals		17%		83%*		542
Other Public	100%					702
Sewerage	3%	50%		4%	43%	3653
Mains water	35%	62%		3%		1345
Disaster relief	100%					140
Various	22%	23%			55%	2567
Total	16%	24%	21%	10%	29%	15858

* Istituto per Ospedale Pubblico and Unita sanitarie locali

3.5 The Public Sector in the UK

3.5.1 Overview

The UK public sector comprises the following four groups:

* Central Government, which includes Parliament, Government departments, the Northern Ireland office and bodies which are wholly or partly financed by central government (e.g. the National Health Service)

* Local Authorities, which cover three tiers of regional government (county, district or borough and parish councils), education and police authorities, Passenger Transport Executives, and the Land Authority for Wales. This grouping is directly responsible for the greater part of expenditure on education, housing, the police and local level transport

* Nationalised industries, including companies where the Government holds a major shareholding

* Other public corporations, which are part or wholly owned by government bodies.

The pattern of general government expenditure is outlined in Appendix I: UK.1.

3.5.2 Central Government

Central Government Departments

The contribution of individual departments to central government total expenditure is set out in Appendix I: UK.2. A further breakdown of central government expenditure by economic category is provided in Appendix I: UK.3. The purchasing activities of individual departments may be summarised as follows:

* Ministry of Defence (MOD)

MOD accounts for around 19% of central government expenditure and over 50% of central government purchasing (and worth £10 billion annually). Most of the latter are 'warlike' stores. Other important procurements are:

- maintenance and construction of establishments
- provisions and personnel equipment
- R&D
- vehicles and telecommunications.

A breakdown of defence expenditure by principal heading is provided in Appendix I: UK.4.

The Procurement Executive (PE) is responsible for the central procurement both of equipment for all three Services (Navy, Army and Air Force), from research through to production, and of other goods and services. The PE comprises:

- Central divisions (responsible for procurement policy including industrial aspects, purchasing and contracts policy and quality assurance arrangements)

- Three Systems Controllerates, namely Controller of the Navy (responsible for the procurement of Sea Systems equipment for the three Services) Master General of the Ordnance (Land systems equipment) and Controller Aircraft (Air systems equipment)

- Controllerate R&D Establishments (responsible for the Establishments and the research programme carried out by them, and also for contracts for extramural research).

The MOD does not buy all its requirements directly, but relies on other departments to purchase certain items including non-specialised building and civil engineering work (PSA), stationery and office supplies (HMSO), administrative, general purpose and scientific computers and software (CCTA), drugs and medicines (DHSS) and office and domestic furniture and furnishings, and mechanical and electrical equipment for domestic and industrial use (The Crown Suppliers).

* Foreign and Commonwealth Office (FCO)

The FCO is responsible for diplomatic services and overseas aid. Around 50% of domestic purchases for consular activities are delegated to the central purchasing agencies. The FCO's aid programme is handled by the Overseas Development Administration. Bilateral financial aid is normally spent on British goods and services (60% was tied in this way in 1985). The procurement of goods and services for overseas governments is delegated either to the Crown Agents or private sector agents.

* Ministry of Agriculture, Fisheries and Food (MAFF)

MAFF procurement is mainly undertaken by its research establishments, while some £60 million of its annual procurement expenditure of £200 million is handled by the central purchasing agencies. The present system of procurement is to be made more centralised. The proposal is that four regional divisions will be responsible for purchasing, with as much as possible being made through call-off contracts set up at the centre by the newly created Purchasing and Supply Unit.

* Department of Trade and Industry

DTI is responsible for the proper regulation of British commerce and trade promotion. A list of DTI activities together with a breakdown of expenditure is provided in Appendix I: UK.5.

There are at least 25 units within DTI with procurement budgets. There is no central purchasing unit although a Procurement Policy Section has recently been set up with the objective of revising purchasing procedures and installing professional purchasing practices. Around 40% of DTI's purchases (worth about £100 million annually) are made through the central agencies. These cover most of DTI's requirements for consumables, equipment and works. The balance is made up mostly by utilities (16%), research (29%), and consumables (9%).

* Department of Energy (DEn)

DEn has a relatively small spend on goods and services. In 1985/86 this totalled £16 million, 90% of which involved services (publicity, consultancy, software development, computer maintenance). About 50% of the total spend is channelled through the central agencies, mainly HMSO, TCS and COI. DEn purchasing is mainly carried out by three branches, namely Small Systems Group (computers and software), Office Services (furniture and stationery) and Information Division (publicity). A breakdown of DEn functions is outlined in Appendix I: UK.6.

* Department of Employment (DE)

The Department of Employment Group comprises the Department itself and three grant-in-aid bodies, namely the Manpower Services Commission, Health and Safety Commission and Advisory, Conciliation and Arbitration Service. DE's major purchases are building maintenance, publicity material, office equipment and machinery, and consumables. A breakdown of central government expenditure on DE services is provided in Appendix I: UK.7.

* Department of Transport (DTp)

DTp is responsible for the driver and vehicle licensing system, road safety measures and the construction and repair of motorways, bypasses and major trunk roads. Local authorities (with designated highway agency status) are responsible for maintaining all roads within their administrative areas and for certain capital projects. The division between central and local government roads expenditure is outlined in Appendix I: UK.8. Local authorities account for around 90% of current expenditure on roads and 60% of capital.

DTp's expenditure on works contracts is worth approximately £900 million annually. The balance (£200 million) is made up of vehicles, office equipment, coastguard supplies and other supplies and services. The procurement function is highly decentralised. Roads Regional Offices are responsible for their own purchasing, and 36 non-road functional divisions act as central purchasers for the 170 regional branches. DTp Contracts Division sets overall policy and deals directly with the major contracts. About £10 million is channelled through the central purchasing agencies.

* Department of the Environment (DoE)

The DoE is responsible for housing and other environmental services and oversees the Property Services Agency (described in the section on central purchasing agencies).

- Housing: DoE directs the government housing programme. Local authorities account for around 70% of capital spending on the housing programme and 50% of current (see Appendix I: UK.9). Procurement expenditure is mainly directed towards work programmes.

- Other Environmental Services: This department oversees a wide range of environmental services carried out by local authorities (which account for around 75% of the expenditure). The major purchases are office consumables, and machinery.

* Home Office and Lord Chancellor's Department

The Home Office (HO) is responsible for the criminal justice system (police, the courts, prisons and probation) the fire service, civil defence and immigration. Local authorities assume the major share of responsibility for the police and fire services and for magistrate's courts, providing in each case over 98% of the finance. A breakdown of expenditure by service is provided in Appendix I: UK.10.

HO procurement is the responsibility of several purchasing divisions within each main department (Prisons and Police). The purchasing divisions of the Prisons Department are:

- Chief Architect's Branch and Directorate of Works (involved in works contracts and the purchase of building materials for upkeep of the prisons estate)

- Directorate of Industries and Farms (purchases equipment, supplies and raw materials for prison farms, gardens and industries)

- Supply and Transport Branch (responsible for keeping prison establishments supplied with food, clothing, equipment and uniforms and for maintenance of the vehicle fleet)

- Prisons Establishments (local level purchasing of food, inmates' clothing, conveyance and freight).

The Police Department has three purchasing sections, namely Directorate of Telecommunications, Forensic Science Service and Scientific Research and Development Branch.

* Department of Education and Science (DES)

DES has policy responsibiliity for education and research but local authorities have prime responsibility for funding of schools, polytechnics, colleges of further education and adult education, while central government retains control over the universities. This is reflected in Appendix I: UK.11 which provides capital and current expenditure figures for both government strata. DES's prime role is to distribute funds to end-users, hence in-house procurement is low and limited to office equipment and consumables, plus some research.

* Office of Arts and Libraries

Central government expenditure in this context covers spending on certain national museums and art galleries in England, the Arts Council of Great Britain, other national arts bodies and the British Library. Procurement is carried out mostly by end-users of central government funds. Local authorities account for about 60% of the total provision for the arts and libraries programme.

* Department of Health and Social Security (DHSS) - Health and Personal Social Services (HPSS)

The DHSS/HPSS programme provides mainly for spending by central government on the National Health Service (NHS) and by local authorities on personal social services in England. Expenditure on these services in Scotland, Wales and Northern Ireland is the responsibility of the relevant regional departments. A breakdown of expenditure by spending authority is provided in Appendix I: UK.12.

The NHS is administered by 14 Regional Health Authorities and 192 District Health Authorities in England, 9 District Health Authorities in Wales and 15 Health Boards in Scotland. Until recently, a large proportion of purchasing was carried out independently at district level, but a new system is being introduced with the objective of centralising supplies procurement at the regional level, especially for drugs, medical equipment and supplies and heating and generating oil.

Overlapping the regional structure, the Procurement Directorate is responsible for procurement policy at national level. Its major concerns at present are encouraging regions to specialise in the procurement of particular goods and furthering the use of UK, EC or international standards (rather than those of the NHS or end-user).

* DHSS - Social Security

The bulk of this department's expenditure comprises social security payments. Procurement expenditure is confined mainly to the maintenance of premises, office machinery and supplies, computer systems and telecommunications equipment.

* Scotland, Wales and Northern Ireland

The Scottish and Welsh departments carry out functions (on a regional basis) similar to the equivalent central government departments. Breakdowns of expenditure by principal heading and spending authority in Scotland and Wales are provided in Appendix I: UK.13 and UK.14. The situation in Northern Ireland is somewhat different since only 20% of the expenditure (compared to 50%) is disbursed through local authorities. A breakdown of expenditure (including local authorities expenditure) is provided in Appendix I: UK.15.

* Departments of the Chancellor of the Exchequer

  Of the departments under the responsibility of the Chancellor of the Exchequer, those with significant procurement spends are the Central Computer and Telecommunications Agency of HM Treasury, Her Majesty's Stationery Office (see below), the Royal Mint, Inland Revenue, Department of National Savings and Customs and Excise. Appendix I: UK.16 presents a breakdown of expenditure by department.

* Other Departments

  A breakdown of central government expenditure by these departments is given in Appendix I: UK.17 and of these, only the Property Services Agency (PSA) has a significant procurement spend and is dealt with below. The PSA, as mentioned before, administratively comes under the Department of Environment but is regarded as autonomous as far as Treasury expenditure reporting is concerned.

Central Purchasing Agencies

About 12% of central government purchases (goods, services and works) is procured through the central purchasing agencies:

* Central Office of Information (COI)

  COI produces publicity material in all media, both in-house and through the private sector, for other government departments and agencies. Purchases were worth £40 million in 1984/85 and £50 million in 1985/86. COI now operates on commercial lines and was expected to make a profit in 1986/87.

* Her Majesty's Stationery Office (HMSO)

HMSO is one of the largest print buyers, printers, publishers and suppliers of office requisites in the UK. Its clients include central government, local authorities and public corporations, including the now-privatised British Telecom. About 40% of HMSO's sales are to non-central government bodies. The agency is divided into four business activities:

- supply (which offers a wide range of paper, stationery and office machinery, plus distribution services)

- print procurement (which purchases all kinds of printing, binding and related products, as well as providing customers with a full printing advisory service)

- publications (which provides a comprehensive publishing service)

- production (operates HMSO printing presses and reprographic units).

HMSO purchases were worth £187 million in 1984/85 and £205.3 million in 1985/86, involving over 6,000 contracts annually. Since HMSO operates as a trading fund (since 1980) and has been 'untied' from central government since 1982, it is acutely aware of the need to provide a competitive service.

* Central Computer and Telecommunications Agency (CCTA)

CCTA is responsible for advising central government departments on a variety of matters associated with the introduction and use of information technology. One of its prime functions is the procurement of computer systems, hardware and software and telecommunications facilities on behalf of central government end-users. In 1984/85, CCTA negotiated 5996 contracts worth £197 million. Equivalent figures for 1985/86 are 7,500 and £264 million. CCTA does not procure low-cost supplies and services (procured by end-users) computer stationery, consumables and some equipment (HMSO) services of external consultants (end-users) or any computer which forms part of an operational weapon system (procured by the MOD). CCTA is also not involved in environmental control and works projects even where telecommunications or computer systems are involved (this being left to PSA).

* Property Services Agency (PSA)

PSA is responsible to the Department of Environment. Its role is to provide, manage, maintain and furnish the property used by the government and some other public sector bodies. PSA activities fall into four main categories (excluding supplies):

- Estate Management (purchase, disposal, leasing, management, and allocation of land and property)

- Maintenance (of buildings, military and civil installations mainly using private contractors)

- Design (of new buildings, extensions and adaptations using in-house staff or consultants)

- Construction (all done by private contractors).

PSA has three 'Client Directorates' which take direct responsibility for the larger and more complex projects. Responsibility for the smaller projects is delegated to 8 English Regional Headquarters, the Directorate of Scottish Services and the Central Office for Wales and, under them, a network of 34 Area Works Offices, 29 Area Estates Offices and 150 District Works Offices.

* The Crown Suppliers (TCS)

TCS is part of the Property Services Agency. Its role is to purchase and supply a wide range of goods and services related to the domestic and operational needs of government departments and other public sector bodies such as local authorities, health authorities, universities, and nationalised industries. The goods include furniture and furnishings, hardware, domestic equipment, mechanical and electrical equipment, building materials and heating fuel. Total procurement expenditure is around £190 million involving some 4,600 contracts, the majority (67% by value) being office furniture, furnishings and equipment and building materials, and 25% being made up by fuel. TCS operates as a commercial purchasing organisation and customers are charged prices which cover TCS' administrative, storage and distribution costs and provide TCS with a satisfactory return on capital.

3.5.3 Local Authorities

Local authority public expenditure by territory is set out in Appendix I: UK.18. About half of this is financed by central government grants (mostly from what is known as the Aggregate Exchequer Grant) which are financed in turn by central taxation and borrowing. Most of the remainder is financed by rates paid by property owners. This is shown in Appendix I: UK.19.

An analysis of local authority public expenditure by function is provided in Appendix I: UK.20. This shows that the following services account for the major part of the budget: education (40%), police (13%), other services such as fire, waste collection and disposal (11%), roads and transport (10%), and housing (7%).

The local authority system is broadly hierarchical. Table 3.5.1. provides current and capital expenditure figures for each local government tier in Great Britain. Appendix I: UK.21 gives supplementary information on the typical spend for each type of local authority and the average population served.

The division of functions between authorities is complex. A guide is provided in Appendix I: UK.22 and UK.23. The Greater London Council and the six Metropolitan County Councils, which are listed in Table 3.5.1, were abolished from 1st April, 1986 under the Local Government Act 1985. Their functions have been transferred to local metropolitan district councils, while Residuary Bodies continue to wind-up their affairs. The division of functions is particularly complex in the case of the major services of education and police.

There are seven combined police forces (combinations of two or more county constabularies) in England, three in Wales and two in Scotland. Other police forces are administered by the remaining county councils in England (including the metropolitan counties up to April 1986) and Wales, and the Regional Authorities in Scotland. The Metropolitan Police Force (London) is administered separately and falls directly under the Home Office.

Education is administered by ILEA in inner London and by the outer London boroughs, metropolitan districts and non-metropolitan counties in England, the county councils in Wales and the Regional and Islands Authorities in Scotland.

3.5.4 Nationalised Industries

Background

There are currently 15 nationalised industries in the UK. These are listed in Table 3.5.2 together with British Telecom (privatised in 1984) British Gas (privatised in 1986) and British Airways (1987). The table excludes British National Oil Corporation (which ceased trading in 1985) and Enterprise Oil. The relative size of the

TABLE 3.5.1 - LOCAL GOVERNMENT EXPENDITURE IN GREAT BRITAIN BY TYPE OF LOCAL AUTHORITY

(£ million)

	Number of Authorities	Current		Capital	
		1984/85	1985/86	1984/85	1985/86
England					
London: Inner Boroughs	12	801	836	470	474
London: Outer Boroughs	20	1,685	1,765	450	440
London: GLC, ILEA & MPA[1]	4	2,376	2,254	430	NR[3]
Metropolitan County Councils	6	1,547	1,635	282	NR
Metropolitan District Councils	36	4,182	4,169	1,189	980
Non-Metropolitan County Councils[2]	39	9,905	10,421	809	837
Non-Metropolitan District Councils	297	1,297	1,363	1,900	1,800
Wales					
County Councils	8	1,091	1,135	117	123
District Councils	37	185	192	225	218
Scotland					
Regional Authorities	9	2,328	2,439	337	357
Island Authorities	3	56	60	31	30
District Authorities	53	351	378	509	475
TOTAL	524	26,605	26,647	6,749	5,734

Source: CIPFA

Notes:

1. Greater London Council, Inner London Education Authority, Metropolitan Police Authority and City of London Authority

2. Also known as 'Shire' Counties and Districts

3. No figures given due to impending abolition of GLC and the 6 Metropolitan County Councils on 31st March 1986.

nationalised industries can be judged from comparisons of turnover and employment figures and their expenditure on fixed assets. A breakdown by economic sector is provided in Appendix I: UK.24. The importance of the nationalised industries to the UK economy is evident from Appendix I: UK.25 which shows their contribution to GDP and the employment total.

Nationalised industries are differentiated from other public corporations mainly by the degree to which they are engaged in the sale of goods and services and the extent to which revenue is derived from their customers. The industries differ in the extent of their dependence on government finance. Although all industries are required to borrow from government, some pay government corporation tax while others require grants and subsidies to break even. Appendix I: UK.26 identifies which nationalised industries received government grants in 1985/86.

Each industry reports to a 'sponsoring' department (see Appendix I: UK.27) which sets financial targets and has an important influence over corporate policies and objectives, including procurement.

The present government's policy of privatisation is having a major impact upon the size of the public sector market. The transfer of British Telecom, British Gas, British Airways and British Airports Authority to the private sector has reduced the volume of nationalised industries procurement by 30%. The current agenda schedules the Regional Water Authorities, the CEGB and Area Electricity Boards and British Steel Corporation, for privatisation.

TABLE 3.5.2 - UK NATIONALISED INDUSTRIES

Industries	Turnover (£ million)		Average No. Employees		Expenditure on Fixed Assets (£ million)	
	84/85	85/86	84/85	85/86	84/85	85/86
Utilities:						
Electricity Council [1]	9,942	10,742	135,723	132,858	1,316	1,233
South of Scotland Electricity Board	806	887	12,027	11,816	388	375
North of Scotland Hydro-Electric Board	292	311	3,856	3,787	41	47
British Gas*	6,913	7,687	95,554	91,876	874	620
Water Authorities	2,236	2,469	53,478	50,980	796	867
Communications:						
British Telecom*	6,876	NR	244,492	NR	1,092	NR
Post Office [2]	3,207	3,247	202,838	205,136	148	148
Basic:						
British Coal	2,018	5,340	225,850	199,600	387	698
British Steel	3,736	3,735	73,650	67,100	233	194
Transportation:						
British Rail	3,558	3,145	185,698	178,420	343	414
British Airways*	2,943	3,149	38,137	40,271	103	250
British Airports Auth.*	362	396	7,061	7,196	161	141
Civil Aviation Auth.	235	226	6,918	6,741	19	19
British Waterways Board	21	18	3,152	3,081	4	6
National Bus Company	754	807	50,845	49,716	50	70
London Regional Trans.	735	673	56,271	54,785	-[3]	152
Scottish Transport Group	169	179	10,309	10,219	20	19
British Shipbuilders	171	173	11,300	10,200	96	106
TOTAL	44,974	43,184	1,417,159	1,123,782	6,071	5,359

Source: CIPFA, Nationalised Industries 1986 : A Financial Digest, 1987, pp. 2-5.
HM Treasury, The Government's Expenditure Plans 1987-88 to 1989-90, 1987, p. 369

Notes:

1. Includes the Central Electricity Generating Board (CEGB) and the 12 Area Electricity Boards in England and Wales
2. Includes the National Girobank
3. Transferred to the nationalised sector in June 1984.

* Since privatised

Utility Organisations:

* Central Electricity Generating Board (CEGB)

The CEGB is responsible for the generation of electricity in England and Wales and its transmission to the Area Electricity Boards. The Board's procurement actvities are currently organised on a devolved basis. Uniform and centralised procurement procedures are being developed. The present structure, however, is as follows:

- Generation Development and Construction (new power station construction and plant)

- Transmission (design, development and construction of transmission network, telecommunications)

- Technology Planning and Research (mechanical, electrical and building works, R&D contracts, licence agreements, consultancies)

- HQ (national contracts for non-operational requirements, computer equipment, information systems, vehicle leasing)

- Operations (operational requirements)

- Regional Offices (other materials, goods and services) in which uniform and centralised procurement procedures are now being developed.

Currently 75% of the expenditure on purchases is accounted for by fuel. The total procurement spend, however, varies according to investment in power stations. Since no large additions to generating capacity are planned in the period to 1990, procurement expenditure is not likely to increase in real terms until after this date.

* Area Electricity Boards

The Boards are responsible for the distribution of electricity to consumers and the collection of charges. The Boards also engage in contracting and retailing activities. There are 12 Boards in England and Wales operating autonomously. Procurement expenditure comprises approximately 40% supplies, 30% 'white goods' for resale and 30% civil works.

* South of Scotland Electricity Board (SSEB)

SSEB is responsible for the generation, transmission and distribution of electricity in the South of Scotland. Electricity distribution is handled by 3 Areas. The procurement function is largely centralised. The HQ Contracts and Purchasing Department arranges all major supplies purchases and all contracts relating to repair and maintenance and power station construction. About 60% of the procurement spend currently comprises fuel, but the total spend is heavily dependent on the level of power station construction activity.

* North of Scotland Hydro-Electric Board

This Board is responsible for the generation, transmission and distribution of electricity from the hydro-electric power stations in the north-west of Scotland. Procurement of supplies and civil works is carried out at individual sites.

* British Gas

British Gas is responsible for the transmission and distribution of natural gas to consumers and also engages in retail and contracting activities. Procurement is largely regional and decentralised.

* Water Authorities

The 10 Water Authorities in England and Wales supply water to about 75% of the population (the remainder being supplied by 29 statutory water companies) and provide sewage treatment and disposal services, environmental services and flood defences. Procurement in individual authorities is organised part centrally and part locally. A separation is maintained between supplies and civil works. Purchasing systems and methods are professional, and there is minimal interference from government.

Communications:

* British Telecom

Apart from some procurement by local districts and regions, BT purchasing is carried out by the Materials Executive. This is subdivided into purchasing groups: telephones, cables, stores, spares and miscellaneous; international (ships); and international (Earth Stations). A large percentage of works contracts is still handled by PSA. BT also uses the services of TCS and HMSO.

* Post Office (PO)

The Post Office comprises four distinct businesses, namely Letters, Parcels, Counters and National Girobank. About 75% of supplies purchases is handled centrally at Swindon. A similar degree of centralisation obtains for works contracts. Besides general maintenance work, the major purchases are vehicles, fuel oil, computers, sorting equipment, uniforms, stationery, office equipment, consultancy, and mail bags. The Post Office maintains relatively close contact with government in areas such as purchasing policy.

Basic Industries:

* British Coal (BC)

BC operates all non-private coal mines in the UK. About 80% of its contract arrangements are let by the HQ at Doncaster. The remaining 20% are let by the eight BC Areas. At HQ the procurement function is divided as follows:

- Purchasing Branch 1 (major equipment)
- Purchasing Branch 2 (consumables)
- Contracts Branch (major works and term contracts)

A separate Opencast Executive deals with all opencast mining, including the letting of mining contracts.

* British Steel (BSC)

BSC is the sole operator of blast furnaces in the UK and by far the largest producer of steel products. Procurement is handled at two levels. Bulk purchases of raw materials (accounting for around 90% of the total spend) are negotiated centrally. Capital plant and day-to-day consumables (such as cables, bearings, refractories) are purchased by the separate works. BSC operates commercially with minimal interference from government.

Transportation:

* British Railways Board (BRB)

The BRB has an architects department, and civil, mechanical and electrical, and signal and telecommunications engineering departments. Procurement is organised part centrally and part regionally. Works and service contracts are delegated to regional general managers and heads of subsidiary business unless they are very large (when they go to BR's Supply

Committee). Most procurement for BR's own mechanical and electrical engineering activities is handled centrally, as is procurement for electrification and for major signalling projects. BR also has subsidiary businesses such as British Rail Engineering Limited (BREL), Travellers Fare and Inter-City Catering which handle their own procurement.

* British Airways (BA)

BA procurement is now highly centralised and professional. The workload is handled by five departments:

- Engineering Purchasing and Supply (aircraft components and spares)
- Operational Information Management (computers, communications, uniforms, vehicles/conveyors, building maintenance)
- Aircraft (new aircraft)
- Service Contracts (airspace and landing fees, crew accommodation, catering, engineering services, baggage and cargo handling)
- Purchasing Research and Systems (provides an advisory service to other departments on purchasing matters).

* British Airports Authority (BAA)

BAA is responsible for the running and development of seven UK airports. Purchasing is handled at two levels. At Group level, a Quantity Surveying Branch oversees major works contracts and a Contracts Branch acts as a central purchaser for non-engineering items (such as one-off major purchases and call contracts). At the airport level, purchasing departments reporting to the airport manager have responsibility for local purchases and administration of call-off contracts. BAA is profitable, and its purchasing systems and practices are considered highly professional.

* Civil Aviation Authority (CAA)

CAA is responsible for the development and maintenance of en-route air traffic control facilities throughout the UK and for air traffic control at twelve airports. Its subsidiary Highlands and Islands Airports Limited is responsible for air traffic control services and the maintenance of runways, etc, at eight airports in Scotland.

* British Waterways Board (BWB)

BWB is responsible for the upkeep of 3000 miles of waterways as well as its own docks, warehouses, freight terminals and freight-carrying fleet. The bulk of BWB's expenditure is on maintenance work.

* National Bus Company (NBC)

NBC, through its subsidiary companies, provides the majority of stage carriage bus services in rural areas in England and Wales as well as a large number of urban services. The Transport Act 1985 requires NBC to dispose of all 70 subsidiaries by 1989, so it will eventually be lost from the public sector. The three major categories of purchases are fuel, vehicle spares and vehicle replacement.

* London Regional Transport (LRT)

LRT became a nationalised industry in June, 1984, when control of the London Transport Executive was transferred from the Greater London Council to the Central Government. In April, 1985, three subsidiaries were formed. London's buses are operated by London Buses Ltd and the Underground Services by London Underground Ltd. Bus engineering maintenance facilities are provided by LRT Bus Engineering Ltd. These have independent purchasing organisations and the major purchases are oils and lubricants, components and spares for repair and reconditioning, additions to the transport fleets and civil works. A greater degree of centralisation in the procurement function has been introduced recently.

* Scottish Transport Group (STG)

STG operates bus and ferry services throughout Scotland. The bus services are carried out by 11 individual companies, with separate procurement operations.

* British Shipbuilders (BS)

BS now comprises a core of three merchant shipbuilding companies, one engine-building company and associated technical training subsidiaries. During 1985/86, all six of BS' warshipbuilding companies and its only ship-repairing subsidiary were sold to the private sector. Further disposal of merchant shipbuilding capacity was made in 1986-87 in response to market conditions. Procurement is carried out at yard level and is likely to fall in real terms from 1985/86 levels.

3.5.5 Other Public Corporations

Public Corporations are divided by HM Treasury into three lists. The categorisation is based on differences in the financial relationship between the corporations and government. Table 3.5.3 lists all public corporations not already covered above, together with the government department responsible for monitoring their activities, and shows their contribution to public spending in 1984/85 and 1985/86.

The public corporations with significant procurement spends are: British Broadcasting Corporation, Northern Ireland Electricity Service, Royal Ordnance, the New Town Development Corporations, the

TABLE 3.5.3 - UK PUBLIC CORPORATIONS

Public Corporation	Responsible Department	Contribution to Public Spending (£ million)	
		84/85	85/86
List I			
Royal Ordnance plc*	Defence	87	36
The Crown Agents	FCO	-1	-1
The Crown Agents Holding and Realisation Board	FCO	-	-
Commonwealth Development Corp.	FCO	43	35
Covent Garden Market Authority	MAFF	-1	-1
British Technology Group	DTI	-	-
English Industrial Estates Corp.	DTI	-	-
Oil & Pipelines Agency	Energy	-	-
The Pilotage Commission	Transport	-	-
UK Atomic Energy Authority	Energy	-	-
Urban Development Corporation	DOE	88	86
Audit Commission	DOE	-	-
Cable Authority	Home Office	-	-
The Welsh Fourth Channel Authority	Home Office	-	-
General Practice Finance Corp.	DHSS	23	23
Highlands & Islands Development Board	Scotland	35	30
Scottish Development Agency	Scotland	77	93
Welsh Development Agency	Wales	41	33
The Development Board For Rural Wales	Wales	5	5
Northern Ireland Electricity Service	Northern Ireland	74	67
Northern Ireland Transport Holding Co.	Northern Ireland	21	21
Northern Ireland Public Trust Port Authorities	Northern Ireland	1	1
List II			
National Dock Labour Board	Employment	-	12
British Broadcasting Corp	Home Office	-	-
Independent Broadcasting Authority	Home Office	-	-
List III			
Public Trust Ports	Transport/ Scotland/ Wales	72	-
The Housing Corporation	DOE	-52	-8
New Towns, England	DOE	)	)

(continued overleaf)

TABLE 3.5.3 - UK PUBLIC CORPORATIONS - CONTINUED

Public Corporation	Responsible Department	Contribution to Public Spending (£ million)	
		84/85	85/86
New Towns, Wales	Wales	) 213	) 125
New Towns, Scotland	Scotland	)	)
Development Board for Rural Wales (New Town Authorities)	Wales	4	6
Scottish Special Housing Association	Scotland	49	48
Northern Ireland Housing Executive	Northern Ireland	298	321
Bank of England	Chancellor's Departments	13	13

Source: HM Treasury, The Government's Expenditure Plans 1987-88 to 1989-90, Vol II, 1987, pp. 402-405

Note: National Film Finance Corporation is excluded since it has been wound up, and its assets transferred to a private sector body

* Royal ordnance now privatised

Northern Ireland Housing Executive, the Independent Broadcasting Authority, and the London Dockland Development Corporation. Royal Ordnance plc was sold to British Aerospace plc in April, 1987.

3.6 Comparison of National Characteristics

It can be seen from the above subsections that there are significant differences between the five study countries in the number and types of public sector purchasing entities. Table 3.6.1 summarises the structure in terms of the number of entities.

TABLE 3.6.1 - PURCHASING ENTITIES IN THE FIVE COUNTRIES

	Belgium	France	Germany	Italy	UK
Central Government Ministries + Institutions	16	15 + Presidency	16 + 6 "Highest Institutions"	20 + 6 State Institutions + Cassa per il Mezzogiorno	38 departments
Federal States + Ministries	-	-	11 states; 120 departments plus subsidiary offices	-	-
Local + regional authorities	589 communes & regions	36000 communes + 95 departments + 22 regions	8500 communities + 261 districts	20 regions + 95 provinces + 8000 communes	524 counties, districts and boroughs; regional police authorities; water authorities;
Central government bodies	82 including public enterprises eg. SCNB	approx. 1000 etablissements public + 7000 schools	DBB + DBP + approx 100 bodies + subordinate offices	5 enti publicci economici + over 100 enti nazionali	about 40 public corporations
Local government bodies	232 intercommunals (utilities, roads etc)	OPHLMS + hospitals	4000 admin. unions	enti locali + USLs	-
Central purchasing agencies	OCF	UGAP	-	-	PSA, TCS, HMSO, COI, CCTA
Public enterprises	counted as government bodies	250 + 81 EPICs	468 large co's + many small ad hoc municipal and other companies	8 major Aziende	15 nationalised industries
APPROX. TOTAL NUMBER OF PURCHASING ENTITIES	under 1,000	c. 50,000	c. 20,000	c. 20,000	c. 700
Degree of decentralisation of purchasing decisions	moderately decentralised	very disperse	very disperse & highly decentralised purchasing decisions	very disperse	quite centralised

Belgium

Belgium is moderately decentralised. Relative to its population, the number of local government units is comparable to Germany and Italy. The public bodies and corporations are under direct ministry control, but utilities (gas, water, power) and roads are run by intercommunal organisations.

France

In France purchasing is extremely dispersed but with a powerful centre. There are a large number of local government units, many independent public bodies and public enterprises. There are, however, a small number of very powerful purchasers, including the utilities (EDF, GDF) railways and the PTT. The Ministry of Defence also controls its own factories for engineering as well as ordnance supplies and is another very large purchaser. There is central purchasing of central government supplies (UGAP).

Germany

German purchasing is highly dispersed, with around 20,000 purchasing entities. However, the railways (DBB) posts and telecommunications (DBP) and Ministries of Defence, Transportation (including Public Works) and Interior constitute a major group of purchasers. Utilities are run by a complex mix of public and private companies, although the largest electricity company (RWE) is a substantial purchaser. Many public sector activities (housing, transport, cleaning, works projects) are actually run by limited companies wholly or majority owned by states or communities, thus contributing to even more dispersed spending decisions.

Germany therefore has a very large number of publicly owned companies each undertaking its own purchasing. Even within ministries and public authorities, purchasing decisions which would be made by a single purchasing department in other countries are often made by operating departments and local offices (eg. individual police stations) in Germany and, as a result, contracts are frequently of very low value.

Italy

The number of individual purchasing entities for Italy is similar to the number for Germany. There is a diversity of types of organisation, down to the very large number of industrial and commercial subsidiaries (outside the scope of the study) of the State holding companies.

UK

The UK is the most centralised country of the five, with fewer local authorities than even Belgium, a small number of nationalised industries (and now private ownership of key utilities - gas, telecommunications, airlines, airports and ports), and five powerful central purchasing agencies.

4. NATIONAL PROCUREMENT PROCEDURES

The purpose of this section is to give an overview of the different types of legal system and customary procedures for public purchasing in the five study countries. It cannot and is not intended to be an exhaustive list of procedures by all the bodies concerned, nor to be an authoritative legal treatise, but to outline the context within which increased trade may occur and indicate the existing and past constraints on international procurement.

4.1 Procurement Procedures in Belgium

4.1.1 The Legal Context

The procedures for procurement by the Public Authorities in Belgium are laid down in a series of laws. The original concept of regulations on public expenditure was codified in a law of 1846 concerned with the accountability of the State. The present law is based on one that was promulgated on the 14th July, 1976, and on various subsequent modifications, clarifications and additional specifications. The original legal framework covers works, supplies and services in the name of any public body (and even including some private bodies). The principles are based on competition and a fixed price and these two concepts are the basis for the whole of the regulations governing public purchasing.

Subsection 3.1 on the public sector in Belgium lists the different categories of public body which are covered by the legislation. This indicated that the legislation covers all governmental institutions, including the ministries and the public corporations that directly depend on those ministries, as well as bodies involved in local administration, whether at provincial, communal or regional level.

In Belgium the concept of nationalised companies is somewhat different from that in some other countries. Broadly, companies are either totally subordinate to a particular ministry, like RTT (the telephone company) or SNCB (the railways company), or they are companies with public participation. The latter companies do not normally come under the regulations of the laws governing public purchasing.

An exception to these regulations is the airline Sabena which is a public corporation wholly owned by public authorities, but acting entirely as if it were a private company. It is not required to follow any of the regulations laid down for public purchasing. This was assented in a Royal Decree of December, 1982. Similiarly, two financial organisations which are 'parastatal' bodies dependent on ministries, the Caisse Generale D'Epargne et de Retraite (CGER) and the National Investment Company with its regional affilliates (SNI), are also not subject to these regulations.

There are a large number of other companies with public participation, for example in which the SNI has invested, which are treated as private companies as far as the legislation on public purchasing is concerned.

The law recognises five types of procedure for Public Procurement. These are as follows:

* L'Adjudication Publique - (Public Adjudication)
* L'Adjudication Restreinte - (Restricted Adjudication)
* L'Appel D'Offres General - (General Call for Tender)
* L'Appel D'Offres Restreint - (Restricted Call for Tender)
* Le Gre A Gre - (Negotiated Purchasing Without a Call for Tender)

'Adjudication' is a tender based on the lowest price; 'Appels d'Offres' take into account price, quality and performance factors.

Adjudication and Appel D'Offres

The open forms of tender, whether adjudication or call for tender, are accessible to anyone capable of fulfilling the contract. Any contract of this type must be published in a weekly publication of the Moniteur Belge called 'Bulletin Des Adjudications'. In certain cases, according to the European legislation, such offers should also be made public in the Official Journal of the European Community. Normally, the publication contains the basic details of the contract under consideration, together with an invitation to consult relevant documents (Cahier de Charges Special) at the World Trade Centre in Brussels or to purchase these documents from the World Trade Centre or the relevant public body.

The general publication of prices of submitted tenders is also part of the legislation, except for supplies in the case of an appel d'offres where certain conditions apply, such as discounts.

The decision to use one of the four competitive tendering methods is entirely open to the administration. It may be sufficient to choose the adjudication method which means that selection of the winning candidate is based exclusively on price; or the appel d'offre method which calls on tendering candidates to include specifications on which their bid is to be judged as well as price. A directive of 1981 strongly advised public authorities to use the appel d'offres system more often, since it was likely to lead to cost savings, due to the greater flexibility of the approach.

Similarly, the decision to use an open or restricted procedure is entirely at the choice of the public authority. There are two ways in the restricted tender system that the authority can select candidates. The simplest and by far the most frequently used is that where the administration decides on which firms it wants to invite to tender. The more formal method requires an advertisement to be placed in the Bulletin des Adjudications. The authority then makes a selection and invites selected companies to tender. The only cases where publication in restricted tender is obligatory are when the purchase comes under EC or GATT regulations. In such cases notices are required, not only in the Bulletin des Adjudications, but also the Official Journal of the European Communities.

In the system of adjudication and appel d'offres all negotiation between the public body and the tendering candidates is forbidden. In principle, no contact is allowed between the offers being submitted and the contract being attributed. However, a law of 1977 includes a provision for public bodies to be able to invite candidates to improve their offer if it is impossible otherwise to choose between one of several bids in appel d'offres. Obviously this disposition is disallowed in the case of an adjudication, where the lowest price obligatorily wins, unless, presumably, two identical prices have been offered.

Le Gre a Gre

The method of direct consultation with companies without recourse to competitive bids is the only method which has legal restrictions on its application. Officially, the public authority is only allowed to use negotiated purchase without a call for tender in fifteen closely defined cases. In summary, these are:

* for amounts under 1,250,000 francs

* when there have been no responses of a useable kind (including too high prices) to adjudications or appel d'offres

* for works, supplies and services that can only be carried out by a single company because of licences or patents, or when the firm has a monopoly

* for works and supplies whose execution can only be carried out by experienced technicians (although this is apparently one of the cases where a very flexible interpretation of the rules is made in actual practice)

* when works supplied or services are carried out only for the purposes of research, trial and development

* when unforeseen factors create an extreme urgency

* in areas where the need for secrecy prohibits publication, eg. areas of national security

* for works additional to the original contract, due to unforeseen circumstances, and of a value of less than 50% of the original contract

* for supplies or services additional to the original contract and not more than 20% of its value

* for works repeated within a period of three years after the original contract and specified in the original call for tender

* in exceptional cases of works of a nature which prevents a fixed calculation of price from the outset

* for supplies and services which, for technical or financial reasons, ie. major investments, can only be given to one particular company

* for supplies sold by auction, in exchanges or at the site of production or warehousing in a member State of the European Communities

* when prices are, in fact, removed from the normal system of competition, eg. where there are price agreements or cartels between suppliers

* for contracts which have to be drawn up outside the European Communities because of their particular nature or conditions.

4.1.2 How Procedures are Used in Practice

In theory, most public bodies claim to follow the legal requirements to the letter. In the case of supply contracts of over 9 million BF, for example, they always publish Calls for Tender in the Official Journal of the European Communities. However, even the procedures themselves seem, in the case of the Belgian law, to give a great deal of leeway to the procuring authorities. For example:

* It is up to the authority to decide which of the four types of call for tender is to be used.

* If the restricted procedure is to be used, the method of selection of the restricted list itself seems to rely on the knowledge and experience of the person involved, rather than any officially sanctioned list, although the exception to this is the case of building contractors who in practice have to be registered in Belgium and approved by the Ministry of Finance.

Apart from specific rules on building contractors, there are no further restrictions as to where or from whom a Ministry and other bodies may buy. In practice, however, the vast majority of supplies are bought from companies registered in Belgium. The Office Central des Fournitures (OCF), for example, from which all the Ministries are expected to purchase most of their equipment, purchases about 85% of its equipment on the Belgian market, although the OCF estimate that only about 50% at most is <u>made</u> in Belgium (excluding fuel purchases which account for 60% of the total OCF budget). Most of the foreign made supplies come from other EC member States.

The key point here, made repeatedly throughout the interviews, is that any important European supplier, as well as American and Japanese suppliers, already has an importer or agent in Belgium. Since there are few areas where Belgian manufacture has sufficiency of goods, it is assumed that the range of available choice will include foreign made goods and that, in many cases, part of some Belgian equipment is actually foreign made. The element of competition is already fairly large in most product areas. Since the Belgian market is a small one with relatively easy access, there are frequently a large number of suppliers competing in any given field. Two examples of this situation are provided below.

* Buses tend, as a matter of policy, to be bought from one of four Belgian companies, but these companies are essentially coachbuilders and use chassis from various foreign companies like Volvo or Mercedes.

* The data processing sector in which, since there is no Belgian native computer industry (except for small scale assembly and software) almost all sizeable equipment purchases are of European, Japanese or American products. Important decision criteria, apart from the technical quality of the product itself and its price, are whether the Belgian agent or importer of these products could provide adequate service in terms of delivery, financial conditions and spare parts availability. Product origin is not therefore considered an important factor.

When asked whether the currently expanding supply situation would provide more opportunities for purchasing authorities, many respondents indicated that the choice was already as wide as they could accommodate. Restricted tendering is frequently used to avoid the problems of evaluating too many tenders. Some interviewees contemplated with considerable dismay the prospect of tenders arriving from all over Europe in respect of relatively low budget items.

4.1.3 Procurement Procedures in Specific Sectors

Defence

The Defence Ministry has six Divisions with purchasing requirements, namely Army, Navy, Air Force, DP (non weapons related), small equipment (eg. electric drills) and clothing, food and pharmaceuticals.

There is a single department, called "Service Special des Achats", which purchases everything from food to fighter planes. Some goods are obtained from the "Office Central des Fournitures" (non-military). Food is bought from approved Belgian suppliers, usually by an "Appel d'Offres General". Non-military equipment such as data processing equipment is normally bought on the Belgian market, from local agencies of multinationals.

Some 80% of military purchases derive from the large NATO countries (USA, France, Germany, Canada, UK). Small equipment, such as rifles and machine guns, are purchased from Belgian suppliers such as F.N. In common with most countries, Belgium tries to get some local manufacturing content in large contracts for military equipment. An office of the Ministry of Economic Affairs coordinates this 'compensation' activity and puts foreign contractors in touch with Belgian suppliers.

In principle, the Ministry operates three types of published calls for tender:

* National (Bulletin des Adjudications)
* EC (OJEC and Bulletin des Adjudications)
* GATT (Bulletin des Adjudications)

Many purchases which are of a security nature are not published.

The Ministry prefers to standardise as far as possible on a limited number of suppliers to avoid administrative overload, but suppliers are changed as often as required. Although small equipment is expected to have a life of 3-5 years, major military equipment has to last as least 15 or 20 years.

In some cases, the Ministry evaluates equipment such as troop transporters at its testing ground. For major purchases such as fighter aircraft, where there is often only one supplier who manufactures the precise specification required, two or three offers would still be considered in the first instance.

Since most supplies, with the exception of food, are already drawn from a broad geographical area (wider, in fact, than the EC) the Ministry did not believe that the opening of frontiers would improve the competitive situation.

Energy

The energy production and distribution sector is made up of intercommunal organisations which, although subject to the same State laws governing public purchasing, use restricted tender or negotiated methods in practice. The minimum number of suppliers that can be asked to tender is two. Since they usually "know" the competent suppliers in any one sector, the purchasing organisations generally contact them directly.

Apart from fuel, the sector already buys from other EC States and some, albeit very little, equipment is obtained from outside the EC.

The trend is to purchase more and more from EC companies because Belgian industry is gradually being taken over by European companies. Furthermore, the level of product standardisation is improving between EC countries and Belgian suppliers already have limited access to other markets, such as Germany, because the norms are different. As a result, they are handicapped by only having access to their own small market.

All major items would be purchased on an Europe-wide basis. Thus, for large quantities of, say, electricity meters, calls for tender could be made to companies in Germany, France and Switzerland (although normally these companies would have offices in Belgium).

Reliability and the spreading of risk are key energy sector criteria since constant power supply is essential. Servicing is important, and one of the drawbacks of increasing standardisation, and the resultant use of suppliers who are further away from Belgium, is increased delivery and service problems. Where relatively small price differences are involved, it is frequently not worth a purchaser taking risks with non-Belgium suppliers.

Broadly, the energy supply authorities are probably already moving as fast as is practical towards a Europeanisation of procurement policy.

Public Works

Contractors who wish to tender for public works contracts must in practice be registered in Belgium. This is in part a result of the Belgian system of building standard control and latent damage insurance. Builders have to be rated for insurance premiums and their claims record monitored. In theory, contractors registered under another country's scheme are eligible, and under the EC Public Works Directive they cannot be excluded.

The register of firms that the public works authorities are allowed to draw from is assembled by the Contractors' Registration Service. There are various criteria applied which include size of organisations, financial backing, the status of the companies, the size of the work force, the kind of equipment the company possesses and the specialities of the company. Unless and until a company is included on this listing, it is not eligible for selection for public works.

While the ministries and public authorities have to use Contractors on the register, those companies themselves do not have to follow any particular rules for buying Belgian or other equipment. In fact, the public authorities often claim to have no idea of the origin of the equipment and materials that their contractors are employing. It is generally the case that these are purchased, if not from Belgium, then from within the EC.

Basic building materials are purchased locally, most labour is local and building components which have a liability under the latent damage insurance system must be approved by the building control bureau (SECO).

A number of reasons were provided by interviewees as to why it made sense to use local contractors:

* It is difficult to import heavy material and equipment every time it is required to build a bridge or a road.

* The ministries and public bodies feel responsible for the contractors they work with and declare that there would be increasing bankruptcy and unemployment if they stopped using local Belgian contractors, particularly as, in many cases, they are the only employer in that particular activity sector, for example building bridges or laying motorways.

* Contractors' margins are already "cut to the bone" and it would be extremely difficult to obtain more competitive prices than those quoted by local contractors.

Large supply contracts are offered for international tender by means of the Official Journal, but the authorities in Belgium seem surprised by the lack of response from non-Belgian based suppliers to these invitations.

In terms of supplies, it is normally the contractor who buys equipment and materials. The public works organisation only buys its own office supplies, other requirements normally being procured through the Office Central des Fournitures.

There seems to be a policy within the Public Works Authorities of frequently changing their suppliers. Since price is a major determinant, whether obtained under restricted or open tender, the competition is quoted as being extremely keen.

There are certain exceptions to the normal procedures of official regulations. One works authority, for example, which is part of the Ministere des Travaux Publics, declared that it purchased small quantities of material, such as cement, over the counter from specialist suppliers. It also bought tractors directly from Fiat, Renault, Mercedes, or Ford after having carefully reviewed the market and the specifications offered by different manufacturers. However, even in this instance, the individual concerned stressed that he would always use the Belgian affiliate for the actual purchase and not Renault in France or Ford in Germany, because the purchasing procedure is far too complicated, and, by and large, it is not necessary. The Belgian market being as open as it is, most companies of any importance in Europe are already represented in Belgium.

Apart from administrative problems, the Work Authorities stressed that delivery delays, problems of spare parts, and general availability of servicing have been some of the main reasons for not going outside Belgium to purchase. Clearly distance poses increased problems in meeting product service requirements.

Communes

In the case of purchases by communes, some contracts go out to tender in the official way, ie. either as open tenders with publication in the Bulletin des Adjudications, possibly the Trade Press and/or possibly the Regional Press or as restricted tenders. Many contracts, however, are let after quotes from 3 or 4 regional suppliers/contractors.

Some commune respondents mentioned the official list of contractors to which, like the ministries, they are bound in the case of civil works. Others claimed that they also had an unofficial list of companies they would consider as well as those they would not.

Most of the communes interviewed do little direct purchasing outside Belgium. Foreign goods are bought, however, either from local agents eg. of SIEMENS or RENAULT, or where contractors buy equipment of non-Belgian origin.

There are clearly defined reasons for dealing with the Belgian representatives of foreign companies:

* the geographical situation of the depot, for ease of collection of goods

* the reputation and references of the supplies (easy to check by contacting other customers)

* a feeling of security concerning regularity of supply

* professional guarantees presented by the firms.

These reasons also apply to the hiring of contractors. In addition, legal, administrative and other problems arise when dealing with companies not based in Belgium. Thus, a small Belgian commune would, for instance, find it expensive and time consuming to sue a non-Belgian contractor.

A further reason for using local suppliers is a strong personal identification with the region. Belgians may apparently be less nationalistic than the French or the British, but they are fervently regionalistic, firstly at the level of the two language communities and then at the level of the local area. They are concerned about unemployment, supporting the local economy and preventing bankcrupcies. There is another factor, harder to pinpoint, which is that it is easier to negotiate and work with people as culturally close as possible to oneself.

The communes interviewed could not see any real additional benefits accruing to them by the markets being more open. The supply position is thought to be competitive enough already and in many cases, other Belgian suppliers are ignored in preference to local companies in their own language region. Conversely, however, some of the more imaginative respondents could see an advantage to Belgian suppliers in gaining access to other EC markets which they felt were unfairly protected.

4.1.4 Nationalistic Purchasing Policies

On the question as to whether there is any "pressure" to buy Belgian, some individuals within the ministries initially denied this quite strongly, but then indicated, by their attitude to the opening of the market, that they are in favour of buying Belgian supplies. One interviewee did openly state that he received directives from the Ministry of Public Works to buy Belgian products. The Cour des Comptes, which supervises the accounts for public bodies, keeps a watchful eye on purchasing behaviour of ministries and public authorities.

According to the interviews held, the pattern of communes' spending on goods and work seems, if anything, more nationalistic and even regionalistic than the ministries and related bodies. Most claim to purchase almost exclusively on the home market and to give priority to regional suppliers.

The reasons for giving preference to local or national suppliers are more causal than political. The communes are, on average, very small administrations. Hence they have relatively small budgets managed by small teams. There are few contracts for more than 5 million BF (120.000 ECUs). Even the roads department of the commune of Liege, a major conurbation which has recently regrouped its individual communes under one City commune, spent 69 million BF (1.6 million ECUs) in 1984 of which only 7 contracts were let at over 5 million BF.

4.2 Procurement Procedures in France

4.2.1 The Legal Context

Since 1959, the Commission Centrale des Marches (CCM) has been responsible for reforming public purchasing in France. The CCM is a group of departments within the Ministry of Economics and Finance. It attempts to harmonise both the purchasing procedures of the large number of different types of government department, public body and public enterprise involved and the extreme diversity of their purchases of goods and services. As well as its advisory and regulatory roles, CCM is a point of contact between purchasers, suppliers and numerous experts of one kind and another.

The central document, introduced and perodically revised by CCM to regulate public purchases, is the Code des Marches Publics. The main associated regulations are:

* CCAG (Cahier des clauses Administratives Generales)

* CCTG (Cahier des clauses Techniques Generales)

* CCC (Cahier des clauses comptables) in certain cases.

Details of these procedures are given in Appendix VII and they apply to:

* all central government purchasers

* public bodies (EPA), with the exception of those with a commercial or industrial character (EPIC - "Etablissement Public de caractere Industriel et Commercial" listed in Appendix VII)

* local authorities and their public bodies.

The "EPICs" are not subject to the code (in particular EdF-GdF, SNCF, RATP, Aeroports de France, Charbonnages de France, etc) but, in practice, they follow its general principles.

Public enterprises are also not subject to the code but have their own procedures, generally similar to the private sector.

The State endeavours to protect those of its purchasers who are most vulnerable to the power of suppliers to enforce their own sales conditions. This is done by setting up purchasing groups (which function particularly in Provence) to pool the purchases of small local authorities. The call for tender (or negotiation) and the technical evaluation of bids is done by a purchasing coordinator. The rest of contract activities (such as supervision, acceptance, commissioning) are performed by the individual purchaser.

It is also possible for local authorities to reach agreement with the nearest "Union des Groupements d'Achats" (Union of purchasing groups) who then assume all the duties of dealing with suppliers. The purchasing authority reimburses the Union after delivery of the goods/service (by means of a "cession").

4.2.2 Procedures Used

The procedures permitted by the Code depend on the value of the contract. Below FF180,000 (including tax) in May, 1985 (the threshhold is periodically revised) no set procedures are enforced.

Above the current threshhold, there are 3 main methods:

* "Adjudication": this is a public call for tender in which the lowest bid is accepted. This method is hardly used, except for very simple supplies.

* "Appel d'Offre": this is a competitive tender against a specification set out in the tender documents. The bids are evaluated in detail by the price/quality relationship, based on criteria announced at the time of the bid.

* Negotiated Contract: without public call for tender. This is only allowed in specific cases, such as where there is a monopoly supplier.

Design contracts are generally, with some exceptions, are let by negotiated contract but with prior public call for tender.

Negotiated contracts are subject (article 223 of the code) to the requirement for audit of costs.

In addition, there are two procedures which are seldom used:

* Purchase orders ('Travaux sur memoires' and 'achats sur facture') for purchases below the threshold cited above. Artificial splitting of orders is forbidden.

* Collective tenders ('consultation collective') for purchases by groups of entities using 'adjudication' or 'appel d'offres'.

The characteristics of these alternative procedures are summarised in Table 4.2.1.

Both "adjudication" and "appel d'offres" may be "open" to all bidders or "restricted" to a selected list of prequalified bidders.

Specialists in the Code say that it is very comprehensive in its drafting. Before the code was promulgated, purchasers were subject to a large number of different texts. The Code replaced these with a single text covering practically all that is needed to regulate contracting. The Code is clear, and has been regularly revised and improved since its introduction in 1964. It essentially concerns

TABLE 4.2.1 - METHODS OF PROCUREMENT - FRANCE

	BASIS	FEATURES	PROCEDURES	APPLICATION	COMMENTS
1. "ADJUDICATION" A. Open	State : clauses 64 to 92 of the code	(Former "Adjudication publique"). Contract let to "lowest bidder". Successful candidate chosen at public meeting. Anyone may bid	1. Publication of "adjudication" notice stating purpose of contract, place where documents can be consulted, supporting documents to be produced, notice transmittal date, deadline for receiving offers, time, place and date of "adjudication".	Used to be standard practice. Now the State, local authorities and their public establishments are free to choose between "adjudication" and "appel d'offres". The "appel d'offres" procedure has almost replaced that of "adjudication".	The Authority has the dicretionary power to refuse approval, there being no resultant entitlement to compensation (except when approval is based on grounds extraneous to the department). The max. price set by the Authority is not disclosed.
B. Restricted	Local authorities : clauses 280 to 293 of the code	Restricted to pre-approved firms, selected following public invitation to participate	2. Bid submission (two envelopes) 3. Maximum price set by the authority 4. Public adjudication meeting		
2. "APPEL D'OFFRES" A. Open	State : clauses 93 to 102 of the code Local authorites : clauses 295 to 307 of the code	Competition no longer based just on price but on value for money More flexible than "adjudication" Choice of bid is entirely up to the Authority Public invitation to participate and candidates selected in private	1. Publication of "Appel d'offres" notice. As for "adjudication", but meeting not public (so no place specified). 2. Bids scrutinised by a committee meeting in private 3. Bid selection (cf. comments)	Now in general use	If bids are equal then new bids produced without formality - no "bargaining" allowed. In the "appel d'offres", bids are compared on the basis of price, quality and the various advantages of the proposals
B. Restricted		Firms pre-approved Authority states its requirements, candidates define the service	1. Public invitation to participate 2. Notice of actual "Appel d'offres" 3. ditto 3	Usually only used exceptionally but very popular for large industrial and works contracts	
C. With competition			1. Public invitation to participate 2. "Appel d'offres" - approved candidates 3. Panel	Technical or aesthetic research. Development of new equipment.	
3. NEGOTIATED CONTRACTS (former private contracts)	State : clauses 103 to 105 Local authorities : clauses 308 to 312	Exceptional procedure applicable under conditions clearly laid down by the contracts code. There must as far as possible be competition Same conditions and for small contracts currently < 250 000 F but soon to be increased to 350 000 F	The Authority's choice of supplier is not governed by any statutory procedure	Limitations laid down by the monopoly code : purchase at place of production or storage, confidentiality, urgency, unfruitful competition, technical requirements or large initial capital outlay when financial conditions improve, baseline technical project, national defence	Competition maintained unless totally impossible by approaching a number of firms or by placing public contract advertisements in the BO or in official journals.
4. WORK ON AGREEMENT AND PURCHASE ORDERS	State : clause 123 Local authorities : clause 321	Low cost Parties can reach agreement by on the spot purchasing, exchange of letters or use of order forms, etc. To create competition, informal approaches to a number of firms are recommended.	No statutory procedure both for choice of supplier and for concluding contracts	For the State : work, services or supplies : ⩽ 180 000 F For "départements" (regional authorities), "départemental" public establishments (EPs) (except for HLM - council housing), communes and "communal" EPs ⩽ 180 000 F	Optional easy procedure which does not prevent contract being placed at supplier's request
5. COLLECTIVE ENQUIRY	State departments and local authorities : Part IV of the code	Although this procedure has the same features as an "adjudication" or an "appel d'offres", it is nevertheless called a "collective enquiry"	Collective enquiry - group of purchasors consisting of either State departments or local authorities or both.		

MARCHES PUBLICS, LA REVUE DE L'ACHAT PUBLIC, N° 177 the formalities, evaluation and execution of contracts and not their content. The content (the Cahier des Charges) is very largely a matter for the contracting parties to establish, but this determines what procurement conditions apply.

The central philosophy of the Code is summed up in Article 39 which states "Contracts must be agreed after being submitted to competition and they must be notified before work begins".

The concept of "notification" is very important in the French procedures. Contracts cannot be notified without approval of the expenditure by the Controllers. All contract periods (for example, the delivery date) run from the date of notification, which must be registered by a receipt or acknowledgement of postal delivery.

Table 4.2.2 shows the breakdown of purchasing by procurement procedure as used by different classes of purchasers. The table shows that negotiated contracts without competition represented 64 percent of central government purchasing. In local authorities, "appel d'offres" was the most common, covering 56 percent of purchases.

Table 4.2.3 shows the total numbers and value of contracts reportedly let in 1983, grouped under the different ceilings which relate to the various procurement procedures. At the lower end of the scale (contract value less than 150,000 FF) the table indicates that some 30% of the total number of contracts, covering only 1.6% of the total value, were let at values below that compulsory threshold set by the code. At the other extreme (for contracts over 10 million FF) over 55% of the total value of contracts was contained in less than 1% of the number let.

TABLE 4.2.2A - BREAKDOWN OF CONTRACTS BY TENDERING METHOD, FRANCE, 1983: CENTRAL GOVERNMENT
(Millions of FF)

Type of Authority	State		EPA		Total	
Procurement Method	No	Value	No	Value	No	Value
"Adjudication", open or restricted	98	55.1	22	7.7	120	62.8
"Appel d'offres", open or restricted	30,221	19,582.2	944	794.2	31,165	20,376.4
Negotiation, with prior competition	4,765	4,650.3	329	220.9	5,094	4,871.2
Negotiated, without competition	21,898	44,039.1	973	415.5	22,871	44,454.6
Unspecified	34	11.1	0	0.0	34	11.1
Total	57,016	68,337.8	2,268	1,438.3	59,284	69,776.1

Note: excludes "avenants" (variation orders)

TABLE 4.2.2B - BREAKDOWN OF CONTRACTS BY TENDERING METHOD, FRANCE, 1983: LOCAL GOVERNMENT
(Millions of FF)

Type of Authority	Local Authority		Hospitals		OPHLM		Total	
Procurement Method	No	Value	No	Value	No	Value	No	Value
"Adjudication", open or restricted	2,145	930.7	528	285.2	110	120.4	2,783	1,336.3
"Appel d'offres", open or restricted	33,242	16,713.0	5,187	2,673.9	5,589	2,960.6	44,018	22,347.6
Negotiation, with prior competition	14,840	4,619.0	4,020	1,557.1	3,079	1,395.2	21,939	7,571.3
Negotiated, without competition	12,628	4,801.0	3,967	2,429.6	1,860	1,295.6	18,455	8,526.2
Unspecified	344	130.3	22	6.8	42	11.2	408	148.2
Total	63,199	27,194.0	13,724	6,952.6	10,680	5,783.0	87,603	39,929.6

Note: excludes "avenants" (variation orders)

TABLE 4.2.3 - BREAKDOWN OF CONTRACTS BY CONTRACT SIZE, FRANCE, 1983

(millions of FF)

Entity	State and EPA		Local Authorities		Public Enterprises		Total	
Contract Size	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Reductions in contracts	1 977	-1 126.0	41	-5.0	952	-1 802.1	2 970	-3 033.2
up to 0.15 million F	32 914	1 726.2	35 543	2 240.1	3 553	216.9	72 010	4 183.3
0.15-0.8 million F	37 018	12 932.2	42 328	14 031.0	41 604	14 043.6	120 950	41 006.8
0.8-5.5 million F	11 396	21 523.4	9 625	16 278.1	11 750	21 143.4	32 771	58 941.9
5.5-10 million F	746	5 506.8	381	2 743.8	742	5 308.8	1 869	13 559.5
Over 10 million F	1 118	47 585.9	258	4 846.8	825	92 113.8	2 201	144 546.4
Total	85 169	88 148.5	88 176	40 134.8	59 426	131 021.4	232 771	259 304.7

Range correspond to the ceilings in 1983:

150 000F : a public contract is required (180 000 FF inc. tax in 1987)
800 000F : national publicity is required (1 300 000 FF excl. VAT in 1987)
5 500 000F : publicity required for works contracts (6 700 000 FF excl. VAT in 1987)

4.2.3 Practical Difficulties

It should be recalled that, at present, the code does not apply to public enterprises, mixed companies (ie. partly private shareholding), the HLMs (low cost housing associations), building companies owned by the Caisse des Depots, and others.

The two principles of public purchasing are:

* free competition

* good control of the budget, assured by the separation of the purchasing function from the financial accountability in that the purchaser is not the person who controls the budget.

Suppliers and experts on public purchasing have commented that the principle of free and wide competition is sometimes evaded:

* Sometimes the purchaser or his architect/consultant sets specifications which are so restrictive that they pre-judge the supplier or restrict possible competition.

* Specifiers tend to disqualify all the bidders in the tender, so they can then use direct negotiation.

* The Code only permits discussion between the purchaser and the bidder in order to clarify or to complete the scope of the bid (ie. permitting minor changes in detail to the price) and it is suggested that some purchasers interpret this too liberally, to the point at which the bid evaluation is invalidated.

* Unsuccessful bidders are not required to be notified of the reasons for rejection.

* Devices are used to avoid competition, including failure to publish the call for tender, publishing during the August holiday, inadequate detail in the notice or misuse of the procedures for urgent supplies.

Such abuses are not thought to be common. A study by CCM of 600,000 local authority contracts in 1983/84, showed that there were 130 sanctions imposed by the Commissaires, who are responsible for verifying the legality of all local authority tenders before contracts can be signed. (the Ministry of the Economy and Finance monitors state contracts). In practice, however, bureaucratic delays often force purchasers to sign contracts without formal authorisation. Most of the 130 sanctions were lifted after the procedures were properly applied. Sixteen cases went to the administrative tribunal, which in general found in favour of the Commissaires and annulled the contract.

The separation of the functions of the purchasing official who authorises the expenditure ('ordonnateur') from that of the financial controller ('comptable') can lead to restrictions on the use of foreign suppliers. The budgetary laws require the 'ordonnateur' to verify that funds are available before initiating an operation likely to involve the State in a debt. He must get an authority from the CFC (Central Financial Controller), and a secondary ordonnateur must refer to the local financial controller, in practice the TPG (Tresorier Payeur General). These rules to a greater or lesser extent restrict the scope of action and introduce great complexity into the system. In particular, it is tricky to enter into a contract with a foreign supplier since fluctuations in exchange rates are liable to entail having to alter the arrangements ex post, when preparing the payment order.

When taken to extremes, the principle of separate budget functions can make the system inflexible and lead to splitting up of purchases. The benefits of standardisation and bulk purchasing are then lost.

The system is also accused of encouraging "red tape" in the checking of procedures at the expense of controlling costs and expediting delivery. In practice, the CDC (cour de discipine budgetaire) only deals with the financial controllers (or 'ordonnateurs' who are acting as controllers). Very few 'ordonnateurs' (ten or so cases a year) come before the CDC.

The system of guarantees and bonds required by government purchasers can also be a barrier to foreign suppliers.

4.2.4 French Purchasing Procedures in Practice

The interviews carried out with purchasing authorities in France enable some specific observations to be made about purchasing practices in certain organisations.

* Ministries

  Purchasers in ministries seem to be under clear instructions to buy French. "Archeter Francais" is a slogan, although a bid evaluation based on this principle would not, it seems, be allowed by the controlling authorities. Computers, for instance, in one ministry were always supplied by Bull, but there is a convention for purchase of Bull micro computers with the object of standardisation and economies in training and maintenance. Ministries do not always use UGAP for their purchases. Restricted or negotiated tenders are clearly preferred, with very little incentive to try new suppliers, even French ones.

* UGAP (Union des Groupements d'Achats Publics)

  UGAP is a central purchasing agency specialising in vehicles and supplies for educational establishments and hospitals. UGAP used to have the sole right to supply public authorities, but this monopoly was terminated in 1986 except for vehicles. It has the status of EPIC, and must cover its own operating costs and still be competitive with direct suppliers to the public authorities. UGAP also carries out quality control functions at the supplier's premises and in warehouses. It always buys on open tender.

* Departments ("Conseils Generaux" and "Directions Departementales d'Equipment")

Each of the 95 Departments of France has similar public purchasing problems. The following practices are believed to be typical. Restricted or negotiated tendering is the general rule. This enables local firms to be favoured, and also simplifies procedures. Except for vehicles, UGAP is rarely used, and is frequently found to be too expensive. Foreign suppliers would be welcome if they offered a tangible benefit, such as supplies unobtainable locally. This is rarely the case. Electoral pressures are important - the introduction of foreign suppliers without very strong justification would be criticised by voters. The DDEs carry out public works financed by central government, but the same local pressures seem to apply. The DDE, on behalf of the 'conseils Generaux', are increasingly involved in specification or purchasing for local authorities.

* SNCF

SNCF has no formal restrictions on foreign suppliers, and in the case of computer equipment 35 to 40 percent is US, Japanese or Italian. Compatibility with existing units is important for computer equipment, so the pattern is unlikely to change because manufacturer's standards are incompatible. SNCF normally uses restricted tendering.

* Air France

Air France is not legally obliged to follow the Code des Marches Publics, but nevertheless consults CCM for contracts over 30 million FF. AF never uses UGAP, since it believes it can get better prices using its own purchasing power.

Air France normally uses restricted tendering. It is conscious of its role as image maker for France, so favours French firms which are trying to gain export markets (eg. flight simulators) and presents a French image to travellers (French food, perfumes, uniforms).

* Assistance Publique (public hospitals)

Hospitals in the Paris region spend 800 million FF a year on works and 450 million FF on equipment, of which half is purchased through UGAP. Foreign firms are not considered for building works because of the need to supervise site works. Simple equipment such as hospital furniture is always French, using the CCAG/CCTG specifications, but sophisticated equipment (scanners, X-ray equipment) is often foreign.

Open tendering is usually practiced and the medical staff have an important influence on choice equipment. There is a prejudice against suppliers suspected of 'dumping'.

4.3 Procurement Procedures in Germany

4.3.1 The Legal Context

The general rules and procedures for public procurement in Germany are set out at the federal, state and community levels in their respective budget regulations. The regulations, for instance, specify the principles to be followed with respect to setting up contracts and the planning and approval stages before large expenditure committments are made. Added to these there are the regulations for the awarding of contracts for all goods, Verdingungsordnung fuer Leistungen (VOL) except for the awarding of construction work which is covered by Verdingungsordnung fuer Bauleistungen (VOB) and other legal requirements. No special formal prohibitions exist concerning the awarding of contracts to foreign companies, but most public purchasing offices are very reluctant to deal with foreign firms because of the bureaucratic complications this involves.

VOL/VOB

In respect of all public purchasing bodies the VOL/VOB must be applied, although warlike items are the exception to these rules.

The VOL and VOB provide the framework for public procurement of goods and services and define the tendering procedures which can be applied and the administrative procedures to be followed in tendering and awarding contracts.

The VOL is subdivided into two parts. Part A defines three different tendering procedures; Part B deals with rules for approval and acceptance procedures which are outside the concern of this report. The three tendering procedures are:

* open competition, in which a public announcement invites bids from an unlimited number of firms. This procedure must always be followed unless special factors justify making an exception (see below)

* closed competition, whereby a limited number of firms are asked to bid on specific contractual functions, if the following conditions apply:

  - if previous experience has shown that only a limited number of bidders are capable of delivering the goods or services required
  - or the cost of the open competition would be too high in relation to the expected benefits of this procedure
  - or when secrecy or urgency prevent open competition

* freely negotiated contracts, which can be awarded with no formal tender only if specific reasons (eg. previous experience or reliability) allow just one company to be invited. These reasons could be:

  - when previous development and research were carried out by the company
  - when spare parts etc. are the subject of the contract
  - when great urgency is claimed
  - when secrecy necessitates this procedure.

The VOB is generally structured on similar lines to the VOL and, in addition, it contains a third element, VOB/C, which deals with technical rules for the execution for construction work and civil engineering.

The public invitation to tender must appear in the daily press, the official publications (eg. federal publication of invitations to tender, Bundesausschreibungsblatt, or official publications of the ministries, Amtsblatt) or in the trade journals. The VOL/VOB defines the format in which the invitation to tender must be published.

VOL/VOB also specify the procedures for:

* submission of bids: for example, the bids must contain the price as well as all other required information. Supplementary bids are permitted but must be clearly marked as such

* the opening of the bids: bidders may not participate in the opening session. Minutes of this session are taken but may not be presented to the bidders or the public. The bids must be treated as confidential documents. No part of the bids may be used for another purpose without prior agreement of the bidder

* the examination of bids: the bids are investigated for completeness, calculation, and technical specifications. Finally the decisive factors for the price-performance ratio of each bid have to be noted. This examination can, if necessary, be conducted by experts. Negotiations after the examination of the bids are forbidden except to clarify doubts about the bid or the bidder

* evaluation of the bids: only bids conforming to the specifications are considered. In accordance with the principle of economic efficiency, the contract is awarded to the most "economical" bid. The most economical bid is defined as the one with the highest ratio of the "performance" to the tendered price.

  (Performance is defined as the execution and fulfillment of all conditions relating to the contract (ie. technical, functional and design related aspects, customer service, supplementary costs). The precise way in which "performance" is measured (namely the factors, the measurement of those factors and their weighting) is not specified in the regulations. This means that this is not known to the bidders, so there is, in fact, scope for judgement on the part of the bid evaluators. There is no legal requirement for "lowest price" tendering, as in the French "adjudication")

* awarding the contract: eg. the contracts must be awarded within the agreed period, the award must be given in writing and similar details.

Law Against Restraint of Trade

Another legal restriction on public procurement, which is given considerable importance in Germany, is the law against the restraint of trade, Gesetz gegen Wettbewerbsbeschraenkung (GWB). This law prevents the public purchasing authorities from exercising a dominant influence on the market (if this leads to a restraint of trade).

This is particularly true in markets of mainly small and medium-sized suppliers as large purchasing operations tend to have a significant influence in such situations. The GWB is probably one of the main arguments against central purchasing authorities at all levels of government administration and contributes to the decentralisation and proliferation of small contracts which make international tendering very rare.

European Community Supply Coordination Guidelines

Above a current threshold value of 200,000 ECUs, the European Community supply coordination guidelines, Lieferkoordinlerungsrichtlinien (LKR) are to be used for contract bidding throughout the EC. This is the German regulatory instrument which implements the EC directives, but LKR is not mandatory for public utility contracts from:

* public transportation (eg. the DBB)
* utility companies for water and energy
* telecommunications
* security and secrecy installations.

4.3.2 Central Government Procedures

There are no unified procurement methods at the federal level. Some ministries fill their needs through a central procurement office, such as:

* the procurement agency of the FM of the Interior

* the Federal Agency for Defence Technology and Procurement of the FM of Defence.

There is also a common central procurement office for office supplies (working group III in the FM of Finance), serving all the "highest federal agencies". Otherwise the departments and dependent bodies of federal ministries purchase for their own needs within the legal framework described above.

4.3.2 Regional and Local Government

State Level

At State level there are no unified procurement procedures. The following details provide an overview:

* Bavaria: Decentralised procurement of material goods to community level. Central contract-awarding office for construction work in the Ministry of the Interior.

* Bremen: Central procurement of supplies; includes procurement for federal financed construction projects.

* Berlin: Districts procure supplies for themselves but there is central supplies procurement through the State administrative office for the senate. The senator for construction activities is responsible for above-ground and excavation construction.

* Baden-Wuerttemberg: Supplies procurement is decentralised to community level. Responsibility for above-ground construction is that of the Ministry of Finance, and for excavation construction it is the Ministry of Interior.

* Hamburg: Supplies are procured through the Ministry of Finance. The building authorities are in charge of construction activities.

* Hessen: Central State procurement office for supplies.

* Lower Saxony: Decentralised supplies procurement to community level. The Ministry of Finance is responsible for construction activities.

* North Rhine-Westphalia: Decentralised supplies procurement to community level. Building construction is controlled by the above-ground construction office in the Ministry for City Planning.

* Rhineland-Palatinate: Decentralised supplies procurement to community level. Responsibility for above-ground construction is that of the Ministry of Finance, and excavation construction Ministry of Economics.

* Saarland: Decentralised supplies procurement to community level. The Ministry of Finance is responsible for above-ground-construction while civil-engineering comes under the Ministry of Environment.

* Schleswig-Holstein: Decentralised supplies procurement to community level. Parts of it are carried out by the State Ministry of the Interior. A total of seven State Surveyor's offices are responsible for construction works.

Community Level

At the community level there is no unified procurement body. Supplies and construction work are purchased in accordance with the terms of community budget regulations. Purchasing entities on the communal level seldom join to form purchasing associations so that no cartel-related problems can arise.

4.3.3 Public Enterprises

The special purchasing procedures of some of the key public enterprises are described below.

The Federal Railways (DBB)

The "public welfare" requirements include favouring certain classes of preferential bidders such as firms in Berlin, in the border areas touching the GDR or employing such personnel as refugees, exiles, disabled and blind persons. These accounted for 965 million DM (9%) of the tenders awarded in 1985.

The DBB has its own technical specifications for supplies and these provide definitions in areas for which no adequate technical norms exist.

The Federal Postal Administration

Total DBP procurement of capital goods amounted to DM 16.5bn in 1985. The main area of investment was in the telecommunications sector.

The DBP entities purchase all non-specific telecommunications equipment by using public invitations for tenders according to the rules of VOL/VOB. Specific telecommunications equipment is only manufactured by a limited number of companies who are directly invited to tender (restricted invitation according to VOL/A).

The most common type is a call contract running for 3 to 5 years, after which the contractors are changed accordingly. This practice ensures a sufficient number of suppliers, even though the DBP is the only company requiring telecommunications equipment.

The public supply contract regulations of the VOL do not allow preferential treatment of national companies. Most contracts, however, are let to German firms or German subsidiaries of foreign firms. This is due to the difficulties that foreign contractors have in meeting the requirements of technical services and the provision of spare parts within 24 hours.

In addition, and in common with all public purchasing bodies, the DBP is obliged to favour companies:

* in areas bordering the GDR
* in Berlin
* employing disadvantaged people such as exiles, refugees and the disabled.

The contract is awarded on the criterion of the most economical bid. The price-performance ratio takes into consideration:

* quality of the product
* delivery terms
* methods of execution
* guarantees
* technical service
* supply of spare parts
* transportation fees
* terms of payment

* compatibility.

The values or weightings attributed to the above mentioned factors varies according to the product or service required.

The DBP spent DM 17.09bn on goods and services in 1985. The contracting firms, who are generally the larger companies, make extensive use of small and medium-sized enterprises as subcontractors to actually carry out the contracts awarded them by the postal system. Thus smaller companies also benefit from the large volume of post expenditures.

Companies with Public Participation

Those public companies structured in private legal forms (AG = company limited by shares, GmbH = limited liability company) are not subject to contract-bidding regulations (such as VOL/VOB, LKR). They procure, like all private companies, within the framework of national laws (eg. law against restraint of trade).

4.3.4 Evidence of Nationalistic Purchasing Procedures

Results from a series of interviews conducted in the public sector indicate the following main reasons for the preferential use of local, regional or national contractors as against foreign suppliers:

* Technical reasons: In general the German DIN set higher standards than most foreign norms so that the majority of foreign products do not conform to the German requirements. (On the other hand foreign suppliers comment that their goods do meet DIN standards and it is the laborious formal certification procedures for imported goods which act as a barrier).

* Social reasons: It is often considered that, for reasons of job security, contracts of high value should be let within the FRG.

* Political reasons: Whenever contracts of high value are established with foreign companies, political and bureaucratic supervision tends to increase. In the case of development aid, it is claimed that aid recipients insist on German products instead of products from former 'colonial' countries.

* Financial reasons: It is often possible, by using local or regional suppliers, substantially to reduce stocking costs.

* Economic reasons: Where, as is frequently the case, fast service or delivery of spare parts is necessary, only local firms are able to compete.

* "Compensation": In the case of coal-mining it is considered that, as a compensation for the industry's drastic interference with the general surroundings, contracts should be let with local companies whenever possible.

4.4 Procurement Procedures in Italy

4.4.1 The Legal Context

Public procurement in Italy is legally regulated to a very high degree. These regulations not only govern the type of contract to be used in each event, but also specify, in minute detail, the precise steps to be followed at each stage of the contractual process.

There are four different types of contract within the legal framework, distinguished by the different methods employed for choosing the supplier:

* "Asta Pubblica" (public auction) is a straightforward system of open tender, as envisaged in the EC regulations, with price as the sole criterion of choice between bidders.

* "Licitazione Privata" (private auction) is a system whereby a number of potential suppliers, selected by the administration, are asked to bid for a contract. Traditionally "Licitazione privata" did not require a public call for candidates and price was the sole criterion for selection. However, advertising for candidates has been introduced:

  - for works contracts, in 1973 (law no.14 of 2 Feb)
  - for supplies contracts over 140,000 ecu and supplies incorporating installation works of over 200,000 ecu in 1981 (law no.113 of 30 March, which implements EC directive 77/62). This is optional for supplies over 100,000 ecus.

  (It may be noted, however, that advertising for candidates is not formally required for purchases of services.)

  These laws make 'Licitazione privata' equivalent to a restricted procedure under EC legislation. Their application is subject to the same exclusions, exceptions and thresholds as the EC directives. The present rules on permitted selection criteria are as follows:

  - for works under 1 million ecu, price only
  - for works over 1 million ecu, either price only or "economically most advantageous offer" taking into account price, delivery period, operating cost, performance and technical merit
  - for supplies under 200,000 ecu, price only
  - for supplies over 200,000 ecu, price (for goods with a "standard" specification) or economically most advantageous offer, taking into account price, delivery, operating cost, performance, quality, aesthetic or functional character, technical merit, after sales service and technical assistance.

* "Appalto-Concorso" (competitive contract) is similar to licitazione privata, (a 'Restricted' procedure in EC terms) except that:

  - the contract includes a precise definition by the supplier of the methods or specification of the project (whereas in "Licitaziona privata" the purchasing authority defines the precise specifications)
  - the selection is always made on a combination of price and technical parameters.

  (In practice this procedure is used for complex projects where the supplier has to make a contribution to the specification.)

* "Trattativa Privata" (private negotiation) is the only procedure which does not involve some form of competitive tendering. It envisages simply a negotiated agreement between two parties and gives the administration near total freedom of choice as to whom to award the contract.

In addition, there are two supplementary procedures which are of growing importance:

* "Servizi/Gestioni in Economia" (managed services) are an extension of a long-standing system for public works under the direct control of the State, created originally for work such as ports, lighthouses, state highways, and for other work of an urgent and indispensable nature. They take two forms:

  - direct administration, where, at one time, the official responsible was empowered to purchase any materials and recruit any temporary labour necessary for the job. At present, temporary recruitment of outsiders by State bodies is forbidden, so that this procedure is available only to organisations with their own workforce

- "Cottimo Fiducario" (literally "trustee job"), where the official, on his own responsibility, entrusts part ("cottimo parziale") or all ("cottimo totale") of the work to a third party. Normal legal prescriptions regarding procedures and criteria for choosing suppliers do not apply in these cases.

Contracts "in economia" are also used for the purchase of certain goods and services needed by the administrative bodies themselves, e.g. office supplies and routine maintenance.

* "Concessione" is a form a management contracting system whereby the State delegates to some other body, public or private, the responsibility for realising a major project, such as a state highway or the rehabilitation of a zone affected by an earthquake. Table 4.4.1 gives a list of cases where this system may be used. A concession may cover just the construction phase ("concessione di sola construzione") or may incorporate the subsequent management of the entity in question. In the case of construction only "concessioni" and or contracts over 1 million ecu, the choice of concessionaire is subject, in theory, to the legal procedures described above, implying public tendering. However, numerous cases show that this is not always done in practice and the tendency to choose the concessionaire by "trattativa privata" has even, in certain cases, been legitimised by the special legislation. Moreover, below 1 million ecu, no regulations require the concessionaire to be chosen by public tender. The concessionaire is subject to the legal code for public purchasing when he lets contracts (although many of the contracts let will be below the threshold).

4.4.2 Trends in Use of Procedures

The highly formalised procedures laid down by law were designed more to ensure administrative impartiality in the choice of supplier than to obtain reasonable service at the best available price. In

TABLE 4.4.1 - LIST OF CASES IN WHICH "CONCESSIONE" MAY BE USED

Concessiones Cases	Law No	Date
Maritime infrastructure		
Mains water and electricity		
Construction of state highways	463	31/5/1955
Overall improvement works		
Works under the jurisdiction of the Agency for the Mezzogiorno		
Construction of public housing	409	25/6/1949
Construction and management of metropolitan rail networks under the jurisdiction of the communes	1042	29/12/1969
Rehabilitation of zones affected by earthquakes in Sicily	21	5/2/1970
Construction of local office buildings for the postal administration	15	23/1/1974
Construction of schools	412	5/8/1975
The second University of Rome and the state universities of Tuscia and Cassino	122	3/4/1979
Urgent work on airports open to civil traffic	299	27/7/1979
Reconstruction and development of earthquake zones	219	14/5/1981

practice, they have not proved sufficiently flexible to deal with the increasing diversity of the public sector, nor with the new types of goods and services, such as those with a high technological or R&D content, that now need to be purchased.

A variety of legal provisions has therefore grown up, either adapting the strict procedures to deal with the needs of specific sectors or contingencies, or absolving certain bodies from the need to conform to such procedures in certain circumstances.

This has legitimised a longstanding trend away from the use of highly formalised "mechanical" procedures ("asta pubblica" and "licitazione privata"), where price was the sole basis of choice, towards the use of:

* "negotiated" procedures ("trattativa privata")
* new criteria for selection (the present "licitazione privata")

In particular, "asta pubblica", which was originally intended to be the method by which all public sector contracts were awarded, is now used only very rarely, usually for the sale of State goods (eg. military surplus). This situation was legitimised in the 1970's, when "licitazione privata" was given equal status under the law with "asta pubblica".

At the same time, "trattativa privata", which was originally intended to be resorted to only on an exceptional basis, has been transformed, by the sheer volume of "exceptions" to the various laws, into one of the main methods in current use.

A notable current trend is towards the increasing use of contracts "in economia", in particular of "cottimo fiducario", which is an essentially unregulated alternative to "trattativa privata", without the need, for example, to have the contract formally approved.

The law permits the use of contracts "in economia" subject to the goods or services involved being of an appropriate "nature". It leaves the definition of what is appropriate to regulations promulgated by Presidential decree, or, failing that, to ministerial decrees which must, if they affect contracts of above a certain value, be santioned by the Consiglio di Stato. Such decrees are one of the main methods of releasing parts of the government from the obligation to use more formal methods.

Legal measures to regulate these changed practices have typically lagged behind the changes themselves. Although, for example, "licitazione privata" began to supersede "asta pubblica" in the 1950s, it was not until 1973 that it became mandatory to advertise publicly for bidders for public works projects to be undertaken under this form of contract. Not until 1981, following a judgement in the European Court, was a similar stipulation made for supply contracts. Equally, it was only in 1977 that it became compulsory to submit contracts for "concessione" to the procedures laid down for other contracts.

4.4.3 Abuses of the System

The system has evolved to become sufficiently flexible for breaches of the law in the cause of operational efficiency to be unnecessary. However, the unregulated nature of certain contracts has permitted some blatant favouritism in their allocation.

Certain departments appear to be reinterpreting procedures in order to maximise their ability to place contracts with whoever they choose. Typically, they are permitted the use of "trattiva privata" or of contracts "in economia" where the goods and services amount to less than a given value, or are especially urgent or vital to the performance of certain functions.

There is evidence that some orders are being split into inappropriately small quantities so that they may awarded "in economia". The ordering of uniforms by the Proveditorato Generale dello Stato is a good exmpale. Similarly, some definitions of what is urgent or vital are surprisingly broad. The PTT, for example, uses considerations of this nature to justify its purchase of vehicles by "trattativa publica".

The requirement to seek competitive bids for "concessione" is frequently, albeit legally, circumvented by the passage of special laws governing specific projects. Over and above the room to manoeuvre within the system, there have also been a number of allegations in the press recently of failure to respect the formal rules. These have included the allocation of "concessions" for important works for prison construction and works within the Transport Plan.

Cases have also been cited of differences of 4:1 and even 10:1 in the prices of identical services bought by different USLs, which cast doubt on the effectiveness of application of the competition rules.

4.4.4 Pressures to Purchase Nationally

With few exceptions, the persons interviewed during the course of the study denied the existence of any pressure to purchase from Italian rather than foreign suppliers. Impressionistic and anecdotal evidence, however, suggests the contrary.

One legal factor which weighs heavily in favour of domestic suppliers is the requirement that all government and autonomous state entities place at least 30% of their business with firms which have some form of establishment in the Mezzogiorno, even if that establishment plays no role in the contract in question. Few non-Italian companies meet this condition.

4.4.5 Public Sector Purchasing in Practice

Central Government

* Ministero del Tesoro - Provveditorato Generale dello Stato (PGS)

  In respect of supplies of furniture, office machinery, office supplies and uniforms for junior staff, and for the award of cleaning, heating and maintenance contracts, the PGS generally uses the restricted "licitazione privata" procedure. Firms on the PGS "list of suppliers" (about 3,000 in all) are invited to bid. In the case of "standard" products/services, the contract is generally awarded on the sole criterion of price. If the authorities wrongly schedule requirements, the PGS makes adjustments to the contracts (for increases in supplies up to a maximum of 20% of the contract figure), places "supplementary contracts" ("atti aggiuntivi") or even "open contracts".

Although the PGS does not use leasing, it does hire some machines (large photocopiers or film setters, to the tune of 1.7 billion Lira in 1984).

The "appalto concorso" is used for certain categories of installations such as electronic telephone exchanges.

Contracts for the development of information systems are frequently placed using the "trattativa privata" (the PGS, however, usually contacts a number of firms).

There is a growing tendency to adopt the "in economia" formula - generally preceded by informal "placing out" to competition. (This was the case in 1984 when the purchase of uniforms for central government staff gave rise to 5 "licitazione privata" contracts (worth 770 million Lira) and to purchases on an economic basis (for a sum of 195 million Lira). Uniforms for the staff in peripheral units were purchased on an "in economia" basis by the Provincial Divisions of the Treasury to which the PGS allocated 3,856.5 million Lira).

At least as regards office machines or information systems, there does not appear to be any "national preference" (all the firms in the sector with a subsidiary in Italy are PGS suppliers).

* Ministero dei Lavori Pubblici

Almost 90% of expenditure by this Ministry derives from the Provveditorati Regionali ale Opere pubbliche.

Central government mainly uses the "licitazione privata" procedure (especially for the largest projects). There is also a trend towards development of the "concession".

The Provveditorati Regionali favour the "trattativa privata" and the "gestioni in economia" procedure (for which there is no maximum figure). As far as "gestioni in economia" is concerned, there is increasing use of the "cottimo fiduciario" formula (rather than the direct administration procedure).

As regards "licitazione privata", the government is making increasing use of the "lowest bid" criterion (art. 24 b) of Act of 8/8/1977) which combines a series of factors (price, implementation time, technical merit, design capability of competitors). The development of the "concession" system is mainly because of the increasing difficulty which the government faces in the absence of the necessary skills in elaborating detailed designs on complex projects. Work is normally awarded on a concession basis using the "licitazione privata" procedure but there is tendency by the government to restrict the letting out to competition which this formula requires. The justification invoked is that the requirement to invite all companies entered on the "Albo Nazionale dei Costruttori", for the particular category of work in question, entails an excessive number of applications and lengthens the selection procedure. Consequently, government would like to create a "bracket" system (giving a minimum and maximum number of competitors) which would make the procedure less cumbersome.

* Ministero dell' Interno

There is a marked predominance of "trattativa privata" contracts which represented 67% by value of expenditure in 1984 and 52% in 1985. The decrease noted does not so much represent an increase (limited) in the "licitazione privata"" formula (16% by value in 1984 and 20.5% in 1985) as an extension of the use of "gestioni in economia" (13.9% of the value of expenditure in 1984 and 27.6% in 1985).

* Ministero della Sanita

The share of the Ministry in the total expenditure in the health sector is very limited since the reform of the national health system which vested most of its functions in the Unita Sanitarie Locali. Purchases are almost all by "trattativa privata" in view of the type of supplies for which suppliers often have sole rights (vaccines and certain sophisticated diagnostic equipment).

* (Former) Cassa per il Mezzogiorno

The former Cassa per il Mezzogiorno used to manage, directly and centrally, some 10% of contracted construction machinery coming within its jurisdiction. In the remaining cases, the following procedure was followed. The "enti locali" (regioni, communi, province, consorzi di bonofica, comunita montane, etc) submitted projects to the Cassa which (in the case of approved projects) awarded the "concession" of the work and/or the supplies to the "ente locale" concerned. These "concessionary" bodies then assumed responsibility for awarding the work (choice of awarding procedure, choice of successful tenderer).

As far as contracts administered directly are concerned, the awarding formula used is almost always the "licitazione privata". In the case of "concession" contracts, the "licitazione privata" predominates, but more frequent use is made of other formulae.

In 10 years, there have only been 4 to 5 cases of award to foreign firms.

* Ministero della Difesa

The special nature of a considerable part of military supplies (hardware) explains the frequent use of the "trattativa privata", contracts placed to this formula representing, for instance:

- 33.5% by number of contracts and 53.5% by value of contracts in 1984
- 30.3% by number of contracts and 49.5% by value of contracts in 1985

As against previous years however, there is a tendency towards a decrease in use of the trattativa privata and an increase in the restricted procedure of the "licitazione privata".

Purchases abroad are frequent in the aviation, telecommunications and HGV sectors and they generally follow the "trattativa privata" formula. The following were placed with overseas countries:

- 589 contracts to a total of 350 billion Lira in 1984
- 429 contracts to a total of 466 billion Lira in 1985

Recourse to "gestione in economia" is also very frequent (especially for military engineering work). The rules laid down by the Ministry stipulate in this case that a number of firms be approached.

Except where it is impossible (in the case of items of equipment unavailable in Italy) it does seem that national preference plays a certain role when awarding supply contracts, to the detriment of immediate economic interest itself. (Protection of employment or of industrial capacity, notably as regards ships and submarines, are the reasons advanced).

* Ministero delle Finanze

  Limited use of the "licitazione privata" with preference given to "trattativa privata" (service contracts) and to "gestioni in economia" (operating supplies, but also expenditure on infrastructures for the "Guardia di Finanza").

Regional and Local Government

The following information comes from in-depth interviews in:

* 4 Regions (Emilia-Romagna, Friuli-Venezia Giulia, Toscana and Lazio)
* 3 provinces (Belogna, Trieste, Roma)
* 4 communes (Trieste, Bologna, Roma)
* 3 Unita Sanitarie Locali (USL 28, Bologna North, USL1 - Triestina, USL - Gorizia)

A certain number of written sources (Audit Office Reports, press articles) were also consulted.

* Regions

  The legal framework, in the case of supply contracts, is less uniform than that for central government contracts. The regions are not directly covered by Act 113 but must bring their own legislation in line with its principles.

  In its initial phase, the contractual procedure supposes:

  - discussion in the Giunta (committee) (or, in some regions, in the Consiglio (council) if the contract is over a certain figure)
  - a check on legality by the Comission de Controle set up in each region

As regards the recurrent purchase of goods and services necessary for the normal operation of the Government ("Contratti ricorrenti"), the following procedure is adopted. The "general transactions" departments of the relevant Government departments submit, to the Giunta, an annual procurement programme for the different types of products and services required. There is a stipulated maximum of 3 contracts using three different suppliers (annual or maximum triennial contracts) using the "licitazione privata" procedure.

There is undoubtedly a tendency for the regional legislation to institutionalise the use of the "trattativa privata" for contracts of a limited amount. This is combined with an obligation to issue enquiries to a certain number of firms (and not one only) which brings this contractual formula roughly in line with that of the "licitazione privata" (except that the competitive tender enquiry is not public).

As regards restricted procedures ("licitazione privata" and "appalto concorso") the rules as to publicity are less restrictive than those applying to the central authorities. (The Province of Bologna merely places a notice in the Provincial Announcements bulletin (Albo pretori) below 500 million lire).

* Communes and Provinces

The contractual procedure applied in this instance calls for an initial phase involving:

- discussion by the Consiglio or the Giunta
- approval by the Regional Control Committee (CO.RE.CO)
- a control by the region if the contract involves work funded by the region (above a certain figure fixed by the regional laws, eg. 600 million for communes and 1 billion for the provinces in Calabria).

The contractual activity of communes is usually centralised (with a division of areas of competence depending on whether it involves work, services or supplies) but expenditure "in economia" is decentralised.

* Unita Sanitarie locali (U.S.L.)

The contractual involvement of the USL is regulated by the regional laws - the regulations are far from uniform (but without major differences as to substance). The initial phase of the contractual procedure involves:

- discussions within the USL "Comitato di gestione"
- approval by the Regional Control Committee (CO.RE.CO)

It is not necessary to refer to consultative bodies.

As regards publicity, the rules vary for amounts below those stipulated in the laws which bring Italian legislation in line with the EEC directives (work contracts under 1,000,000 ECU and Supply Contracts under 200,000 ECU). They are often less restrictive.

Also, as already indicated, there is a tendency to institutionalise the "trattativa privata" at regional level for contracts below a certain figure, with a requirement to approach several suppliers. The following ceilings are adopted by the regions indicated:

- Emilia Romagna : below 30M lire (5 suppliers to be approached, minimum of 2 bids)
- Puglia : below 30M lire (3 suppliers to be approached)
- Lombaraa : below 10M lire, but below 100M in cases of urgency or "Convenienza" (5 suppliers to be approached)
- Abruzzo, Toscana, Valle d'Aesta, Umbria : below 50M lire (several suppliers to be approached).

As a general rule there is a marked tendency to use local suppliers, but there are some significant exceptions (an example being the contract signed by the Commune of Bologna with the ERICSSON company for the installation of an electronic telephone exchange). More generally, locally established firms are given preference over other Italian firms, whilst for a whole series of supplies (office machines, word processors etc) the subsidiaries of foreign companies do not appear to be discriminated against.

It is a different matter where goods with high "visual" profile are concerned (cars for instance). Similarly, for the supply of diesel, petrol etc, the AGIP seems to be systematically chosen. In the opinion of the interviewees (no precise figure were available) the proportion of purchases made abroad does not exceed a few percent and a not insignificant portion of such purchases (10% to 40% depending on the circumstances) are placed outside the EEC and mainly in Eastern Europe, mostly in the "red" zones.

Public Enterprises

* State Monopolies

  The standards governing contractual activities are intended for such activities within a monopoly system. Marked preference is given to the "trattativa privata" and the "gestion en economie" which represent respectively some 62% and 27% of the number of contracts in 1985.

* Ferrovie dello Stato (State Railways)

  Before their change in status from "azienda autonoma" to "ente pubblico economico" (which effectively removed their contractual activity very largely from the scope of the rules of public law) the State Railways had wide faculties for using the "trattativa privata". This represented some 40% of the total expenditure for supplies, work and services by the various departments other than the procurement department.

The extent of the "trattativa privata" largely explains the small proportion of the "gestioni in economia" (about 8% of procurement expenditure).

The "restricted" procedure for the "licitazione privata" represents slightly over 40% of total procurement expenditure.

A marked upsurge has been seen lately in the "concession" system for work and "integrated services" (9% of procurement expenditure in 1985). The granting of these "concessions" should, in principle, follow the restricted "licitazione privata" procedure, but this does not seem to be the case judging from the recent opening of enquiries into the conditions for selecting "concessionnaires".

According to our informants, State Railways purchases abroad represent less than 1% of purchases.

* Ente Nazionale Energia Elettrica (ENEL)

ENEL uses two methods for choosing a supplier:

- the "licitazione privata" (70% to 75% of expenditure for supplies, services and work)
- the "trattativa privata" (30% to 35% - ditto)

Purchases abroad (except fuels) represent only a tiny fraction of the total annual procurements.

* Aziende Municipalizzate

Although the legal framework is the same, the procurement practices of the local firms seem fairly diversified. The main distinguishing factor does not appear to be the sector of activity, but the customs of the particular management concerned (and local politics)!

In particular, the tendency to purchase abroad varies from firm to firm (purchases within the Community represent, for instance, 10% of ACEGA (Trieste) procurements).

There is also seen a more marked tendency than in Government departments or National undertakings to use leasing (computer hardware, cars etc).

* Enti Pubblici "Nazionali"

The "enti pubblici nazionali" which cover the entire national territory were not surveyed in depth. However, one major comment is possible, namely that the legal framework governing the contractual activity of such bodies (DPR No.696 of 1979) is much less restrictive than that for the public authorities or Aziende Autonome dello Stato, in that:

- the possiblity of using the "trattativa privata" is more open

- the "licitazione privata" procedure does not expressly stipulate publication of the notice to submit an application to take part (which makes the "licitazione privata" a procedure without issue to public competitive tender - at least in the case of amounts less than the EC threshold).

The "aziende autonome"

The growing tendency away from direct State administration shows itself in the increasing use of "special" forms of contract by these corporations.

* State highways (ANAS): authorised to use "private negotiation" and contracts "in economia" whenever the security or reliability of the road system demands it. However, the high

average value of the contracts let (some Lit 8 billion per contract let centrally) has meant that, in practice, the more formal tendering procedure of "private auction" is favoured.

* Telephones (ASST): empowered to use "private negotiation", without limit as to amount, whenever it is required to ensure the security or reliability of the system. In 1984 fully 82% of contracts were let by this method, although they amount to only 32% of the total by value.

  The dominant method was, in fact, "private auction" (45% of contracts by volume) with the closely related "competitive contract" accounting for the remaining 23%. These are both, in theory, relatively open tendering procedures.

  However, ASST makes frequent use of its legal right not to advertise its contracts when the nature of the installation indicates "discretion". Moreover, the State plan for the telephone service for 1984-6, gave ASST the explicit objective of fostering the national telecommunications and electronics industry and of not sourcing abroad where there was a domestic alternative. The corporation's tenders are thus far from open.

* Posts and Telecommunications: this "aziende" has the right to resort to "private negotiation" in respect of the following procurement situations:

  - for contracts of any amount, where the security or reliability of the service is at stake
  - for contracts with mail transport operators, this provision covering private companies as well as the national railways and airlines.

In fact, in 1984, 80% of contracts by both number and value were let by this method, including some, such as those for vehicles, which implied a rather broad interpretation of what endangered the security or reliability of the service.

In 1985, the share of "private negotiation" fell to 41% by value, but only because over 50% by value was let "in concessione" to two companies:

- ITALPOSTE, for the construction of post offices and the construction or purchase of housing, this choice being dictated by a special law passed to finance the project, which indicated that the concessionaire should be an IRI subsidiary

- ELSAG, for the construction of sorting offices, it being decided that this contract was "homogeneous" with an earlier contract, also let to ELSAG.

4.5 Procurement Procedures in the United Kingdom

4.5.1 The Legal Context

There is no national statutory purchasing code with which the public sector must conform. Government Departments are subject to policies which are laid down centrally by the Treasury and which, of course, include observance of EC and GATT obligations. The manual "Government Accounting" states it to be a fundamental principle of contracts policy that they should be let as a result of competition, unless there are convincing reasons to the contrary. More detailed guidelines on purchasing are provided by the Treasury. Compliance is part of the duty of purchasing officials and subject to external audit. Senior officials and Ministers are liable to be personally questioned by auditors and Parliamentary Committees on their adherence to purchasing policy and on their success in achieving its objectives by way of their own decisions. The detail of procedures, however, varies between departments. The only common legal factor is the requirement to follow EC/GATT rules.

4.5.2 Central Government

Central government departments and purchasing agencies procure by a process of selective competitive tendering whenever it is sensible and practical to do so. Approved lists of suppliers/contractors are set up, to which firms gain admission by demonstrating that they are financially and managerially sound, have satisfactory quality control systems, and can meet the required technical and safety standards. They must provide competitively priced products, must be able (in some cases) to demonstrate a satisfactory 'track record' (including supplying references from clients) and have adequate distribution and production capabilities.

Approved lists are subject to periodic review and any firm may apply for inclusion. In some departments firms are assessed on the basis of contract and tender performance, and retained, dropped or 'rested' from the list accordingly but there is not a formalised rating system applied by all departments. The number of firms invited to tender for any contract takes into account the number of potential suppliers, the size of order and the known capabilities of prospective candidates. The number of invitations is kept to 'manageable' proportions in order to control administrative on-costs.

The approved list procedures are operated within the uumbrella of EC and GATT obligations. This means that firms not on the list will still be considered. Furthermore, purchasers such as HMSO buy a wide range of propriety items without undertaking any formal vetting for such products.

Although the majority of contracts are placed by competitive tender, single sourcing and direct negotiation do take place in the following circumstances:

* continuation of an existing contract (there are limits placed on this by the EC Works Directive)
* compatibility with existing equipment/systems is critical
* a monopoly supplier
* national security implications
* goods or services which are urgently required
* specialist equipment or R&D contracts.

It is government policy to maintain a central defence industry capability, and it is unlikely that many 'warlike' MOD procurements could be placed outside the UK if a competitive UK producer exists and there is no cooperation agreement in force. Warship building is a special case in which the industry depends exclusively on MOD business. In general, MOD believe that it is in the UK's interest for defence contractors to be competitive not only within the UK but also internationally so that they will be well equipped to win overseas orders. MOD warlike procurements have been, and will increasingly be, placed outside the UK where no <u>competitive</u> UK supplier exists.

In some circumstances, approved suppliers may be required to pre-qualify for tender. This is the approach taken, for example, by CCTA in the procurement of major telecommunication and computer systems. Here, suppliers are invited to submit proposals to satisfy an operational requirement, which are then refined in discussion with end-users. Suppliers offering solutions that are considered technically feasible are then invited to make formal tenders.

Although post-tender negotiation is considered an effective means for securing cost-savings and improved contract conditions in appropriate circumstances, it is uncommon within central government.

Contracts may sometimes be spread between suppliers to improve security of supply and, in some cases of MOD or high technology contracts, to keep suppliers in business or ensure that they are not overly committed to the purchaser. The MOD, for example, is the largest single customer of British industry and, in some sectors, it is the dominant customer (eg. aerospace). The MOD also provides much of the R&D support without which certain industrial sectors (eg. electronics, aviation control systems and marine technology) could not function effectively. Treasury guidelines provide that when a purchase is made to maintain competition it is essential that assessment of long term benefits should be rigorous, that its conclusions should be clearly recorded on a file, and that subsequent monitoring should be carried out to establish whether the expected benefits have been achieved.

Open tendering (ie. without a preselection procedure) is not widely practised. Restricted tendering (with advertising of the tender notice wherever EC/GATT rules apply) is preferred, because:

* Restricted tendering allows the purchaser to select firms it considers financially and technically capable of carrying out the work, otherwise time and resources will have to be diverted to the onerous task of vetting each new candidate.

* It avoids the costs of administering a large number of tenders which may have to be passed on to end-users.

* Suppliers themselves prefer to concentrate resources on bids where their chances of winning business are attractive, whereas open tendering obliges suppliers to prepare a larger number of bids where the chances of success are correspondingly lower (with the result that tenderers then in subsequent tender prices seek to recover the costs of preparing unsuccessful bids)

* Open tendering introduces greater lead times between the issue of a tender notice and the award of a contract.

Debriefing of unsuccessful tenderers and dialogue with prospective suppliers has long been the practice in MOD, but is not common in other departments. It is becoming more common as implementation of the Public Purchasing Initiative (PPI) guidelines continues (see below) and departments acquire professional purchasing skills.

Departments and agencies do not operate a 'buy British' policy but they are expected to assist British industry to improve its competitiveness. An obvious exception is certain types of defence warlike equipment which, for strategic reasons, are purchased from UK suppliers wherever possible. Certain practices and procedures <u>do</u> favour British suppliers, however. These include (in ever fewer cases) the use of in-house standards/specifications; the insistence that, for some contracts, suppliers display a track record with UK clients; and the fact that, for the MOD, long term value for money considerations would include the question of safeguarding vital sources of supply and their vulnerability to disruption.

Active sourcing, particularly international sourcing, is uncommon. Prospective suppliers are expected to bring themselves to the attention of the purchasers. The general view is that it is the responsibility of suppliers, rather than purchasers, to open the markets and widen the competition. Another common view is that non-British suppliers who are serious about securing business from the British government should establish a presence in the UK. This does not necessarily mean that non-British suppliers are only considered if they have a management and labour structure in this country. PSA, for example, will consider an overseas company on the basis of whatever ad hoc arrangements it proposes for the execution of the particular project in question. It will, of course, want to be sure that the resources definitely committed to the project are adequate and will require proper financial guarantees from the parent company. Given the percentage of business placed through call-off and direct delivery contracts, it is unrealistic to expect suppliers based outside the UK to make an impression on the market for these types of contracts unless they set up bases in the UK.

Advertisements in the OJEC have elicited little response in the past and hence this facility is not used voluntarily. The general view is that the benefits accruing from advertising do not compensate for the extra administrative costs involved, particularly the cost of enforced delays. The Crown Suppliers and HMSO, in particular, have lost business from non-central government bodies when the procurement falls within the EC/GATT Directives and where the delay thereby introduced is considered unacceptable by the clients. A commonly expressed opinion is that the thresholds should be set higher and that the regulations should cover only product groups with high value/weight ratios (ie. those that are relatively more tradeable between countries with similar economies). It is believed that this approach would engender a higher response rate to advertisements and thereby secure a better return from the cost of advertising.

There exist significant differences between departments in terms of purchasing practices. The level of decentralisation in the procurement function is also variable, from highly decentralised (for example, MAFF, DTp and the NHS) to highly centralised (for example, the MOD and the central purchasing agencies). There are current moves, however, towards greater development of centralised purchasing.

About 12% of central government purchases are procured through the following central purchasing agencies:

* Central Office of Information (publicity material)

* Her Majesty's Stationery Office (paper, stationery, office machinery and print procurement)

* Central Computer and Telecommunications Agency (computer hardware, systems and software, telecommunications equipment and systems)

* Property Services Agency (design, construction and maintenance of government properties and those of some related bodies)

* The Crown Suppliers (furniture and furnishings, hardware, domestic equipment, mechanical and electrical equipment, building materials and fuel).

HMSO (from 1980) and The Crown Suppliers (from 1976) operate as government trading funds, under the Government Trading Funds Act 1973, and are therefore required to break even and achieve a satisfactory return on capital employed. As a result, HMSO and TCS operate as fully commercial operations. An HMSO analysis, comparing HMSO catalogue prices for a collection of commonly used stock items with those of other single source suppliers in both public and private sectors, indicated that HMSO prices were generally 30% cheaper than those of its potential competitors.

Similarly, a recent study shows that The Crown Suppliers' prices, over the period 1981/82 to 1985/86, have risen at a lower rate than outside competitors and that, where individual price comparisons have been made, the majority of items are cheaper than their equivalents elsewhere. TCS may eventually be privatised by the government. COI also operates as a commercial organisation and expects to make a profit by 1986/87.

HMSO, TCS and CCTA maintain stores expenditure at a minimum by using, where possible, call-off or direct delivery contracts. The proportion of contracts (by value) involving direct delivery to end-users is 80%, 65% and 100% respectively for these agencies.

Five aspects of government policy affect buying by central government departments:

* Public Purchasing Initiative (PPI)

PPI was launched in 1980 by the DTI. The major objectives of the policy are to engender professional procurement practices amongst purchasers and to encourage purchasers to use their commercial influence to help improve the competitiveness of their British suppliers. The current treasury guidelines, which refer to the PPI, are summarised in detail in Appendix VI.

* Small Firms Policy

It is government policy to encourage the development of small firms by, inter alia, improving access to public sector contracts. This does not mean that small firms are favoured irrespective of their competitiveness. In essence, the policy has two aims, firstly, to provide small firms with information on potential opportunities, contact points and procurement methods, and secondly, to make it easier for small firms to be admitted to departmental approved lists

* Competition to Central Purchasing Agencies

Central government departments were formally 'tied' to the central agencies until 1982 (in the case of HMSO) and 1987 (CCTA, TCS, COI). This means that these agencies will now have to compete directly for work and departments will no longer be required to use their services. The possible privatisation of TCS is under consideration. The Departments will also in part be "untied" from PSA from 1 April 1988 and a full trading fund regime is under consideration. The objective is to test the efficiency of the agency against private sector equivalents and to encourage the adoption of best commercial practice.

In the past, the agencies have operated customer service contracts with the Departments. The purpose of these agreements is to protect the agencies' long term contracts with suppliers and thereby sustain the advantage of centralised purchasing. In theory, departments can withdraw from agreements if they can demonstrate to HM Treasury that buying from elsewhere would achieve better value for money. According to HMSO, no departments have availed themselves of this facility since they were 'untied' in 1982. The agencies are now negotiating "supply and service agreements" with Departments.

* Preferred Suppliers

Sheltered Workshops for handicapped people, prison workshops and firms in designated development areas, are defined as 'preferred' or priority suppliers. Such firms, even if they are not the lowest tenderer, can be given an option of taking a proportion of a contract.

* Quality Assurance Initiative

This is aimed at persuading manufacturers to adhere to a recognised quality assurance procedure which both relieves the purchaser from the responsibility of monitoring product quality and widens the competition for individual contracts. Further details regarding this initiative are provided in Appendix VI.

A major multi-department review of government contract and procurement procedures was carried out by the Management and Personnel Office in 1983/84. The MPO estimated that a saving of 5% (excluding consideration of 'warlike' equipment) could be achieved by introducing more streamlined purchasing arrangements and a more cost-effective supply process. The major recommendations concerned:

* maximisation of economies of scale through standardisation of requirements and the use of proprietary products

* furthering the use of performance specifications and international standards

* introducing lifetime costing as the basis for assessing value for money

* ensuring effective competition by regularly reviewing lists of approved suppliers/contractors

* introducing post-tender negotiation, debriefing of candidates, and constructive dialogue with prospective suppliers and contractors

* developing and improving management and information systems

* furthering centralised purchasing

* introducing professional training for purchasing officers

* reducing stock levels.

The report considered that the above measures were more important than wider international tendering as a means of reducing costs. A summary of the report is provided in Appendix VI.

A Central Unit on Purchasing (CUP) was set up in July, 1985, to carry forward the recommendations of the 1984 Purchasing Review. Departmental progress has been monitored and cost-saving targets established. The 1986/87 results indicate that, on a total spend of £6,051 million included in the exercise, value for money improvements of £286 million were achieved (an average saving of 4.7%). An overall cost-saving of 6.1% was set for 1987/88.

A summary of CUP's departmental reviews is set out in Appendix VI. Not every department is covered and some purchase items are excluded (eg. 'warlike' procurements and NHS drugs purchases). The major changes recorded in the procurement function include administrative reorganisation (generally involving centralisation) recruitment of private sector experts plus secondment of in-house staff to be private sector and the introduction of management information systems.

The CUP will continue to monitor progress and assist departments with negotiations and analysis of stockholdings and operational costs, at least up to 1988. It also intends to publish a comprehensive guide to purchasing and supply and develop a computer based supply index to monitor prices paid by departments on an initial range of 200 commonly purchased items.

The consultants' interviews with government department purchasing officers suggest that considerable progress has already been made in setting up efficient administrative systems and in introducing professional purchasing practices. Several aspects of this are likely to influence the volume of business placed with non-UK based suppliers. These are the introduction of performance rather than equipment specifications, adoption of international standards and the regular reviews of lists of approved suppliers/contractors. However, in general, wider international sourcing was considered only one relatively unimportant means for reducing the cost of purchasing. (MOD already participates in many major international collaborative projects and has placed important orders for equipment produced by overseas companies).

4.5.3 Local Authorities

Local authorities are required to draw up standing orders providing for competition prior to the award of contracts for the supply of goods or materials or the execution of work. This is laid down by section 135 of the Local Government Act 1972. The standing orders are adopted by local authorities individually. DOE issue model standing orders which provide a framework to assist local authorities in making their own. Although there are marked differences in the purchasing practices between authorities, several conclusions can be drawn:

* Between 70% and 80% of supplies purchased are made through call-off or direct delivery contracts, the proportion varying with commodity group. A breakdown of purchases by storage/delivery arrangement for a major county council supplies department is provided in Appendix VI. Local authorities purchase for a much larger number of end-users than central government and public corporations and store a wider variety of products. One county supplies department contacted in the survey distributes provisions and supplies to 633 end-users at 5,400 delivery points and buys around 100,000 different products on a total annual spend of only £68 million.

* Procurements are generally made through a process of competitive selective tendering (with the exception of small 'over-the-counter' purchases). Some authorities use formal Approved Lists for notifying potential bidders in cases in which public calls for tender are not required, while others make use of lists of previous competitors in the case of repeat contracts. Firms are approved in the normal way. In general approved firms are regularly rotated, but any firm may apply for inclusion, and in tendering procedures firms not on the list will be considered.

* Open tendering is uncommon and generally applies only for large contracts where EC procedures are involved. In some circumstances, authorities will advertise their general requirements rather than specific contract details to alert new suppliers or contractors to selling opportunities.

* The majority of local authority contracts are of too low value to fall within the EC thresholds and those that are subject to the regulations, by virtue of their value, are often exempted. This is evident from Tables 4.5.1 to 4.5.5, which give key procurement data for two county councils, one metropolitan district council and two non-metropolitan district councils. The majority of local authority purchases of supplies are on a "call off" contract. It is understood that where there is not a binding legal obligation on either purchaser or supplier, they are not automatically caught by the directives. Where there is a legally binding contract, authorities are bound by the aggregation rule in Article 5(2) of the 1977 Directive.

* Single sourcing is allowed if a continuation of contract or specialist equipment is involved, or where the procurement is urgent. In these circumstances, direct negotiation replaces selective tendering. Standing Orders set out the circumstances in which non-competitive procurement is allowed. Post-tender negotiation, which is promoted strongly by both the Audit Commission and the Institute for Purchasing and Supply, is still uncommon, but becoming less so particularly in consortia and major authorities.

* Local Authorities are under pressure from politicians and local commercial and industrial interests to use their purchasing power to assist local firms. Analysis shows that the majority of suppliers and contractors named on Approved Lists are local. This is evident from Table 4.5.6. One non-metropolitan district council contacted in the survey reported that 22% of approved suppliers reside within 10 miles of the authority premises. At the lower levels of the local authority hierarchy, it is clear that 'convenience' buying is dominant, given the lack of administrative skills and resources, but local buying is not necessarily inconsistent with the objective of achieving value for money. In the case of many major contracts (eg. provisions, highway and building

TABLE 4.5.1 - KEY PROCUREMENT FIGURES FOR A REPRESENTATIVE UK COUNTY COUNCIL SUPPLIES DEPARTMENT

Details	1984/85 £	1985/86 £
Departmental Expenditure	68.5m	70.5m
Total Purchases	62.9m	64.9m
Contracts Let		
- Number	197	243
- Value	55.10m	59.05m
- Call-off or direct delivery	53.9m	56.9m
- Number over 200,000 ecu	28	29
- Value	39.60m	25.74m
- No. advertised in OJEC	1	0

Source: WS Atkins interviews

TABLE 4.5.2 - KEY PROCUREMENT FIGURES FOR A REPRESENTATIVE UK COUNTY COUNCIL HIGHWAYS DEPARTMENT

Details	1984/85 £	1985/86 £
Departmental Expenditure	58.83m	64.41m
Total Purchases	42.60m	47.50m
Contracts Let		
- No.	118	151
- Value	32.50m	38.6m
- No. over 1 million ecu	2	2
- No. advertised in OJEC	2	2
- Value	4.72m	4.40m

Source: WS Atkins interviews

TABLE 4.5.3 - KEY PROCUREMENT FIGURES FOR A REPRESENTATIVE UK METROPOLITAN DISTRICT COUNCIL SUPPLIES DEPARTMENT

Details	1984/85 £	1985/86 £
Council Expenditure	126.4m	134.3m
CPU Purchases	11.67m	11.54m
Contracts Let		
- No.	215	195
- Value	7.42m	7.97m
- No. over 200,000 ecu	8	7
- No. advertised in OJEC	0	0

Source: WS Atkins interviews

TABLE 4.5.4 - ANALYSIS OF PURCHASES BY SIZE FOR A REPRESENTATIVE UK METROPOLITAN DISTRICT COUNCIL SUPPLIES DEPARTMENT

Value of Purchase	1984/85 No.	1985/86 No.
Above £150,000	15	17
£100,000 to £149,999	9	11
£50,000 to £99,000	27	30
£25,000 to £49,999	58	54
£10,000 to £24,999	100	112
Less than £10,000	159	162
TOTAL	368	386

Source: WS Atkins interviews

TABLE 4.5.5 - KEY PROCUREMENT FIGURES FOR TWO REPRESENTATIVE UK NON-METROPOLITAN DISTRICT COUNCIL SUPPLIES DEPARTMENTS

1985/1986

Details	Authority 1	Authority 2
Council Expenditure	£ 50.8m	£ 43.2m
Total Purchases	£ 7.4m	£ 5.1m
Contracts Let		
- Number	24	20
- No. over 200,000 ecu	1	1

Source: WS Atkins interviews

TABLE 4.5.6 - ANALYSIS OF BIDDERS FOR EDUCATIONAL PURCHASES FOR A REPRESENTATIVE UK METROPOLITAN DISTRICT COUNCIL

Location	No. of Purchases	No. of Bidders
Local	105	482
Regional	47	201
UK	71	119
EEC	0	0
Rest of World	0	0
TOTAL	223	802

Source: WS Atkins interviews

materials and most other direct delivery and call-off contracts), local suppliers and contractors are best placed to offer competitive prices and service.

* Advertisements in the OJEC appear to elicit very little response and are never used voluntarily. The view of those authorities contacted in the survey, as well as LAMSAC-JACLAP, the Audit Commission and the local authority associations (Association of District Councils, Association of Council Councils, and Association of Metropolitan Authorities) is that advertising in the OJEC does not secure any tangible benefits and that compliance is wasteful of administrative time. A common opinion is that, given the nature of local authority procurements, it is not practical to place business with suppliers based outside the UK (particularly in view of the fact that local authorities are aiming to reduce stock levels and close warehouses). A more radical view is that local authorities should be exempt from the EC/GATT regulations.

A decade ago it was common for individual departments within UK local authorities to operate autonomous purchasing organisations and procure similar items independently often at different prices and from different suppliers. This practice is gradually being replaced by centralised purchasing where all or most procurement functions are delegated to specialist units headed by professionally qualified procurement officers. A separation is generally maintained between highways, building works and supplies. A table indicating the extent to which some form of centralised purchasing is carried out in UK authorities is included in Appendix VI. This shows clearly that centralised purchasing is more common in authorities with relatively large spends.

Purchasing through consortia is becoming more common. Three types of consortia may be distinguished:

* Delegated Purchasing (where one authority purchases goods and services from another or through another's purchasing arrangements).

* Joint Purchasing (where two or more authorities undertake joint purchasing for some key items, the actual work involved being undertaken by one authority or shared). There are 9 consortia of this type in the UK at present.

* Independent Consortia (where two or more authorities establish an independent organisation under joint control to purchase goods and services on their behalf. The consortium can cover a specific product group or, more usually, a wide range of products on behalf of a regional group of authorities). There are three independent consortia in the UK at present.

Consortia concentrate on the procurement of supplies rather than services, and have no responsibility for works contracts. The potential advantages of consortia fall into two broad areas. The first is increased buying power, which increases their ability to command lower prices, improved quality standards and lower lead times from suppliers. Consortia can also encourage product standardisation which has a similar effect on the market. The second advantage arises in the application of resources to the purchasing and supply activity, which helps to reduce prices paid and improve the service obtained from suppliers. The unit cost of administration and of storage and distribution are more easily minimised with higher volume throughput.

Local authorities are now legally required to assess the economics of contracting-out certain services which have been handled traditionally by the authorities' own labour. This practice has had a significant impact upon the volume of business placed with outside contractors.

Two central bodies are responsible for advising local authorities on purchasing practices and procedures:

* LAMSAC - JACLAP (Local Authorities Management Services and Administration Committee - Joint Advisory Committee on Local Authority Purchasing)

* Audit Commission.

The Audit Commission conducted a major review of local authority purchasing of goods between December, 1983 and April, 1984. Four hundred and ninety authorities participated in the survey, providing information about the way in which purchasing is managed, and also detailed information regarding the prices paid and quantities purchased, totalling around £500 million worth of purchases. The survey indicated a wide range of prices paid for identical products (often wider than 2 to 1). Analysis revealed that if each authority could match the prices paid by the most successful 25% of authorities in their class, cost savings of 10% could be achieved for non-fuel purchases and 2% for fuel purchases (representing an overall saving of 7%).

In two reports (1984 and 1987) the Audit Commission made recommendations aimed at securing cost savings in procurement. These may be summarised briefly as follows:

* take advantage of scale by centralising purchasing, making use of other authorities or consortia, standardisation and the aggregating of requirements

* adjust specifications to reduce the variety of items purchased and to widen the competition (eg. by using performance specifications or internationally recognised standards and by limiting the use of 'brand' names or brand characteristics)

* monitor own and suppliers' performance

* ensure adequate competition (eg. by inviting sufficient firms to tender and encouraging new suppliers)

* appoint officers with professional purchasing qualifications

* convert purchasing departments and stores to 'cost centres' with responsibility for meeting budgets

* use whole-life costing as the basis for assessing value for money

* reduce stock levels (eg. by disposal of redundant stock, contracting-out, reducing the range of stock items, furthering the use of direct delivery or call-off contracts)

* improving stores management (eg. by identifying the full costs of storage and distribution, and by installing stores information systems).

A more detailed review of the two reports is included in Appendix VI.

Interestingly, while the Audit Commission does not specifically recommend international sourcing as a means for securing cost savings, several of its recommendations could have important implications for foreign suppliers. On the one hand, foreign suppliers could benefit from increased attention to 'value for money', increasing use of international standards, product standardisation and aggregated purchasing. (At present, the size and complexity of individual contracts are not generally large enough to interest a non-UK based supplier.) On the other hand, if authorities make increasing use of direct delivery and call-off contracts and take steps to reduce their stock levels, foreign suppliers will be further disadvantaged unless they have distributors with extensive storage and fleet facilities in the UK.

4.5.4 Public Corporations

There are no general guides to, or reports on, the procurement procedures carried out by nationalised industries or other public corporations. Each industry is entirely autonomous in this respect, and there are no common rules set by central government with which they have to comply.

On the other hand, central government sponsoring bodies do inform themselves of major contracts being considered by nationalised industries. Government's role is seen by the Treasury as bringing to the notice of nationalised industries the practices that Government itself adopts to get best value for money. This is particularly important in the transport and energy sectors, where many British suppliers and contractors are highly dependent on their sales to nationalised industries. The objective of central government intervention is not to enforce discrimination in favour of British firms where this would be inconsistent with the aim of securing value for money (except in the case of the purchase of coal for power generation), but to seek ways in which purchasers might improve the competitiveness of British industry (including involvement in appropriate cases in dialogue with manufacturers). In addition, all substantial foreign purchases have to be reported to the DTI in case questions are raised by politicians.

The nationalised industries are conscious of the fact that they constitute the biggest customer and, in some cases, the only customer, for many British firms. This has two implications:

* in order to keep suppliers in business, and improve security of supply, contracts are often spread between competitors even where this is to the purchaser's short term price disadvantage

* contracts are often awarded without recourse to competition where only one supplier is available in the UK.

The clearest example of the latter practice is the use of British coal for power generation. The CEGB is committed to taking 95% of its coal from British coal at an average price of £43 per tonne compared to a spot market price in 1987 of about £23-25 per tonne (but long term contract prices may be much higher, and British Coal has much lower delivery costs to inland power stations than overseas suppliers).

Many nationalised industries have a marked preference for purchasing operational supplies from firms with a manufacturing capacity in the UK, in order to avoid delivery delays.

Nationalised industries generally make use of in-house technical and safety standards in addition to recognised British or international standards which sometimes vary between individual departments within an organisation. It is recognised that these are often set up with British suppliers' capabilities in mind. However, there is a general drift towards the standardisation of specifications.

Nationalised industries' procurement organisations are more centralised than central government, but the larger organisations usually subdivide their purchasing along regional and/or functional lines. In several organisations, progress is being, or has been, made in furthering the centralisation of the procurement function.

Selective competitive tendering is the key method of procurement for all public corporations. Nationalised industries, in particular, have elaborate procedures for admitting firms to their Approved Lists including, in some cases, detailed technical and safety testing of products. Another important feature of the procedure where operational supplies are concerned is assessment of the suppliers' production and distribution capabilities. Public calls for tender are considered to add significantly to the administrative costs of procurement and to the lead time between the issue of notices and the award of contract. Therefore public tendering is not often used except in the case of unusual or large one-off purchases where in-house knowledge of the market place may be limited.

Purchasing practices are relatively sophisticated in the major corporations. Information systems are in common use, purchasing officers generally have professional qualifications, comprehensive lifetime costing techniques are used for bid evaluation, and post-tender negotiation is regularly practiced. Recognition is growing that professional purchasing has a major impact on profit, and attention is being directed towards the development of efficient procurement organisation and good purchasing practices. The purchasing systems of several corporations (eg. the Water Boards, British Airports Authority) compare favourable wih private sector companies. International sourcing is seen as one way to improve value for money, but more widespread public tendering is not considered a practical means for widening the competition. Where active sourcing is thought likely to prove beneficial, purchasers prefer to approach specific firms following a round of market research. Otherwise, it is regarded as the supplier's responsibility to approach the purchaser.

Some corporations actively support the government's public purchasing initiative and small firms policies.

5. THE VOLUME OF PUBLIC SECTOR PROCUREMENT

5.1 Introduction and Overview

5.1.1 Objectives

This section brings together the available data on the levels of public procurement in order to:

* indicate the macroeconomic importance of public purchasing (Section 5.1.3)

* show which purchasing entities are most important in terms of their purchasing levels, and derive or justify data on total purchasing (Section 5.2)

* analyse purchases by product category. This will serve as a basis in Part II for estimating the total potential savings in public expenditure, by aggregating savings for particular product categories. (Sections 5.3 and 5.4).

5.1.2 Definitions and data sources

Data at the level of detail required was not readily available, and various estimations and hypotheses have been made, which are described in the subsequent subsections. To understand the estimates that have been made, and the sources of data, it is essential to bear in mind the definitions of three concepts (set out at the beginning of this report).

For any purchasing entity, information may be available on:

* **total expenditure**; which includes personnel costs, transfers to other bodies and financial charges, as well as purchasing. Data on total expenditure are usually available, but are only useful as a means of estimating purchasing if no other data are suitable

* **total purchasing**; which comprises all payments to third parties for the provision of goods and services. This includes rents and leasing; utilities such as gas, electricity and water; operating expenses such as insurance, telecommunications, travel and maintenance; as well as the purchase of materials, equipment, construction works etc. Purchasing may typically be between 10 and 50 percent of total expenditure. Data on purchasing are not always directly available

* **contract procurement**; which is that portion of total purchasing which is made after tendering or negotiating a formal written contract with a limited term of validity, and which theoretically could have been open to competition. This excludes:

  - payments made "over-the-counter" with a cash transaction or a simple purchase order, such as travel expenses, legal fees, minor supplies etc
  - payments for "non-competitive" services such as rents, gas, electricity, posts and telecommunications, insurance, duties etc

  To measure contract procurement, data are really needed on actual payments made. In practice this is not available, but data may be reported on contracts let:

* **contracts let.** Since contracts may run for several years, and payments are usually made after delivery, then contracts let and contract payments may differ in a given year for a particular entity. At the macroeconomic level differences should even out, except when there are consistent inflation adjustments or overruns, or where there are very large contracts such as for a major new defence system (although these would normally be a series of individual contracts).

It is contract purchasing which would be directly affected by changes in trade, as a result of changes in tendering procedures. Nevertheless, changes in price levels caused by increased competition, by industry restructuring or by other aspects of the Internal Market programme would affect all purchases of the product concerned. In Part II, therefore, savings estimates are based on total purchasing data broken down by product. (Trade effects are calculated on an estimated volume of new imports, where the total imports must be less than the volume of contract purchasing for any product but the volume of contract procurement is not directly used in the estimates).

During the course of the study, data on public purchasing was collected in each study country, from a variety of different sources including:

* national accounts
* Eurostat's ESA system of accounts
* regulatory bodies such as the French Commission Central du Marche; Italy's Senate; and UK's Audit Commission and Central Unit on Purchasing
* unpublished data from central statistical offices
* government expenditure plans
* accounts of individual purchasing bodies.

The data proved to be very difficult to reconcile, particularly for public enterprises.

In the following subsection 5.1.3 an overview of the macroeconomic importance of public sector purchasing is given based on ESA data for government, supplemented by various estimates for public enterprises including some estimates by Atkins. The ESA data is considered to be the most consistent set, having been harmonised to take into account different national definitions.

In subsection 5.2 supporting data is presented, as far as available, showing purchasing and/or contracts let for individual purchasing entities. This subsection also describes the assumptions which have been made in order to estimate public enterprises' purchasing in Belgium, Germany and UK.

Subsection 5.3 shows what data were found on the breakdown by product. These data are by no means comparable or complete, and are mainly based on contracts let.

Because these data were inadequate, estimates of the breakdown of public purchasing were instead made by using input-output coefficients, applied to the total purchasing data set out in subsection 5.1.3. This is set out in Section 5.4. This approach also required some strong assumptions, which are set out in the text.

5.1.3 Macroeconomic importance

Table 5.1.1 sets out the 1984 data from ESA General Government Accounts and Statistics 1970-1984 on public purchasing, and Atkins' estimates of purchasing by public enterprises, broken down into current purchases ('intermediate consumption') and capital purchases, excluding changes in stocks ('gross fixed capital formation'). Table 5.1.2 shows the same data, converted into ecus at the 1984 average exchange rates used by EUROSTAT. The basis for estimating public enterprise purchases is set out in Section 5.2.

TABLE 5.1.1 - TOTAL PUBLIC PURCHASES (CURRENT AND CAPITAL) 1984
(Billions of units local currency)

	Central Government (S61)	Local Government (S62)	Social Security Administration (S63)	Total Public Administration (S60)	Estimate for public enterprises	Total Public purchases
Belgium (Billion BF)						
Intermediate Consumption	131.4	25.6	14.4	171.4	335.0*	506.4
Gross Fixed Capital Formation	83.1	33.8	0.1	117.0	145.0*	262.0
Total	214.5	59.4	14.5	288.4	480.0*	768.4
France (Billion FF)						
Intermediate Consumption	162.7	73.7	12.0	248.5	145.6	394.0
Gross Fixed Capital Formation	26.1	92.0	2.6	120.7	89.3	209.9
Total	188.8	165.7	14.7	369.1	234.9	604.0
Germany (Billion DM)						
Intermediate Consumption	56.8	30.9	3.5	91.2	53.6	144.8
Gross Fixed Capital Formation	14.0	24.6	1.4	40.0	23.0	63.0
Total	70.8	55.5	4.9	131.3	76.6*	207.9
Italy (Billion Lit)						
Intermediate Consumption	13106	20700	1225	35031	21998	57029
Gross Fixed Capital Formation	8810	15223	1151	25184	12228	37412
Total	21916	35923	2376	60215	34226	94441
UK (Billion £)						
Intermediate Consumption	23.1	8.2	0.4	31.7	23.9*	55.6
Gross Fixed Capital Formation	2.8	3.7	0.0	6.5	7.6*	14.1
Total	25.9	11.9	0.4	38.2	31.5*	69.7

Source: ESA General Government Accounts and Statistics 1970-1984
Public enterprises: France - National Accounts (Les computes de secteurs institutionels)
Italy - Relazione generale sulla situazione economica del paese, Min Tesoro

* Atkins estimates

Table 5.1.3 compares the total purchasing with GDP, and compares government purchasing with government expenditure. Public purchasing averages 15 percent of GDP, but varies from 12 percent in Germany to 22 percent in the UK.

The table also shows estimates of the level of contract procurement. Because reported data on contracts let is subject to underreporting and is not available for the whole of the public sector as defined here in any country except France, these estimates are very approximate.

The evidence on the proportion of non-contract purchasing drawn from the data in following sections is:

* For France 1983, CCM data shows:
  - total contracts reported: 259 billion FF
  - CCM estimate of total purchasing (including public enterprises in the competitive sector): 620 billion FF
  - proportion of non-contract purchasing: 58% (includes some underreporting)

* In Germany "non-tradeables" were 19% of total government purchases in 1984, and 28% of Federal and State purchases in 1985 (Tables 5.3.3.1 and 5.3.3.2)

* In UK 1984/85; for Ministries only:
  - total purchasing by Ministries £22.9 bn (Table 5.2.5.2)
  - CUP estimate of "tradable" purchases: £17.6 bn (Table 5.2.5.3)
  - contracts let: £12.1 bn (Table 5.3.5.1)

  hence: non-tradables 23%; other non-contract purchases 24%.

TABLE 5.1.2 - TOTAL PUBLIC PURCHASES (CURRENT AND CAPITAL) 1984
(Billions of Ecus)

	Central Government (S61)	Local Government (S62)	Social Security Administration (S63)	Total Public Administration (S60)	Estimate for public enterprises	Total Public purchases
Belgium (Billion BF)						
Intermediate Consumption	2.9	0.6	0.3	3.8	7.4*	11.11
Gross Fixed Capital Formation	1.8	0.7	-	2.6	3.2*	5.8
Total	4.7	1.3	0.3	6.4	10.6*	16.9
France (Billion FF)						
Intermediate Consumption	23.7	10.7	1.7	36.2	21.2*	57.3
Gross Fixed Capital Formation	3.8	13.4	0.4	17.6	13.0*	30.5
Total	27.5	24.1	2.1	53.7	34.2*	87.9
Germany (Billion DM)						
Intermediate Consumption	25.4	13.8	1.6	40.8	24.0	64.8
Gross Fixed Capital Formation	6.3	11.0	0.6	17.9	10.2	28.1
Total	31.7	24.8	2.2	58.7	34.2*	92.9
Italy (Billion Lit)						
Intermediate Consumption	9.5	15.0	0.9	25.4	15.9*	41.3
Gross Fixed Capital Formation	6.4	11.0	0.8	18.2	8.9*	27.1
Total	15.9	26.0	1.7	43.6	24.8*	68.4
UK (Billion £)						
Intermediate Consumption	39.1	13.9	0.7	53.7	40.5*	94.1
Gross Fixed Capital Formation	4.7	6.3	0.0	11.0	12.9*	23.8
Total	43.8	20.1	0.7	64.7	53.3*	118.0
Total	123.6	96.3	7.0	227.1	157.1*	384.2

Source: Table 5.1.1
* Atkins estimates for public corporations

TABLE 5.1.3 - MACROECONOMIC IMPORTANCE OF PUBLIC SECTOR PURCHASING
(Billion units national currency, 1984)

	Belgium BF	France FF	Germany DM	Italy Lit	UK UKL	Total ecu
GDP	4,402	4,282	1,754	720,682	319	2,566
Total expenditure: Government	2,599	2,048	788	336,515	137	1,183
Total public purchasing:						
Government	288	369	131	60,215	38	227
Public enterprises	480	235	77	34,226	32	157
Total purchasing	768	604	208	94,441	70	384
Government purchasing/ government expenditure	11.0%	18.0%	17.0%	18.0%	28.0%	19.0%
Total public purchasing as % GDP	17.5%	14.1%	11.8%	13.1%	21.8%	15.0%
Estimated total contract procurement (45-65% PP)	350-500	270-400	95-140	43,000-60,000	32-45	170-250

Sources: ESA National Accounts; Atkins' estimates for public enterprises and contract procurement

These data indicate:

* non-tradables in range 20-30 percent

* other non-contract purchasing apparently around 25 percent, but since this may include underreporting of contracts, a likely range is 15-25 percent.

Total non-contract purchases are therefore estimated in the range 35-55 percent and contracts in the range 45-65 percent of total purchasing.

5.2 **Data on Procurement by Entity**

This section sets out the sources of data available to the Consultants on purchasing and on contracts let, broken down by purchasing entity. It indicates the source of the estimates for public enterprises' total purchasing in each country, and also shows which are the largest purchasing authorities in each case (this information was used in selecting purchasing authorities for inclusion in the contract database described in Section 6 of the report and for the interviews regarding procedures whose findings were presented in the preceeding sections).

5.2.1 Breakdown of Purchasing by Entity in Belgium

No published analyses of public purchasing in Belgium were identified, but central government purchasing authorities subject to the law governing public contracts submit information about contracts let to the Institute Nationale de Statistiques (INS). The consultants obtained a listing of the computer data held by INS which lists contracts by each entity, for each NACE category, for investment and consumption purchases. They cover 54 purchasing entities, but the degree of coverage of all public purchasing is not known and submission of data does not seem to be obligatory. The data have been analysed by the consultants. Such data is not available for local government.

The INS data shows the following totals for contracts let:

	contracts let (BF billion) 1984	1985
Central Government Ministries	28.7	37.0
Other Central Government bodies	21.2	17.5
Public enterprises	51.7	53.5
Total	101.6	108.0

The split between central government bodies and public enterprises has been determined by the Consultant. The listings do not categorise entities in this way. The following bodies have been taken as 'public enterprises':

* SNCF
* SNCV
* Regie de Voies Aeriennes
* Regie Maritiem Transport
* SA Canal et Installations Maritimes
* RTT
* Radiodiffusion Television Belge (RTB)
* Belgische Radio en Televisie (BRT)
* Regie des Postes
* Regie des Batiments Scholaires
* SN Distribution d'Eau
* Refribel.

The INS data on contracts is likely to be an underestimate, since no data is available for some of the smaller entities. The reported total of 49.9 billion BF of contracts let in 1984 by central government should be compared with the ESA General Government Accounts data of BF 229 billion for total purchasing, from Table 5.1.1.

With these caveats, Table 5.2.1 shows the principal purchasing entities in Belgium in terms of their reported contracts let.

TABLE 5.2.1 - PRINCIPAL PURCHASING ENTITIES, BELGIUM, 1984 (Contracts let and reported to INS in BF millions)

Entity	Goods	Works	Services	Total	% of Total
SNCB	21715	2626	591	24932	24.5%
RTT	7059	9904	1611	18574	18.3%
Ministry of defence	16049	1789	135	17973	17.7%
Fonds des routes	246	7642	11	7899	7.8%
Min. Travaux Publiques	5411	2258	21	7690	7.6%
Fonds Bat. Scolaires	..	5864	15	5879	5.8%
4021/2 spec./funds/ intercom.roads	85	4617		4702	4.6%
Regie des Batiments	358	3203	4	3565	3.5%
SN Dist. d'eau	1144	687	111	1942	1.9%
Regie Marit Transport	377	726	197	1300	1.3%
Regie Voies Aeriennes	253	504	180	937	0.9%
Min. Education	279	354	32	665	0.6%
Min. Interieur	15	2	49	66	0.1%
Total of above	52991	40176	2957	96124	94.5%
Total of all entities reporting*	56544	41579	3490	101613	100%

Source: INS contract data base, Atkins analysis.
* Note: excludes all local government bodies, which represent an estimated 8 percent of total purchasing (Table 5.1.1)

To estimate the total purchasing of public enterprises in Belgium, the data available were the incomplete data on contracts let, and also data from the Belgian national accounts which show capital formation by sector, from which the following data can be extracted for sectors dominated by the public enterprises (the 'non-competitive' sectors):

Sector	Gross domestic fixed capital formation (Billion BF)
Railways	23
Post and telecommunications	25
Air transport	4
Waterways/marine (est 50% of total)	3
Coal and captive power stations	3
Gas, electricity and water	46
Education	41
	145

Data on current purchases were not available. An estimate was therefore made by comparing capital and current purchases for public enterprises in other countries, as follows:

	Current purchases	Capital purchases	Ratio	Source
Italy (bn Lit) 1984	22.0	12.1	1.8	(Table 5.2.4.1)
UK (bn £) 1984	23.9	7.6	3.1	(Table 5.2.5.7)
	45.9	19.7	2.3	

Total public enterprises purchasing is therefore estimated as follows:

Capital purchases	145 bn BF
Current purchases	335 bn BF
Total	480 bn BF

This estimate is evidently rather crude, but its impact on the total estimate for public purchasing, shown in Table 5.1.2, is very small (less than 3 percent) and will introduce no significant error in the total estimate of potential savings in public expenditure in Part II.

5.2.2 Breakdown of Purchasing by Entity in France

The direct source of data on contracts let in France is the Commission Centrale de Marches. This has published data for 1983. No data was available (May 1987) for later years, although CCM reported that they would shortly be analysing 1984 and 1985 data.

Table 5.2.2 shows the breakdown of contracts let by type of entity.

TABLE 5.2.2 - BREAKDOWN OF CONTRACTS LET BY TYPE OF ENTITY, FRANCE, 1983 (Contracts let and reported to CCM)

Type of Entity	Number of Contracts	Amount Million FF (incl. taxes)	%
Central			
Central Government	82,207	86,604	33.4
Public bodies (EPA)	2,962	1,542	0.6
Sub total	85,169	88,149	34.0
Local Government			
Departments	9,705	6,027	2.3
Communes	48,205	17,755	6.9
Housing (OPHLM)	10,741	5,787	2.2
Hospitals	13,732	6,955	2.7
Syndicats	5,793	3,611	1.4
Sub total	88,176	40,135	15.5
Public Enterprises	59,426	131,021	50.5
TOTAL	232,771	259,305	100.0

Source: CCM data, as reported in "Marches Publics, La Revue de l'Achat Public" no 212

As with the Belgian INS data, these figures are for contracts let, so are not comparable with total purchasing figures for other countries, which are derived from breakdowns of expenditure and therefore include "non-contract" items of procurement such as rents, electricity, travel expenses and office expenses. It is probable also that the French data, being compiled by summation of contract data fiches returned to CCM, only represent a sample of all contracts. The coverage appears to be more comprehensive than the Belgian contract data, however, and does include local government contracts.

To reach the global total of public procurement in France it is necessary to add to the reported total of contracts (259 billion FF - table 5.2.2) the following omissions:

* simple purchase orders: all purchases under FF180,000 are exempt from the code and normally unreported

* many local authorities which do not report their activities to CCM

* the purchases of the public enterprises in the competitive sector which are exempt (although SNIAS and SNECMA are included in CCM data)

* social security and other national organisations.

CCM estimate that the global figure in 1983 is not FF259 billion but <u>FF620 billion</u>. This figure, however, includes public enterprises in the competitive sector (eg. banks, Regie Renault) which are excluded from the present study.

The principal purchasing entities or groups of entities in 1983 are shown in Table 5.2.3 on the basis of contracts let, from the CCM data. The five main entities: EDF, GDF, Min Defence, PTT and SNCF together account for 66% of all contracts.

TABLE 5.2.3 - PRINCIPAL PURCHASING ENTITIES, FRANCE, 1983
(Contracts let in billions of FF)

Entity	Total reported Contracts let	% of all entities reporting
EDF (Electricity)	55.5	21.4%
Ministry of Defence	46.3	17.9%
GDF (Gas)	33.1	12.8%
Ministry PTT	26.5	10.2%
All Communes (36000)	17.7	6.8%
SNCF (Railways)	10.5	4.0%
All Hospitals	6.9	2.7%
Min. Transport & Environment	6.1	2.4%
All Departments	6.0	2.3%
All OPHLM (Housing)	5.8	2.2%
Total of the above	214.4	82.7%

Source: CCM data Op. cit.

Public enterprises included in the CCM data, (defined in Section 3.2.3) account for over half of public contract procurement.

Local government purchasing is relatively small according to CCM figures (15 percent of the total) which may result from significant under-reporting, and highly fragmented purchases, being split between 95 departments and 36000 communes, with separate bodies for low-cost housing and hospitals. Table 5.2.4 shows, for example, that one third of commune expenditure is by communes of less than 10,000 inhabitants whose average contract size was FF240,000 (35,000 ecus) in 1983. The majority of their purchases are likely to be below the FF 180,000 threshold at which the code applies and contracts have to be reported.

TABLE 5.2.4 - BREAKDOWN OF CONTRACTS LET BY SIZE OF COMMUNE, FRANCE, 1983

Size of Entity	Number of contracts reported	Amount (M.FF)
Communes:		
over 100,000 inhabitants	9,793	6,093
under 50,000 to 100,000 inhabitants	4,992	2,137
under 10,000 to 50,000 inhabitants	12,209	4,464
under 10,000 inhabitants	21,211	5,061
TOTAL	48,205	17,755

Source: CCM data

Figures for the total purchasing of public enterprises in France have been taken from national accounts as shown in Table 5.2.5. This also shows the national accounts data for government purchasing which can be compared with the harmonised ESA General Government Accounts data presented at the beginning of this section in Table 5.1.1.

	Total government purchasing (billion FF)	
	ESA data	French National Accounts
Central Government	188.8	116.0
Local Government	165.7	163.4
Social security admin	14.7	15.2

Public enterprises' purchasing totals FF 234.8 billion. This includes the eight 'grandes entreprises nationales' (CDF, EDF, GDF, SNCF, RATP, Air France, Air Inter and PTT). The EPAs are included under the State, and the local bodies under local government in the national accounts. These public enterprises cover most of the activities in the 'non competitive' sectors considered in this report's definition of the public sector except for some transport infrastructure and water supply which comes under local government.

TABLE 5.2.5 - ESTIMATES OF PUBLIC PURCHASING IN FRANCE FROM NATIONAL ACCOUNTS, 1984 (FF millions)

	Intermed. Consumption	Invest-ment	Total
a) State : Civil	27,469	16,404	116,008
Military	72,135		
b) Local Government	71,210	92,142	163,352
c) Social Security*	12,016	3,184	15,200
d) Major public enterprises	145,554	89,295	234,849
	328,384	201,025	529,409

Sources: a) Comptes Consolides de l'Etat
b) Comptes consolides des administrations publiques locales
c) Comptes de la Securite Sociale
d) Les comptes de secteurs institutionels - S11 : Grandes Entreprise Nationales
Includes: CDF, EDF, GDF, SNCF, RATP
Air France, Air Inter, PTT

* Note: drugs etc are excluded. There is a total of 841 billion FF of social security payments, of which 306 billion is for health treatment

5.2.3 Breakdown of Purchasing by Entity in Germany

Data on contracts let are not compiled centrally in Germany, except as required under the EC directives, which does not give much guide to total contracts.

Data on total purchasing is compiled by the Federal Statistical Office and is summarised in Table 5.2.6. The breakdown by state is available (Appendix I(G)) but data by ministry and by entity were not provided.

TABLE 5.2.6 - GOVERNMENT TOTAL PURCHASING IN GERMANY AT FEDERAL, STATE AND COMMUNITY LEVEL, 1984 AND 1985
(in DM billions)

	1984			1985		
	Current	Capital	Total	Current	Capital	Total
Federal	37.6	7.3	44.9	37.0	7.5	44.5
States	25.4	14.3	39.7	23.9	10.2	34.2
Communit-ies	33.1	32.2	65.3	n/a	n/a	n/a
Total	93.2	53.7	149.8	60.9*	17.7*	78.7*

Source: Federal Statistical Office
n/a : data for the Communities not yet published
* : excluding Communities

Total purchasing, at DM 150 billion accounted for 17.1 percent of total government expenditure in 1984. A large proportion (44 percent) is undertaken by communities and an even higher proportion of capital purchases (60 percent). Federal Government only accounts for 30 percent of total government expenditure.

The Federal Statistical Office data may be compared with the harmonised ESA General Government accounts data used in Table 5.1.1.

	Total government purchasing (DM billion)	
	ESA data	Federal Stat. Office data
Federal and states	70.8	81.7
Communities	55.5	65.3
Social sec. admin.	4.9	-
	131.3	146.9

No national source of data was available on public enterprises. As described in Section 3 there are a very large number of public enterprises in Germany, including many purely private companies providing non-competing public services, but a small number of large enterprises make up most of the purchasing. In order to estimate their total purchasing the approach adopted was to identify the largest enterprises in each non-competing sector, and obtain estimates of their purchasing from their annual accounts (current purchases plus increase in fixed assets). The turnover of these companies was then compared with the total turnover of all enterprises in the sector listed in 'Statistics of the Public Enterprises' (Centre Europeen des Entreprises Publiques, 1984) to obtain an extrapolation factor. This was then applied to the purchasing of the largest enterprises in the sector. These estimates exclude those public enterprises which compete with the private sector (eg. banking, commerce, manufacturing). The companies which are regarded as non-competing cover the following activities:

* post and telecommunications
* railways
* other transportation
* utilities (electricity, gas and water)
* coal mining
* housing and land settlement.

Table 5.2.7 lists the largest public enterprises in order of total purchasing. Table 5.2.8 shows the total estimated purchasing of all public enterprises.

TABLE 5.2.7 - PURCHASING EXPENDITURE BY NON-COMPETING PUBLIC ENTERPRISES, 1984 AND 1985
(in DM billions)

Enterprise	Activity	Total purchasing 1984	Total purchasing 1985
1. DBP	post & telecommunication	29.6	33.6
2. DBB	railways	9.8	10.3
3. RWE	electricity	8.6	8.5
4. Lufthansa	air transport	3.6	4.0
5. Bayernwerk	electricity	1.9	2.3
6. Rheinbraun	coal	1.3	1.2
7. Saarbergwerk	coal	1.0	1.1
8. SAGA	housing	0.3	0.4
9. GAGFAH	housing	0.2	0.2
10. DEGEWO	housing	0.1	0.1
Total of the above		56.4	61.7
Estimated total of all public enterprises		76.6	83.0

Source: Company Annual Reports

TABLE 5.2.8 - ESTIMATED PROCUREMENT EXPENDITURE BY NON-COMPETING PUBLIC ENTERPRISES BY ACTIVITY, 1984 AND 1985
(in DM billions)

Activity	1984 DM bn	1984 %	1985 DM bn	1985 %
1. Post & telecommunications	29.6	39	33.6	40
2. Transport	14.4	19	15.4	19
3. Utilities (gas, elec & water)	27.6	36	28.9	35
4. Coal mining	2.4	3	2.4	3
5. Housing & land settlement	2.5	3	2.7	3
6. TOTAL	76.6	100	83.0	100

Source: Atkins estimates from CEEP: Statistics of the Public Enterprises and company accounts

5.2.4 Breakdown of Purchasing by Entity in Italy

A considerable amount of detail on total purchasing by public authorities in Italy is published in the 'Rendiconti' presented to the Parliament, and other official documents. There is no central record of contracts let, but for the present purposes Italy has probably the most complete published data on total purchasing of all the five study countries.

Table 5.2.9 gives the breakdown of public sector purchasing in Italy by type of entity for 1984 and 1985. Notable features are:

* the degree to which purchasing in Italy is decentralised; some 20% of purchases are undertaken by the provinces and communes, a further 21% by the local 'enti pubblici' and 5% by local public enterprises. Thus, some 45% of purchasing spend is undertaken at provincial or communal level

* the importance of the public enterprises, which account for nearly 30% of purchasing spend

* the relative lack of importance of the central administration which accounts for less than 20% of total spend.

The two ministries which compiled the data in Table 5.2.9 adjusted the figures so that the definition of 'current purchases' and 'capital investment' used for all entities is consistent with that normally used for the ministries. The supporting tables 5.2.4.10 to 5.2.4.13 are compiled by different bodies, and use different definitions of purchases.

The totals in these tables therefore do not, in most cases, agree precisely with the figures in Table 5.2.10. However, the magnitudes are similar, and the tables thus convey adequately the relative importance of the various purchasing authorities in Italy.

TABLE 5.2.9 - PURCHASING BY ITALIAN PUBLIC SECTOR (billion Lit)

	Current Purchases	Capital Investment	Total Purchases	% of Total
1984				

CENTRAL ADMINISTRATION				
Ministries	12 845	2 226	15 071	14.8%
Cassa per il Mezzogiorno	53	3 873	3 926	3.9%
LOCAL ADMINISTRATIONS				
Regions	2 350	2 100	4 450	4.4%
Provinces & Communes	9 770	9 300	19 070	18.7%
PUBLIC ENTERPRISES				
ENEL	11 524	4 843	16 367	16.1%
Other national	6 062	6 497	12 559	12.3%
Local	4 412	888	5 300	5.2%
ENTI PUBBLICI				
Regional Health	16 670	678	17 348	17.0%
Other local	967	3 075	4 042	4.0%
Social security	1 180	992	2 172	2.1%
Other central	883	786	1 669	1.6%
TOTAL	66 716	35 258	101 974	
1985				

CENTRAL ADMINISTRATION				
Ministries	12 321	2 804	15 125	13.9%
Cassa per il Mezzogiorno	54	3 226	3 280	3.0%
LOCAL ADMINISTRATIONS				
Regions	1 750	2 100	3 850	3.5%
Provinces & Communes	12 025	11 145	23 170	21.2%
PUBLIC ENTERPRISES				
ENEL	11 524	5 685	17 209	15.8%
Other national	7 071	6 034	13 105	12.0%
Local	4 699	1 078	5 777	5.3%
ENTI PUBBLICI				
Regional Health	18 220	819	19 039	17.4%
Other local	867	2 757	3 624	3.3%
Social security	1 465	1 366	2 831	2.6%
Other central	1 114	990	2 104	1.9%
TOTAL	71 110	38 004	109 114	

Sources: 1984 - Relazione generale sulla situazione economica del paese, 1984. Ministro per il Bilancio e la Programmazione Economica/ Ministro per il Tesoro.

1985 - ISTAT/Eurequip Italia estimates.

* Central Administration

Table 5.2.10 gives a breakdown of purchases by the central administration. Notable features are the large proportion of purchases carried out by the Ministry of Defence and the Cassa per il Mezzogiorno. The ministry of public works is important in the field of capital investment.

* Local Administrations

Table 5.2.11 gives a breakdown of purchasing by local administrations. Notable features are:

- the dominant role played by the communal administrations as regards purchases. The table if anything understates this, since it includes figures only from communes with more than 10,000 inhabitants

- the high proportion of the regional spend carried out by the three southern regions of Sicily, Sardinia and Calabria.

The figures are compiled by the Italian statistical institute ISTAT from returns from the regional, provincial and local administrations. The total purchases figures are regarded as reliable, but the splits between current and capital spend are not; it is quite common for a local authority to purchase capital items (such as buses) on the revenue account if their capital budget is exhausted.

As already stated, the data for communes include only those with more than 10,000 inhabitants. The great majority of expenditure is included within these figures, which have not been grossed up to take account of the remaining communes. The excluded communes constitute some 80% of the total by number.

TABLE 5.2.10 - BREAKDOWN OF CENTRAL ADMINISTRATION PURCHASES BY MINISTRY, 1984-85

Lit billion	Current Purchases	Capital Investment	Total Purchases	% of Total
1984				

Difesa	6,544	140	6,684	35.2%
Finanze	2,641	26	2,667	14.0%
Lavori Pubblici	88	1,261	1,349	7.1%
Tesoro	1,135		1,135	6.0%
Interno	940		940	4.9%
Grazia e Giustizia	483	114	597	3.1%
Pubblica Istruzione	365	2	367	1.9%
Agricoltura	15	321	336	1.8%
Beni Culturali	98	176	274	1.4%
Trasporti	91	174	265	1.4%
Presidenza Consiglio	172		172	0.9%
Esteri	145		145	0.8%
Sanita	68	4	72	0.4%
Lavoro	37	1	38	0.2%
Marina Mercantile	8	4	12	0.1%
Industria	8	3	11	0.1%
Bilancio	2		2	0.0%
Turismo	2		2	0.0%
Partecipazioni Statali	1		1	0.0%
Commercio estero	1		1	0.0%
Poste	1		1	0.0%
TOTAL MINISTRIES	12,845	2,226	15,071	79.3%
Cassa per il Mezzogiorno	53	3,873	3,926	20.7%
CENTRAL ADMINISTRATION	12,898	6,099	18,997	
1985				

Difesa	7,760	116	7,876	44.2%
Finanze	707	158	865	4.8%
Lavori Pubblici	86	1,329	1,415	7.9%
Tesoro	940		940	5.3%
Interno	1,064		1,064	6.0%
Grazia e Giustizia	559	113	672	3.8%
Pubblica Istruzione	360	1	361	2.0%
Agricoltura	20	181	201	1.1%
Beni Culturali	98	139	237	1.3%
Trasporti	72	190	262	1.5%
Presidenza Consiglio	179	45	224	1.3%
Esteri	229	3	232	1.3%
Sanita	133	2	135	0.8%
Lavoro	38		38	0.2%
Marina Mercantile	7	8	15	0.1%
Industria	10	4	14	0.1%
Bilancio	2		2	0.0%
Turismo	2		2	0.0%
Partecipazioni Statali	1		1	0.0%
Commercio estero	1		1	0.0%
Poste	1		1	0.0%
TOTAL MINISTRIES	12,269	2,289	14,558	81.7%
Cassa per il Mezzogiorno	54	3,226	3,280	18.4%
CENTRAL ADMINISTRATION	12,323	5,515	17,838	

Source: Rendiconto generale della Amministrazione dello Stato 1984 & 1985

TABLE 5.2.11 - BREAKDOWN OF PURCHASING BY LOCAL ADMINISTRATIONS, 1984

Lit billion	Current Purchases	Capital Investment	Total Purchases	% of Total Regions	% of Total Local
Sicilia	220.9	548.0	768.9	23.8%	
Sardegna	147.6	279.5	427.1	13.2%	
Calabria	61.1	333.9	395.0	12.2%	
Lombardia	163.4	45.1	208.5	6.5%	
Friuli-Venezia Giulia	59.7	132.7	192.4	6.0%	
Campania	39.0	136.2	175.2	5.4%	
Lazio	119.2	43.5	162.7	5.0%	
Valle d'Aosta	38.6	107.5	146.1	4.5%	
Emiglia-Romagna	48.4	88.1	136.5	4.2%	
Veneto	68.7	33.2	101.9	3.2%	
Piemonte	63.9	35.2	99.1	3.1%	
Basilicata	51.1	31.1	82.2	2.5%	
Toscana	52.5	20.8	73.3	2.3%	
Marche	18.7	41.8	60.5	1.9%	
Puglia	31.7	12.4	44.1	1.4%	
Liguria	28.1	13.4	41.5	1.3%	
Abruzzi	25.8	9.2	35.0	1.1%	
Molise	19.6	13.4	33.0	1.0%	
Umbria	16.5	13.1	29.6	0.9%	
Trentino-Alto Adige	10.2	4.5	14.7	0.5%	
TOTAL REGIONS	1,284.7	1,942.6	3,227.3	100.0%	13.9%
Autonomous Provinces	190.2	105.0	295.2		1.3%
Other Provinces	1,162.9	656.5	1,819.4		7.9%
Communes	7,648.8	10,173.6	17,822.4		76.9%
PROVINCES & COMMUNES	9,001.9	10,935.1	19,937.0		86.1%
LOCAL ADMINISTRATION	10,286.6	12,877.7	23,164.3		100.0%

Sources: Regions & Autonomous Provinces - Bilanci consuntivi delle Regioni e delle Provincie Autonome, ISTAT (supplement to the Bolletino Mensile di Statistica)

Provinces and Communes - ISTAT

* Public Enterprises

Table 5.2.12 gives a breakdown of purchasing by national public enterprises. The electricity utility ENEL is by far the most important purchaser in this category, with nearly 60% of total spend. The state railways are clearly the largest purchasers amongst the "aziende autonome".

Table 5.2.13 breaks down the purchases of the local public enterprises by type of enterprise. Local energy utilities account for nearly 50% of the spend in this sector, with transport accounting for nearly 30%.

The figures for the national enterprises (apart from ENEL, hich publishes accounts like those of a commercial firm) are compiled, like those of the parent ministries, by the Corte dei onti. The data for the local enterprises are compiled by the Confederazione Italiana dei Servizi Pubblici degli Enti Locali (CISPEL) from questionnaires sent out to their members. A very creditable 94% of questionnaires were in fact returned. Both sets of data are regarded as reliable.

* Enti Pubblici

Table 5.2.14 gives purchasing spend by various 'enti pubblici'. The public housing authorities are by far the most important purchasers in this sector.

5.2.5 Breakdown of Purchasing by Entity in the UK

The UK does not collect central data on public contracts, although the Department of Trade and Industry annually compiles data on contracts from all the Ministries for internal purposes. On total purchasing there are two main sources: the Government's Expenditure Plans, which give historical data, and the National Accounts. These are compared in Table 5.2.15 with the ESA General Government Accounts data which has been used as the base data in this report.

TABLE 5.2.12 - BREAKDOWN OF PURCHASES BY NATIONAL PUBLIC ENTERPRISES, 1984-85

Lit billion	Current Purchases	Capital Investment	Total Purchases	% of Total
1984				

ENEL	11,524	4,843	16,367	57.4%
AZIENDE AUTONOME DELLO STATO				
FFSS (Railways)	2,943	3,710	6,653	23.3%
ANAS (Roads)	230	1,564	1,794	6.3%
Posts and Telecoms	951	721	1,672	5.9%
State Monopolies				
- Tobacco	1,265	38	1,303	4.6%
- Distribution and sale	82	1	83	0.3%
- Servizi generali	18	14	32	0.1%
- Salt	27	4	31	0.1%
- Quinine	0	0	0	0.0%
- TOTAL	1,392	57	1,449	5.1%
ASST (Telephones)	121	404	525	1.8%
Forestry	4	41	45	0.2%
TOTAL	17,165	11,340	28,505	100.0%
1985				

ENEL	11,524	4,843	16,367	56.3%
AZIENDE AUTONOME DELLO STATO				
FFSS (Railways)	3,093	3,323	6,416	22.1%
ANAS (Roads)	238	1,743	1,981	6.8%
Posts and Telecoms	1,354	740	2,094	7.2%
State Monopolies				
- Tobacco	1,453	28	1,481	5.1%
- Distribution and sale	83		83	0.3%
- Servizi generali	19	10	29	0.1%
- Salt	22	4	26	0.1%
- Quinine			0	0.0%
- TOTAL	1,577	42	1,619	5.6%
ASST (Telephones)	129	420	549	1.9%
Forestry	5	22	27	0.1%
TOTAL	17,920	11,133	29,053	100.0%

Source: Rendiconto generale della Amministrazione dello Stato 1984 & 1985

TABLE 5.2.13 - BREAKDOWN OF PURCHASING BY LOCAL PUBLIC ENTERPRISES, 1984

Lit billion	Current Purchases	Capital Investment	Total Purchases	% of Total
Type of Enterprise				
Gas	1,484.6	167.0	1,651.6	30.7%
Electricity	793.6	188.4	982.0	18.2%
Urban transport	753.9	274.2	1,028.1	19.1%
Other transport	357.6	120.3	477.9	8.9%
Water	304.3	131.2	435.5	8.1%
Milk	308.6	11.3	319.9	5.9%
Refuse disposal	180.9	77.3	258.2	4.8%
Pharmacy	229.0	5.3	234.3	4.3%
TOTAL REGIONS	4,412.5	975.0	5,387.5	1.0

Source: CISPEL

TABLE 5.2.14 - PURCHASING BY SELECTED ENTI PUBBLICI, 1984

Lit billion	Current Purchases	Capital Investment	Total Purchases
Public Housing	320.1	1,507.2	1,827.3
Universities and related institutions	546.0	171.5	717.5
Mountain communities	68.8	255.9	324.7
Chambers of Commerce, Industry, Agriculture, etc	141.5	27.6	169.1
Regional agricultural development agencies	20.1	13.9	34.0
Regional tourism	17.0	0.8	17.8

TABLE 5.2.15 - COMPARISON OF SOURCES ON UK PUBLIC PURCHASING, 1984 (£ billion)

Source	Central government	Local government	Public enterprises	Total
1 HM Treasury	22.9	9.7	na	na
2 CSO National Accounts	23.9	10.8	41.5	76.2
3 CIPFA database	na	7.7	na	na
4 Atkins estimate	na	na	31.5*	na
5 ESA Gen Govt Acct	26.3*	11.9*	na	na

Sources:

1 HM Treasury, The Government's Expenditure Plans 1987-88 to 1988-89, Vol II, 1987, various pages

2 CSO, (Central Statistical Office), United Kingdom National Accounts, 1986, various pages

3 Atkins estimate based on an analysis of CIPFA data computer records plus CIPFA, Finance and General Statistics, 1985/86; Capital Expenditure and Debt Financing Statistics, 1984/85; 1985/86. Since CIPFA figures do not include Scotland estimates have been substituted

4 Consultants' estimates for public corporations are based on analysis of company accounts and direct enquiries for Corporations, together with CSO estimates for corporations outside the nationalised industries group. Personal communications 12/1/87; 19/1/87

5 ESA General Government Accounts and Statistics 1970-1984

* data used for summary and subsequent analyses

In addition separate analyses have been done to obtain breakdowns of the local government and public enterprise spending data. For local authorities this was done by analysis of data provided to Atkins by CIPFA (Chartered Institute of Public Finance and Accounts). For public enterprises, data was built up from partial data given by CSO, with analyses of company accounts and direct enquiries to companies. This arrived at a lower total than the CSO figure (possibly because the latter include some items of expenditure which are not strictly purchases).

The CUP (Central Unit on Purchasing) has also carried out analyses of purchasing on a narrower definition of purchasing.

All these data are set out in this section. The data used in the summary Table 5.1.1 and in subsequent analyses is from the ESA General Government Accounts supplemented by Atkins' estimates for public enterprises (which includes privatised corporations in the non-competitive sectors).

The breakdown by entity within these groups is described below.

* Central Government

  Total purchases by central government departments are set out in Table 5.2.16. The figures represent Treasury estimates for 1984/85 and 1985/86. Defence purchases account for around 40% of the total. The next largest purchaser is the DHSS which accounts for just under 25% of the total.

  An independent survey of government purchasing has also been carried out by the Central Unit on Purchasing. The figures in Table 5.2.17 refer to expenditure on goods, works and services for 1985/86, including utilities but excluding all other non-tradeable purchases.

  HM Treasury also gathers data on contracts let for supplies and services (not works) from individual departments. These data refer to contracts above £20,000 let during the years in question and exclude accommodation and service charges, payments for utilities and other non-tradeable purchases. They should not be confused with Tables 5.2.16 and 5.2.17 which refer to total purchases and include works. Table 5.2.18 provides a summary of the information gathered for 1984 and 1985. Note that several sub-departments are not included.

TABLE 5.2.16 - CENTRAL GOVERNMENT TOTAL PURCHASING BY DEPARTMENT

(£ millio~)

Department	1984/85	1985/86
Defence	9,414	9,698
Foreign & Commonwealth Office	123	137
European Communities	N/A	N/A
Agriculture, Fisheries & Food	561	842
Trade & Industry	420	393
Energy	79	69
Employment	430	519
Transport	951	997
Environment - Housing	370	363
Environment - Other Services	303	514
Home Office	222	258
Education & Science	337	338
Arts & Libraries	88	88
DHSS - Health & Social Services	5,560	5,817
DHSS - Social Security	970	1,026
Scotland	1,090	1,169
Wales	458	479
Northern Ireland	637	656
Chancellor's Departments	273	333
Other Departments	583	593
TOTAL	22,879	24,289

Source: HM Treasury, The Government's Expenditure Plans 1987-88 to 1989-90, Vol II, 1987, various pages

Note: Procurement figures are not given in the above form; they are estimated from current and capital expenditure data

N/A : Not Available

TABLE 5.2.17 - UK CENTRAL GOVERNMENT PURCHASING 1985-86
(CUP ANALYSIS - excludes non-tradeable)

Department	(£ million)
Defence	10,000
Foreign and Commonwealth Office	97.3
Overseas Development Administration	72
Agriculture, Fisheries & Food	276
Trade and Industry	93.2
Energy	16.2
Employment	42
Health & Safety Executive	18
Manpower Services Commission	50
Transport	900
Environment	33.6
PSA	2,126.6
Crown Suppliers	328.5
Home Office	345.3
Lord Chancellor's Department	36.2
Education and Science	6.1
Arts and Libraries	N/A
DHSS	2,000
Scottish Office	161.6
Welsh Office	110.9
Northern Ireland Civil Service	287
Chancellor's Departments	
Customs & Excise	39.6
Government Actuary	0.3
Inland Revenue	129.9
Department of National Savings	83.9
Civil Service Catering Organisation	8
Royal Mint	38.1
Treasury	22.2
HMSO	256.3
Other Departments	
Crown Office	17.5
Land Registry	20.7
Office of Population Censuses & Surveys	7.8
Ordnance Survey	10.5
Paymaster General's Office	4
Total	17,639.3

Source: Personal correspondence with CUP, 2/4/87
N/A : Not Available
Notes : 1. excludes National Health Service, Arts and Libraries, and Scottish, Welsh and N Ireland Departments other than the Scottish Office, Welsh Office and N Ireland Civil Services
2. Works are allocated to end user, not to PSA

TABLE 5.2.18 - UK CENTRAL GOVERNMENT CONTRACTS LET FOR GOODS AND SERVICES
(£ million)

Department	1984-85	1985-86
Defence	8,350.9	9,706.7
Foreign & Commonwealth Office	23.8	16.8
Overseas Development Administration	21.2	8.0
Agriculture, Fisheries & Foods (& IBAP*)	134.1	191.3
Trade and Industry (& ECGD)	48.2	49.8
Energy	17.9	39.4
Employment	2.8	3.2
Transport	88.3	67.7
Environment	29.9	27.0
Crown Suppliers	358.1	361.9
Home Office	107.1	142.0
Metropolitan Police Office	39.6	53.6
Education & Science	N/A	10.4
Arts & Libraries	N/A	N/A
DHSS	51.3	68.5
Scotland	61.2	70.9
Wales	41.6	40.5
Northern Ireland	107.4	161.4
Chancellor's Departments		
Central Office of Information	45.6	48.6
Customs & Excise	37.2	11.1
Inland Revenue	64.4	81.9
HMSO	187.0	205.3
National Savings	75.9	70.5
CCTA	226.7	28.2
Royal Mint	43.5	47.1
Other Departments		
Ordnance Survey	2.7	2.3
TOTAL	10,167	11,515

Source: HM Treasury: personal communication 6/3/87

Note: IBAP - Intervention Board for Agricultural Produce
ECGB - Export Credits Guarantees Department
N/A - Not Available

The contracts data shows that the Ministry of Defence accounts for just over 80% (by value) of major central government contracts. It also indicates that between 6% and 8% of central government contracts (for goods and services) are handled by the central purchasing agencies - TCS, HMSO, COI, and CCTA. As Table 5.2.19 shows, these agencies together with PSA account for around 12% of total central government purchases.

TABLE 5.2.19 - UK CENTRAL AGENCIES PROCUREMENT EXPENDITURE (£ million)

Central Purchasing Agencies	1984/85	1985/86
Property Services Agency	2,071	2,229
HMSO	263	292
CCTA	197	264
Crown Suppliers	195	190
COI	40	50
Total Agencies	2,766	3,025
Total Central Government	23,000	25,000

Source: Various annual reports; figures for total Central Government procurement expenditure are averages of the two sets of published figures

* Local Authorities

The volume of local authority purchasing is subject to considerable uncertainty. Local authority accounting is not geared up to report on purchases from the private sector except where central purchasing units and/or purchasing consortia are involved.

The CSO estimates that local authority purchases were worth £11 billion in 1985/86. This clearly includes all non-tradeable purchases such as utilities. Analysis of the CIPFA database, (from which some non-tradeable purchases such as gas and electricity have been excluded), reveals that local authority purchases may be worth £8 billion. The only comprehensive survey of local authority purchasing was undertaken in 1983 by the Audit Commission. The survey was concerned only with the procurement of goods and services (excluding 'works' and 'services') and covered only England and Wales. The Commission's estimate was £2.77 billion for 1982/83, which can be adjusted upwards to about £6 billion for 1985/86 by including estimates for 'works' and 'services' and purchases made by local authorities in Scotland. This represents the best estimate of procurement expenditure by local authorities excluding non-tradeable purchases.

It is possible to construct a breakdown of purchases by local authority tier from analysis of the CIPFA database. The results are presented in Table 5.2.20 for 1984/85, the last year for which figures are undistorted by the reorganisation of local government following the 1985 Local Government Act.

TABLE 5.2.20 - UK LOCAL AUTHORITY PURCHASING BY TYPE OF AUTHORITY, ESTIMATES 1984-85

Local Authorities	Purchasing (£ million)	%	No. of Authorities	Average Spend
GLC & ILEA	540	6	2	N/A
London: Inner Boroughs	270	3	12	23
London: Outer Boroughs	360	4	20	18
Metropolitan Counties	630	7	6	105
Metropolitan Districts	1,080	12	36	30
Non-Met Counties	3,240	36	39	83
Non-Met Districts	1,800	20	297	6
Wales: County Councils	180	2	8	23
Wales: District Councils	90	1	37	3
Scotland: Regional Auth.	720	6	9	80
Scotland: Island Auth.	18	0.5	3	6
Scotland: District Auth.	225	2.5	53	4
TOTAL ESTIMATE	9,153	100	522	-
CF: TREASURY ESTIMATE	9,729			

Sources: CIPFA database; Treasury ("Government Expenditure Plans 1987/88-1988/89") and CSO estimates and own estimates

Notes: CIPFA database excludes Scotland; Scottish data from "Rating review actual income and expenditure 1984-85 (CIPFA Scottish Branch);

Detailed procurement data supplied to the Consultants from several major public corporations suggests that the figures in Table 5.2.20 need to be revised downwards by between 25% and 35%to exclude non-tradeable purchases, and a further 15% to 25% to exclude non-contract purchases.

These figures should be treated as only a rough guide to the typical spends of different types of authority because of the existence of purchasing consortia and joint purchasing arrangements.

* Public Corporations

Table 5.2.21 sets out public corporation procurement expenditure by entity. The figures are derived from CSO estimates (for public corporations outside the nationalised industries group) and annual reports (in the case of the nationalised industries), supplemented by direct enquiries where accounts provide insufficient information regarding procurement. The total value of procurement, calculated from these figures, differs substantially from the CSO's published estimate and can be explained by differences in the definitions used in the compilation of data. Both estimates include utilities.

Table 5.2.21 includes British Telecom, British Gas and British Airways, all now privatised. If these are discounted from the figures, total procurement falls from around £30 billion to £20 billion.

The nationalised industries account for over 90% of the total procurement. Within this group the largest percentage (around 30%) is accounted for by the Electricity Council (CEGB and the 12 Area Electricity Boards in England and Wales).

TABLE 5.2.21 - TOTAL PURCHASING BY UK PUBLIC CORPORATIONS (CAPITAL AND CURRENT)
(£ million)

	Public Corporations	1984/85			1985/86		
		Capital	Current	Total	Capital	Current	Total
a	Central Electricity Generating Board	951	6,743	7,694	1,233	5,422	6,655
a	Electricity Area Boards	266	624	890	302	703	1,005
a	British Gas*	793	3,322	4,115	567	3,865	4,432
a	British Telecom*	1,846	1,727	3,573	1,983	1,949	3,932
a	British Steel	210	2,779	2,989	220	2,643	2,863
a	British Railways	343	1,164	1,507	262	1,343	1,605
a	British Airways*	120	1,908	2,028	281	2,115	2,396
a	British Coal	387	612	999	698	956	1,654
a	Water Authorities	798	212	1,010	890	235	1,125
a	South of Scotland Electricity Board	376	538	914	353	501	854
a	Post Office/National Girobank	155	700	855	129	699	828
a	British Airports Authority*	161	130	291	141	122	268
a	North of Scotland Hydro-Electric Board	200	300	500	230	290	520
a	British Waterways Board	10	43	53	9	36	45
a	National Bus Company*	25	175	200	15	165	180
a	Scottish Transport Group	15	135	150	18	142	160
a	British Shipbuilders	50	200	250	70	292	362
a	Civil Aviation Authority	40	100	140	42	105	147
a	London Regional Transport	125	225	350	150	250	400
b	Passenger Transport Executives	197	284	481	97	293	390
b	British Broadcasting Corporation	106	309	415	111	318	429
b	Northern Ireland Electricity Service	14	251	265	13	277	290
b	HMSO	4	214	218	3	216	220
b	The Crown Suppliers	16	213	229	7	223	230
b	Royal Ordnance Factories*	44	198	242	41	216	257
b	New Town Development Corporations	11	188	199	55	184	239
b	Northern Ireland Housing Executive	139	139	278	141	148	289
b	Independent Broadcasting Authority	7	122	129	23	126	149
b	London Dockland Development Corporation	19	31	50	15	29	44
b	Royal Mint	2	39	41	2	40	42
b	Scottish Special Housing Association	27	24	51	24	21	45
b	Northern Ireland Public Trust Port Auth.	32	42	74	8	11	19
b	Scottish Development Agency	18	17	35	25	21	46
b	Welsh Development Agency	27	21	48	22	20	42
b	Crown Agents	2	20	22	2	20	22
b	Merseyside Development Corporation	27	21	48	22	20	42
b	Development Board for Rural Wales	3	9	12	4	9	13
b	Highlands & Islands Development Board	-	3	3	-	3	3
b	National Research Development Corporation	-	4	4	-	7	7
b	National Enterprise Board	-	6	6	-	5	5
b	Covent Garden Market Authority	0.6	2.6	3.2	0.3	2.7	3
b	Housing Corporations	-	5.2	5.2	-	5.2	5.2
b	Northern Ireland Transport Holding Company	14	15	29	15	19	34
b	Pilotage Commission	-	0.2	0.2	-	0.2	0.2
b	National Dock Labour Board	-	1.1	1.1	-	1.1	1.1
c	Crown Agents Holding & Realisation Board	-	1	1	-	1	1
c	Commonwealth Development Corporation	0.2	5	5.2	0.1	6	6.1
c	British Technology Group	0.1	1	1.1	0.1	1.2	1.3
c	National Film Finance Corporation	-	0.2	0.2	-	0.2	0.2
c	English Industrial Estates Corporation	16	20	36	15	17	32
c	Oil and Pipelines Agency	14	18	32	15	20	35
c	United Kingdom Atomic Energy Authority	-	2	2	-	2	2
c	Urban Development Corporations	20	25	45	21	26	47
c	The Audit Commission	-	0.8	0.8	-	0.8	0.8
c	Cable Authority	-	0.4	0.4	-	0.4	0.4
c	The Welsh Fourth Channel Authority	-	0.7	0.7	-	0.7	0.7
c	General Practice Finance Corporation	-	0.1	0.1	-	0.1	0.1
c	Bank of England	0.2	6	6.2	0.5	7	7.5
	CALCULATED TOTALS	7,631	23,896	31,527	8,275	24,156	32,431

Sources: a) Annual Reports

b) Communication from central statistical office 9/2/87

c) Estimates based on expenditure data from HM Treasury, The Government's Expenditure Plans 1986/87 to 1988/89

* Note: since privatised

5.3 Breakdown of Purchasing by Product

This section sets out all the data available to the consultants on the product breakdown of purchases. Complete data is not available for any country, and different countries' data is not consistent. Section 5.4 sets out a consistent (but approximate) method of estimation using input-output data.

5.3.1 Breakdown by Product for Belgium

Using the INS contract data, the breakdown of public sector purchases excluding local government has been analysed. The results are shown in Tables 5.3.1.1 (at 2 digit NACE level) and 5.3.1.2 (in percentage terms).

It should be recalled that these data are for contracts let, not total purchases. This can introduce distortions because:

* there may be some large, long term contracts not representative of year-on-year expenditure, or conversely, it may miss some large contract from previous years which result in expenditure in 1984

* small purchases and expenses are not included, and this is likely to lead to under-representation of services and office supplies

* purchase of utilities - gas, electricity and water - are likely to be underrepresented

* goods obtained by leasing, or as incidental to service contracts, are underrepresented. This may account for the apparently low figures for "office machinery" (0.4% of the total) and "motor vehicles" (2.6% of the total)

TABLE 5.3.1.1 - BELGIAN PUBLIC SECTOR CONTRACTS LET BY NACE CODE
(In BFr million 1984)

NACE CODE	SECTOR DESCRIPTION	INTERMEDIATE CONSUMPTION	CAPITAL PURCHASES	TOTAL CONTRACTS
0	AGRIC,FORESTRY,FISH	33	37	70
000	Unclassified	33	37	70
1	ENERGY AND WATER	9,786	15	9,801
110	Solid fuels extraction	61	0	61
120	Coke ovens	4	0	4
130	Extraction of pet/gas	8,420	2	8,422
140	Refining of pet/gas	0	0	0
150	Nuclear fuels	1	0	1
160	Prod/Dist of elec/gas	1,088	12	1,100
170	Supply etc. of Water	211	1	212
2	MINERALS AND CHEMICALS	2,849	35	2,884
220	Metal prod & process	771	10	781
230	Mining of non-met min.	261	3	264
240	Manu of non-met mins	229	7	236
250	Chemical products	1,565	15	1,579
260	Man-made Fibres	23	0	24
3	METAL MANUFACTURING	18,951	19,867	38,818
310	Manu of metal artics.	3,092	396	3,488
320	Mechanical engineering	3,678	991	4,669
330	Office mach,EDP,inst.	146	246	392
340	Electrical goods	3,039	9,659	12,698
350	Motor veh. & engines	1,480	1,187	2,667
360	Other transport equip.	7,240	7,082	14,322
370	Instrument eng.	276	306	582
4	OTHER MANUFACTURING	4,735	236	4,970
410	Food.drink.tobacco	397	5	402
430	Textiles & clothing	193	21	213
440	Leather & skin goods	89	1	90
450	Footwear & clothing	1,687	15	1,702
460	Timber/wood furniture	537	72	609
470	Paper,printing,publ.	1,149	53	1,203
480	Rubber & plastic prod	572	38	610
490	Other manu. products	111	30	141
5	BUILDING & CIVIL ENG.	4,011	37,568	41,580
500	General Building	2,807	21,989	24,796
570		1,205	15,579	16,784
6	DISTRIBUTIVE SERVICES	114	20	134
660	Hotels & Catering	23	0	23
679	Repairs	91	19	110
7	TRANSPORT,COMMUNICATION	159	1	160
700	Transport	159	1	160
8	BUSINESS SERVICES	2,024	1,136	3,160
890		178	0	178
899		1,846	1,136	2,982
9	OTHER	36	0	36
998		36	0	36
	TOTAL	42,699	58,914	101,613

Source: INS database

TABLE 5.3.1.2 - BELGIUM PUBLIC SECTOR CONTACTS LET BY NACE CODE
(percent breakdown 1984)

NACE CODE	SECTOR DESCRIPTION	INTERMEDIATE CONSUMPTION	CAPITAL PURCHASES	TOTAL PURCHASES
0	AGRIC,FORESTRY,FISH	0.1%	0.1%	0.1%
000	Unclassified	0.1%	0.1%	0.1%
1	ENERGY AND WATER	22.9%	0.0%	9.6%
110	Solid fuels extraction	0.1%	0.0%	0.1%
120	Coke ovens	0.0%	0.0%	0.0%
130	Extraction of pet/gas	19.7%	0.0%	8.3%
140	Refining of pet/gas	0.0%	0.0%	0.0%
150	Nuclear fuels	0.0%	0.0%	0.0%
160	Prod/Dist of elec/gas	2.5%	0.0%	1.1%
170	Supply etc. of Water	0.5%	0.0%	0.2%
2	MINERALS AND CHEMICALS	6.7%	0.1%	2.8%
220	Metal prod & process	1.8%	0.0%	0.8%
230	Mining of non-met min.	0.6%	0.0%	0.3%
240	Manu of non-met mins.	0.5%	0.0%	0.2%
250	Chemical products	3.7%	0.0%	1.6%
260	Man-made Fibres	0.1%	0.0%	0.0%
3	METAL MANUFACTURING	44.4%	33.7%	38.2%
310	Manu of metal artics.	7.2%	0.7%	3.4%
320	Mechanical engineering	8.6%	1.7%	4.6%
330	Office mach,EDP,inst.	0.3%	0.4%	0.4%
340	Electrical goods	7.1%	16.4%	12.5%
350	Motor veh. & engines	3.5%	2.0%	2.6%
360	Other transport equip.	17.0%	12.0%	14.1%
370	Instrument eng.	0.6%	0.5%	0.6%
4	OTHER MANUFACTURING	11.1%	0.4%	4.9%
410	Food,drink,tobacco	0.9%	0.0%	0.4%
430	Textiles & clothing	0.5%	0.0%	0.2%
440	Leather & skin goods	0.2%	0.0%	0.1%
450	Footwear & clothing	4.0%	0.0%	1.7%
460	Timber/wood furniture	1.3%	0.1%	0.6%
470	Paper,printing,publ.	2.7%	0.1%	1.2%
480	Rubber & plastic prod	1.3%	0.1%	0.6%
490	Other manu. products	0.3%	0.1%	0.1%
5	BUILDING & CIVIL ENG.	9.4%	63.8%	40.9%
500	General Building	6.6%	37.3%	24.4%
570		2.8%	26.4%	16.5%
6	DISTRIBUTIVE SERVICES	0.3%	0.0%	0.1%
660	Hotels & Catering	0.1%	0.0%	0.0%
679	Repairs	0.2%	0.0%	0.1%
7	TRANSPORT,COMMUNICATION	0.4%	0.0%	0.2%
700	Transport	0.4%	0.0%	0.2%
8	BUSINESS SERVICES	4.7%	1.9%	3.1%
890		0.4%	0.0%	0.2%
899		4.3%	1.9%	2.9%
9	OTHER	0.1%	0.0%	0.0%
998		0.1%	0.0%	0.0%
	TOTAL	100.0%	100.0%	100.0%

Source: INS database

* local authorities (communes, communities and intercommunal organisations) are excluded from the INS statistics: this is likely to make 'works' underrepresented.

5.3.2 Breakdown by Product for France

The Commission Centrale des Marches has published breakdowns for the years 1980 to 1983 of contracts let by supplying sector for the main classes of purchasing entity. The classification is not the same as NACE, but a regrouping into approximate NACE categories is shown in Table 5.3.2.1. The full tables are shown in the appendix I.

The figures exclude "non-contract" procurement, such as electricity, water, telecommunications and expenses.

Table 5.3.2.2 shows the percentage breakdown for each type of entity. This is summarised to the 1-digit NACE level in Table 5.3.2.3.

Table 5.3.2.4 shows the importance of public sector contracts in total outputs of the supplying sectors for 1983.

No information for later years was available at the time of analysis (May 1987). CCM reported that they were reorganising their data and procedures and that new data for the years 1980 to 1983, along with results for 1984 would be available later.

The same qualifications have to be made as for the Belgian data, since both are derived from reports of contracts let. The French data does, however, include local authorities.

There are some quite striking differences between the French and Belgian breakdowns. At the 1-digit level for example; the percentage shares are as shown below:

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TABLE 5.3.2.1 : BREAKDOWN OF CONTRACTS BY SUPPLYING SECTOR; FRANCE 1983
(million FF)

NACE	Description	State	EPAs	Local	P.Entr	Total
0	Agriculture, fish., forest.	39.6	25.3	237.5	18.0	320.4
11/12	Solid fuels	88.7	0.0	36.1	6,046.0	6,170.8
13/14	Oil and gas products	4,536.5	55.0	1,551.1	37,291.3	43,433.9
21/22	Ferrous mins., products	253.4	1.1	18.2	1,219.5	1,492.2
21/22	Non-fe mins., products	194.3	0.0	29.0	14,144.7	14,368.0
23/24	Construction mats.	379.5	4.2	667.6	412.0	1,463.3
247	Glass	20.8	0.7	46.6	46.7	114.8
251/260	Chems./synth. fibres	136.1	5.7	245.3	169.3	556.4
25	Chem. & pharm. prod	1,008.3	13.2	1,317.2	480.3	2,819.0
31	Metal working	1,296.9	5.6	234.2	3,239.7	4,776.4
32	Mech. engg	3,150.3	99.6	1,799.1	11,925.5	16,974.5
33/34	Prof. elec. mats	23,001.1	279.5	949.4	10,671.7	34,901.7
346	Domestic equipt	126.8	5.8	34.7	58.0	225.3
35/36	Vehicles/transport gds	1,188.9	1.0	1,247.3	2,539.1	4,976.3
361/364	Shipbldg/aerosp/arms	20,673.7	11.3	8.7	6,899.3	27,593.0
41	Meat, milk products	272.6	39.1	560.0	1.1	872.8
41	Other agric. products	280.6	16.6	300.9	64.5	662.6
43	Textiles/clothing	1,036.1	0.5	229.2	218.5	1,484.3
44/45	Leather gds	193.0	0.0	14.8	78.1	285.9
46	Wood/furnit/other mfg	653.5	92.7	218.9	495.3	1,460.4
47	paper	710.1	26.0	155.2	127.0	1,018.3
473/4	Printing	593.7	51.4	158.6	173.1	976.8
48	Rubber/plastics	315.8	0.5	123.8	499.6	939.7
5	Bldg/civil eng	16,657.1	604.0	28,106.5	24,139.1	69,506.7
67	Vehicle repair/trade	82.5	0.0	18.5	38.7	139.7
66	Hotel/catering	2.8	1.5	219.0	24.8	248.1
63	Mkt services/ enterpr	8,383.3	155.0	946.0	6,344.4	15,828.7
64/65	Mkt.services/indiv	372.2	36.1	587.2	2,581.9	3,577.4
7	Transport	914.3	10.6	73.2	1,044.6	2,042.7
85	Rent/lease bldgs	43.9	0.1	1.0	28.9	73.9
49	Other prods	0.0	0.0	0.0	0.7	0.7
	TOTAL	86,606.4	1,542.1	40,134.8	131,021.4	259,304.7

Source: CCM contract data, from 'Marches Publics: La Revue de l'Achat Public' no. 212

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TABLE 5.3.2.2 : BREAKDOWN OF CONTRACTS BY SUPPLYING SECTOR; FRANCE 1983
(percent of total)

NACE	Description	State	EPAs	Local	P.Entr	Total
0	Agriculture, fish., forest.	0.0	1.6	0.6	0.0	0.1
11/12	Solid fuels	0.1	0.0	0.1	4.6	2.4
13/14	Oil and gas products	5.2	3.6	3.9	28.5	16.8
21/22	Ferrous mins., products	0.3	0.1	0.0	0.9	0.6
21/22	Non-fe mins., products	0.2	0.0	0.1	10.8	5.5
23/24	Construction mats.	0.4	0.3	1.7	0.3	0.6
247	Glass	0.0	0.0	0.1	0.0	0.0
251/260	Chems./synth. fibres	0.2	0.4	0.6	0.1	0.2
25	Chem. & pharm. prod	1.2	0.9	3.3	0.4	1.1
31	Metal working	1.5	0.4	0.6	2.5	1.8
32	Mech. engg	3.6	6.5	4.5	9.1	6.5
33/34	Prof. elec. mats	26.6	18.1	2.4	8.1	13.5
346	Domestic equipt	0.1	0.4	0.1	0.0	0.1
35/36	Vehicles/transport gds	1.4	0.1	3.1	1.9	1.9
361/364	Shipbldg/aerosp/arms	23.9	0.7	0.0	5.3	10.6
41	Meat, milk products	0.3	2.5	1.4	0.0	0.3
41	Other agric. products	0.3	1.1	0.7	0.0	0.3
43	Textiles/clothing	1.2	0.0	0.6	0.2	0.6
44/45	Leather gds	0.2	0.0	0.0	0.1	0.1
46	Wood/furnit/other mfg	0.8	6.0	0.5	0.4	0.6
47	paper	0.8	1.7	0.4	0.1	0.4
473/4	Printing	0.7	3.3	0.4	0.1	0.4
48	Rubber/plastics	0.4	0.0	0.3	0.4	0.4
5	Bldg/civil eng	19.2	39.2	70.0	18.4	26.8
67	Vehicle repair/trade	0.1	0.0	0.0	0.0	0.1
66	Hotel/catering	0.0	0.1	0.5	0.0	0.1
63	Mkt services/ enterpr	9.7	10.1	2.4	4.8	6.1
64/65	Mkt.services/indiv	0.4	2.3	1.5	2.0	1.4
7	Transport	1.1	0.7	0.2	0.8	0.8
85	Rent/lease bldgs	0.1	0.0	0.0	0.0	0.0
49	Other prods	0.0	0.0	0.0	0.0	0.0
	TOTAL	100.0	100.0	100.0	100.0	100.0

Source: CCM contract data, from "Marches Publics: La Revue de l'Achat Public" no. 212

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TABLE 5.3.2.3 : BREAKDOWN OF CONTRACTS BY SUPPLYING SECTOR; FRANCE 1983
(percent of total at 1-digit NACE level)

NACE	Description	State	EPAs	Local	P.Entr	Total
0	Agric. forestry, fish	0.05	1.64	0.59	0.01	0.12
1	Energy and water	5.34	3.57	3.95	33.08	19.13
2	Primary products	2.30	1.61	5.79	12.57	8.03
3	Metal manufacture	57.08	26.12	10.65	26.97	34.50
4	Other manufacture	4.68	14.71	4.39	1.26	2.97
5	Building, civil engg	19.23	39.17	70.03	18.42	26.81
6	Distr., catering, repairs	10.21	12.49	4.41	6.86	7.63
7	Transport, commun.	1.06	0.69	0.18	0.80	0.79
8	Fin. services	0.05	0.01	0.00	0.02	0.03
9	Other services	0.00	0.00	0.00	0.00	0.00
	TOTAL	100.00	100.00	100.00	100.00	100.00

Source: CCM contract data, from "Marches Publics: La Revue de l'Achat Public" no. 212

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TABLE 5.3.2.4 : IMPORTANCE OF PUBLIC PURCHASING IN SECTOR OUTPUT - FRANCE 1983
(million FF)

NACE	Description	Total Pub.purch	sector output	Pub.purch share %
0	Agriculture, fish., forest.	320	323,636	0.099
11/12	Solid fuels	6,171	19,739	31.262
13/14	Oil and gas products	43,434	277,356	15.660
21/22	Ferrous mins., products	1,492	84,496	1.766
21/22	Non-fe mins., products	14,368	63,835	22.508
23/24	Construction mats.	1,463	64,293	2.276
247	Glass	115	21,026	0.546
251/260	Chems./synth. fibres	556	122,555	0.454
25	Chem. & pharm. prod	2,819	118,945	2.370
31	Metal working	4,776	143,651	3.325
32	Mech. engg	16,975	178,060	9.533
33/34	Prof. elec. mats	34,902	163,397	21.360
346	Domestic equipt	225	25,006	0.901
35/36	Vehicles/transport gds	4,976	226,814	2.194
361/364	Shipbldg/aerosp/arms	27,593	115,245	23.943
41	Meat, milk products	873	225,530	0.387
41	Other agric. products	663	270,449	0.245
43	Textiles/clothing	1,484	140,426	1.057
44/45	Leather gds	286	27,359	1.045
46	Wood/furnit/other mfg	1,460	95,451	1.530
47	paper	1,018	65,654	1.551
473/4	Printing	977	77,957	1.253
48	Rubber/plastics	940	78,505	1.197
5	Bldg/civil eng	69,507	501,853	13.850
67	Vehicle repair/trade	140	148,617	0.094
66	Hotel/catering	248	196,905	0.126
63	Mkt services/ enterpr	15,829	395,520	4.002
64/65	Mkt.services/indiv	3,577	392,689	0.911
7	Transport	2,043	272,360	0.750
85	Rent/lease bldgs	74	295,600	0.025
49	Other prods	1		
	TOTAL	259,305	5,135,764	5.049

Source: CCM contract data, from "Marches Publics: La Revue de l'Achat Public" no. 212

	percent of contracts let:	
	France (1983)	Belgium (1984)
Agric. forestry, fishing	0.1	0.1
Energy and water	19.1	9.6
Minerals and chemicals	8.0	2.8
Metal manufacture	34.5	38.2
Other manufacture	3.0	4.9
building and civil engineering	26.8	40.9
Distributive services	7.6	0.1
Transport and communication	0.8	0.2
Business and financial services	0.0	3.1

5.3.3 Breakdown by Product for Germany

Table 5.3.3.1 gives the breakdown of German Government procurement by NACE category for 1984. Unfortunately many of the individual German classifications of products and services cover several NACE codes.

The table does identify, however, those sectors generally not open to competition (eg. the utilities) or open only to Germany competition (eg. maintenance). Of the total purchases made, about two thirds were for products and services that could have involved foreign suppliers.

The greater opportunity in theory for products and services to be procured from foreign suppliers seems to lie with the Communities and the Federal Government. About 70% of their purchasing was open to international competition. Also, the communities have a higher rate of spend than the other two government levels. On the other hand, nearly half of the products and services bought by the Federal States were non-tradeables.

TABLE 5.3.3.1 - GERMAN GOVERNMENT PROCUREMENT IN 1984 BY NACE CATEGORY

(in DM millions)

Product/Service	NACE Code(s)	Federal	States	Communities	Total
Non Competitive Procurement:					
- Utility expenses for real estate (heating, light, water etc)	17,161,162, 163	1481	2417	6297	10195
- Rent and lease	834	756	874	995	2625
- Fees for post, television, telephone, radio	79	626	897	0	1523
- Refunds to other sectors (eg. social institutions, chambers of commerce)		1496	2545	824	4865
- Contributions for current purposes		5481	2479	598	8558
- Sub total		9840	9212	8714	27766
German Only Competitive Procurement:					
- Maintenance of real estate and buildings	834	1092	1575	2605	5272
- Maintenance of other activities	834	965	897	2956	4818
- Books, newspapers	473,474	14	73	(a)	87
- Educational material	93	9	291	(a)	300
- Further education, retraining	933	400	82	(a)	482
- Experts, jurisdictional and comparable costs	832,835,836, 837,838,839	99	518	(a)	617
- Duty journeys	66,76	261	335	(a)	596
- Special funds		16	26	28	70
- Immovable assets		573	5235	4795	10603
- Sub total		3429	9032	10384	22845
Internationally Competitive Procurement:					
- Essential commodities for administration (paper, pencils, etc)	911	120	288	(a)	408
- Maintenance of cars (fuel, repairs, insurance)	252,351,352, 353,671,821, 823	106	364	713	1183
- Tools, equipment, other commodities	31,32	263	522	775	1560
- Clothing for official purposes and protection, personal equipment	45,451,453	46	89	180	315
- Goods for consumption (food, fodder, medicine)	01,02,03,41, 42,95	1602	561	0	2163
- Art and scientific collections, libraries	97	1	231	0	232
- Further expenses for goods that do not fit into categories above		2322	10316	17125	29763
- Military procurement, maintenance, research	915	20458	0	0	20458
- Construction	50	5844	6982	24881	37707
- Vehicles in Germany	35	261	241	(b)	502
- Appliances and equipment	32,33,352,353	469	1690	(b)	2159
- Cars abroad	811	14	7	(b)	21
- Other moveable assets		101	115	2498	2714
- Sub total		31607	21406	46172	99185
- GRAND TOTAL		44876	39650	65270	149796

Source: Consultant's interpretation of German industrial classification with respect to the NACE codes, based on Rechunungsergebnisse des offentlichen Gesamthaushalts 1984, Statistisches Bundesamt

Notes: (a) included in "Maintenance of other activities"
(b) included in "Other moveable assets"

TABLE 5.3.3.2 - GERMAN GOVERNMENT PROCUREMENT* IN 1985 BY NACE CATEGORY

(in DM millions)

Product/Service	NACE Code(s)	Federal	State
Non Competitive Procurement:			
- Utility expenses for real estate (heating, light, water etc)	17,161,162,163	564	2546
- Rent and lease	834	771	905
- Fees for post, television, telephone, radio	79	654	915
- Refunds to other sectors (eg. social institutions, chambers of commerce)		1513	2632
- Contributions for current purposes		5537	2700
- Sub total		9040	9700
German Only Competitive Procurement:			
- Maintenance of real estate and buildings	834	1179	1638
- Maintenance of other activities	834	929	884
- Books, newspapers	473,474	15	79
- Educational material	93	8	279
- Further education, retraining	933	388	87
- Experts, jurisdictional and comparable costs	832,835,836 837,838,839	107	539
- Duty journeys	66,76	270	359
- Special funds		16	29
- Immovable assets		644	945
- Sub total		3556	4839
Internationally Competitive Procurement:			
- Essential commodities for administration (paper, pencils, etc)	911	127	302
- Maintenance of cars (fuel, repairs, insurance)	252,351,352 353,671,821,823	106	358
- Tools, equipment, other commodities	31,32	251	544
- Clothing for official purposes and protection, personal equipment	45,451,453	47	101
- Goods for consumption (food, fodder, medicine)	01,02,03,41,42 95	1532	589
- Art and scientific collections, libraries	97	1	233
- Further expenses for goods that do not fit into categories above		2560	8211
- Military procurement, maintenance, research	915	20466	-
- Construction	50	5945	6971
- Vehicles in Germany	35	271	271
- Appliances and equipment	32,33,352,353	560	1914
- Cars abroad	811	10	-
- Other moveable assets		100	120
- Sub total		31976	19614
- GRAND TOTAL		44572	34153

* Data for the communities not available at present.

Source: Consultant's interpretation of German industrial classification with respect to the NACE codes, based on Rechunungsergebnisse des offentlichen Gesamthaushalts 1984, Statistiches Bundesamt

A 1985 breakdown of the procurement by product/service classification for the communities is not available yet. Table 5.3.3.2 provides the details for the Federal Government and States. The proportion of internationally tradeable products and services and slightly higher than in 1984, and overall spending was down, as much as 13% in the States.

There is a dearth of information on the breakdown of public enterprise procurement by NACE category. The appendices give details of the pattern of spend by some of the companies (see Appendix I(G).

5.3.4 Breakdown by Product for Italy

Precise data on public sector purchasing by supplying sector, split by NACE category, are not available for Italy. Certain figures giving details of purchases for central government and for the local health authorities are available in formats which do not correspond to NACE; these will be found in the Appendix.

The "aziende autonome" and ENEL publish only the equivalent to company accounts, with data regarding expenses which do not lend themselves to analysis by supplying sector.

Table 5.3.4.1 gives a split of public sector consumption in Italy based upon provisional input-output matrices for 1981, and using the input-output sector categorisation. It was devised by Franco Fornasari and Mauro La Noce as part of an exercise they undertook in 1984 to estimate the effect of public sector spending upon the wider domestic economy.

It should be noted, therefore, that the figures exclude:

* public sector consumption of imported goods and services

* public sector consumption of its own production (eg. electricity).

TABLE 5.3.4.1 ITALIAN PUBLIC SECTOR PROCUREMENT BY SUPPLYING SECTOR, 1981

Lit billion	INTERMEDIATE CONSUMPTION			PUBLIC INVESTMENT				TOTAL
	81 GENERAL SERVICES	85 EDUCATION	89 HEALTH	ELECT- RICITY	POST & TELECOMS	NON-MKT SERVICES	OTHER SERVICES	
01 Agriculture, forestry, fishing	114.8	336.2	99.5					550.5
03 Coal		49.5	(0.8)					48.7
05 Products of coking	3.4	7.5	2.6					13.5
07 Petroleum, gas and products	371.4	2,011.0	301.3					2,683.7
09 Power and water	152.8	675.2	57.4					885.4
11 Nuclear fuels								0.0
13 Metals and ores	60.3	37.6						97.9
15 Non-metallic minerals	41.2	151.7	14.7	8.2		3.2		219.0
17 Chemicals and pharmaceuticals	121.1	261.2	278.1					660.4
19 Metal products	100.6	219.6		86.1	6.7	40.6		453.6
21 Agricultural/industrial machinery	46.0			248.7				294.7
23 Office machines, etc	42.9	64.1	33.8	15.3	12.6	62.0		230.7
25 Electrical goods	296.7	198.6	13.9	126.9	444.7			1,080.8
27 Motor vehicles and engines	102.2			21.2	2.3	30.4		156.1
29 Other transport equipment	472.1			26.6	0.1	1.9		500.7
31 Meat and meat products	69.6	235.9	113.4					418.9
33 Milk and dairy products	12.8	88.2	35.3					136.3
35 Other food products	87.5	259.1	98.9					445.5
37 Beverages	5.7	9.8	3.1					18.6
39 Tobacco products								0.0
41 Textiles and clothing	11.5	65.6	73.2					150.3
43 Leather products and footwear	33.1	76.0		2.6	0.6	2.7		115.0
45 Timber and wooden furniture	43.6	427.8	17.5	20.2	15.4	145.5		670.0
47 Paper and printed products	161.2	2,107.2	52.5					2,320.9
49 Rubber and plastic products	55.1	39.9	76.2	7.5		17.7		196.4
51 Other manufactured goods	3.9	84.0	17.8	0.2	0.1	0.5		106.5
53 Building and civil engineering	762.9	3,564.2	214.0	1,810.2	241.9	7,208.6	4,720.4	18,522.2
55 Recovery and repair services	124.0	661.5	113.4					898.9
57 Wholesale and retail trade	222.2							222.2
59 Hotels and catering	44.8							44.8
61 Internal transport	126.2							126.2
63 Marine and air transport	35.4	(0.6)	(0.1)					34.7
65 Auxiliary transport services	30.7							30.7
67 Communications	171.1							171.1
69 Credit and Insurance	169.0							169.0
71 Business services	1,082.0							1,082.0
73 Renting of immovable goods	116.4							116.4
75 Education and research								0.0
77 Health services								0.0
79 Market services n.e.c.	321.1							321.1
93 Non-market services n.e.c.								0.0
TOTAL	5,615.3	11,630.8	1,615.7	2,373.7	724.4	7,513.1	4,720.4	34,193.4

Source: Fornarsari and La Noce, L'INDUSTRIA, April-June 1984

TABLE 5.3.4.2 ITALIAN PUBLIC SECTOR PROCUREMENT AS PERCENT OF SECTORAL OUTPUT, 1981

Percent	INTERMEDIATE CONSUMPTION			PUBLIC INVESTMENT				TOTAL
	81 GENERAL SERVICES	85 EDUCATION	89 HEALTH	ELECT-RICITY	POST & TELECOMS	NON-MKT SERVICES	OTHER SERVICES	
01 Agriculture, forestry, fishing	0.25	0.74	0.22	0.00	0.00	0.00	0.00	1.21
03 Coal	0.00	60.38	-0.98	0.00	0.00	0.00	0.00	59.40
05 Products of coking	0.20	0.45	0.16	0.00	0.00	0.00	0.00	0.81
07 Petroleum, gas and products	0.76	4.14	0.62	0.00	0.00	0.00	0.00	5.52
09 Power and water	1.00	4.42	0.38	0.00	0.00	0.00	0.00	5.79
11 Nuclear fuels	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
13 Metals and ores	0.22	0.14	0.00	0.00	0.00	0.00	0.00	0.36
15 Non-metallic minerals	0.23	0.84	0.08	0.05	0.00	0.02	0.00	1.21
17 Chemicals and pharmaceuticals	0.38	0.81	0.86	0.00	0.00	0.00	0.00	2.05
19 Metal products	0.55	1.20	0.00	0.47	0.04	0.22	0.00	2.47
21 Agricultural/industrial machinery	0.20	0.00	0.00	1.08	0.00	0.00	0.00	1.28
23 Office machines, etc	0.99	1.48	0.78	0.35	0.29	1.43	0.00	5.33
25 Electrical goods	1.88	1.26	0.09	0.80	2.82	0.00	0.00	6.85
27 Motor vehicles and engines	0.62	0.00	0.00	0.13	0.01	0.18	0.00	0.94
29 Other transport equipment	7.02	0.00	0.00	0.40	0.00	0.03	0.00	7.45
31 Meat and meat products	0.53	1.80	0.86	0.00	0.00	0.00	0.00	3.19
33 Milk and dairy products	0.24	1.63	0.65	0.00	0.00	0.00	0.00	2.52
35 Other food products	0.32	0.95	0.36	0.00	0.00	0.00	0.00	1.63
37 Beverages	0.16	0.27	0.09	0.00	0.00	0.00	0.00	0.52
39 Tobacco products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
41 Textiles and clothing	0.03	0.17	0.19	0.00	0.00	0.00	0.00	0.39
43 Leather products and footwear	0.32	0.73	0.00	0.02	0.01	0.03	0.00	1.10
45 Timber and wooden furniture	0.23	2.28	0.09	0.11	0.08	0.78	0.00	3.57
47 Paper and printed products	0.90	11.76	0.29	0.00	0.00	0.00	0.00	12.95
49 Rubber and plastic products	0.54	0.39	0.74	0.07	0.00	0.17	0.00	1.91
51 Other manufactured goods	0.07	1.40	0.30	0.00	0.00	0.01	0.00	1.78
53 Building and civil engineering	1.40	6.55	0.39	3.32	0.44	13.24	8.67	34.02
55 Recovery and repair services	0.91	4.83	0.83	0.00	0.00	0.00	0.00	6.57
57 Wholesale and retail trade	0.34	0.00	0.00	0.00	0.00	0.00	0.00	0.34
59 Hotels and catering	0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.21
61 Internal transport	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.60
63 Marine and air transport	0.43	-0.01	0.00	0.00	0.00	0.00	0.00	0.42
65 Auxiliary transport services	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.45
67 Communications	2.31	0.00	0.00	0.00	0.00	0.00	0.00	2.31
69 Credit and Insurance	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.60
71 Business services	8.27	0.00	0.00	0.00	0.00	0.00	0.00	8.27
73 Renting of immovable goods	0.43	0.00	0.00	0.00	0.00	0.00	0.00	0.43
75 Education and research	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
77 Health services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
79 Market services n.e.c.	2.37	0.00	0.00	0.00	0.00	0.00	0.00	2.37
93 Non-market services n.e.c.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.
TOTAL	0.77	1.60	0.22	0.33	0.10	1.03	0.65	4.7

Source: Fornarsari and La Noce, L'INDUSTRIA, April-June 1984

Table 5.3.4.2 expresses the figures from the first table as a percentage of domestic output in each sector.

5.3.5 Breakdown by Product for UK

The only data that exist for central government procurement in UK broken down by economic category is collected by HM Treasury from analyses carried out each year by individual ministries. These data refer to new contracts let (rather than purchases actually made) and exclude works and all purchases made without contract. Contracts are categorised according to NIPRO class, which is equivalent to NACE at the two digit level.

The information available for 1984/85 is presented in Table 5.3.5.1, together with estimates of the value of works contracts, based on the known value of PSA purchases from private contractors. The latter are reasonable estimates since PSA handles the majority of central government works contracts, and, in general, only minor works are contracted directly or dealt with in-house. Further qualifications to the dataset are listed in the notes to the table.

The central government dataset can be broken down further to derive a division between goods, services and works. The figures for 1984/85 were 63%, 20% and 17% respectively.

The Treasury returns also give the value of contracts placed with non-UK suppliers. Analysis shows that 5.6% in 1984/85 and 8.5% in 1985/86 of contracts (by value) were awarded to non-UK suppliers of goods and services (not works).

Breakdowns by product category by individual central government department are included in Appendix II.

TABLE 5.3.5.1 - UK CENTRAL AND LOCAL GOVERNMENT CONTRACTS LET BY ECONOMIC CATEGORY, 1984-85
(£ million)

NIPRO/NACE	Description	Central	Local	Total
01	Agriculture	2.33		2.33
11	Solid Fuels	23.61		23.61
14	Oil Refining	718.19	481.4	1,199.59
15	Nuclear Fuels	280.53		280.53
16	Electricity, Gas, Steam	34.05		34.05
17	Water Supply	8.39		8.39
21	Metal Ores	3.91		3.91
22	Metals: Production & Preliminary Processing	32.52		32.52
23	Other Minerals	3.55		3.55
24	Non-Metallic Mineral Products	11.44	997.60	1,009.04
25	Chemical Industry	68.18	29.00	97.18
26	Man Made Fibres	5.95	11.60	17.55
31	Metal Goods	99.86	5.80	105.66
32	Mechanical Engineering	885.39		885.39
33	Office Machinery & Data Processing Equipment	76.01	139.20	215.21
34	Electrical Goods	1,881.27	638.00	2,519.27
35	Motor Vehicles	289.88	290.00	579.88
36	Other Transport	3,031.14	17.40	3,048.54
37	Instruments	140.66	58.00	198.66
41	Food, Drink & Tobacco	103.17	522.00	625.17
43	Textiles	52.50		52.50
44	Leather & Leathergoods	5.75		5.75
45	Footwear & Clothing	112.81	58.00	170.81
46	Timber & Wooden Furniture	40.56	69.60	110.16
47	Paper & Paper Products	132.74	46.40	179.14
48	Rubber & Plastics	49.92		49.92
49	Other Manufactured Goods	9.34		9.34
50	Building & Civil Engineering	2,071.00	2,128.60	4,199.60
71	Railways/Transport	97.93		97.93
81	Banking & Finance, Insurance Etc	246.75		246.75
91	Public Admin, Nat Defence, Social Security	143.61		143.61
94	Research & Development	326.03		326.03
98 & 99	Miscellaneous Goods & Services	1,249.25	307.40	1,556.65
		12,238.22	5,800.00	18,038.22

Source: see below Table 5.3.5.2

TABLE 5.3.5.2 - CENTRAL AND LOCAL GOVERNMENT : UK CONTRACTS LET BY ECONOMIC CATEGORY, 1984-85
(% of total)

NIPRO/NACE	Description	Central	Local	Total
01	Agriculture	0.02		0.01
11	Solid Fuels	0.19		0.13
14	Oil Refining	5.87	8.3	6.65
15	Nuclear Fuels	2.29		1.56
16	Electricity, Gas, Steam	0.28		0.19
17	Water Supply	0.07		0.05
21	Metal Ores	0.03		0.02
22	Metals: Production & Preliminary Processing	0.27		0.18
23	Other Minerals	0.03		0.02
24	Non-Metallic Mineral Products	0.09	17.2	5.59
25	Chemical Industry	0.56	0.5	0.54
26	Man Made Fibres	0.05	0.2	0.10
31	Metal Goods	0.82	0.1	0.59
32	Mechanical Engineering	7.23		4.91
33	Office Machinery & Data Processing Equipment	0.62	2.4	1.19
34	Electrical Goods	15.37	11.0	13.97
35	Motor Vehicles	2.37	5.0	3.21
36	Other Transport	24.77	0.3	16.90
37	Instruments	1.15	1.0	1.10
41	Food, Drink & Tobacco	0.84	9.0	3.47
43	Textiles	0.43		0.29
44	Leather & Leathergoods	0.05		0.03
45	Footwear & Clothing	0.92	1.0	0.95
46	Timber & Wooden Furniture	0.33	1.2	0.61
47	Paper & Paper Products	1.08	0.8	0.99
48	Rubber & Plastics	0.40		0.28
49	Other Manufactured Goods	0.08		0.05
50	Building & Civil Engineering	16.92	36.7	23.28
71	Railways/Transport	0.80		0.54
81	Banking & Finance, Insurance Etc	2.02		1.37
91	Public Admin, Nat Defence, Social Security	1.17		0.80
94	Research & Development	2.66		1.81
98 & 99	Miscellaneous Goods & Services	10.21	5.3	8.63
		100	100	100

Source: see below

Notes to Tables 5.3.5.1 and 5.3.5.2

Sources: For central government, HM Treasury, personal communication, 6/3/87.

For local government, WS Atkins estimates based on analysis of the CIPFA database.

Note: 1. Central government figures refer to new contracts let. Contracts under £20,000 in value are included under NACE codes 98/99.

2. This dataset excludes:

* VAT
* hire charges
* purchases of goods of a non-industrial nature (e.g. land)
* purchases made without contract (but includes estimates of call-offs)
* For central government, the Department of Education & Science in 1984/85; Department of Arts & Libraries in 1984/85 and 1985/86; Scotland, Wales and Northern Ireland Departments other than the Scottish, Welsh and Northern Ireland Offices; and, some sub-departments

There are no published breakdowns of local government procurement by economic category. Local authorities are not required to, and do not attempt to, provide breakdowns of their purchasing by functional or any other categories. The figures in Table 5.3.5.1 are derived from analysis of the CIPFA database of local authority accounts.

5.4 Product Breakdown Using Input-Output Tables

5.4.1 Method

The national data on the breakdown of purchasing by products, presented in previous subsections, is incomplete and incompatible. In particular, the data on product breakdown where it exists is for contracts let, not total purchasing, and the purchasing sectors which are covered vary.

Detailed breakdowns of purchasing by supplying branch can be obtained for various countries from the input-output tables of the Eurostat ESA National Accounts. For France, Germany, Italy and the United Kingdom the most recent tables available are for 1980. No comparable table is available for Belgium.

In using the input-output tables to break down public procurement, a number of problems arise:

* the breakdowns of flows of goods and services is only shown for the "intermediate consumption" components, ie. current purchases, and excludes capital purchases. It is worth noting that for all countries, Eurostat statistics classify defence expenditure as current, irrespective of the nature and/or use of the goods or services concerned.

  No data is given on the breakdown of capital expenditure. The only data which was available was the Belgian INS data on contracts let, which does enable capital and current expenditure to be separated out. This has the disadvantage that it is not comprehensive, excludes local authorities, and is only for contracts procurement. However, the large capital spending authorities are included, and almost all capital purchases will be by contract. The exclusion of local authorities would under-represent the weight of civil engineering in the total, so an adjustment has been made by adding into the Belgian data an estimate for the major components of local authority capital expenditure. Capital expenditure in any industry tends to have a similar pattern in terms of broad product categories, i.e. mechanical equipment, electrical equipment, civil works, etc, even though the specific equipment varies, so these estimates are unlikely to introduce major distortions to the pattern of purchasing.

* The public sector as defined in this study cannot directly be identified. Some ESA categories are clearly public sector: categories 810, 850, 890 and 930: "General public services", "Non-market education research", "Non-market health" and "Other non-market services" respectively. These ESA categories correspond collectively to the NACE categories 92, 92A&B, 93A&B, 94A&B, 96A&B, 97A&B and 99: namely non-market services of general government and of private non-profit institutions, plus domestic services.

However, these categories do not include the public enterprises. Some of these can be identified quite easily eg. electric power; some less clearly. For example, ports and airports are included in "auxiliary transport services", which may also include competitive services; "air transport services" includes private airlines and national flag carriers; "Communications" includes private courier services as well as PTTs.

For present proposes, however, a close approximation to "public sector" as defined in this study is given by the following:

R-59 Code	Description of Economic Activity
031	Coal and coal briquettes
075	Natural gas
095	Water (collection, purification distribution)
097	Electric power
098	Manufactured gases
099	Steam, hot water, compressed air
110	Nuclear fuels
611	Railway transport services
633	Air transport services
650	Auxiliary transport services
670	Communications
810	General public services
850	Non-market services of education and research
890	Non-market services of health
930	Non-market services n.e.c.

In the case of Germany, the Eurostat data is presented in the R-44 code, a slightly broader system of classification than the R-59 used by the rest of the countries. German public sector current purchasing according to R-59 has therefore been estimated wherever an R-44 category covers several R-59 categories by allocating the R-44 coefficient on the basis of the expenditure patterns shown by France, Italy and the UK.

* At the time of writing this report, Eurostat had no input output tables for Belgium and therefore it has been necessary to resort to other sources, in particular the estimates of central government and public enterprise purchases extracted from the Belgian INS's statistical database for 1984, complemented by estimates of local and regional government expenditures for the same year. Belgian statistics are presented in the NACE classification of economic activities and therefore the figures have been reclassified and grouped to make them consistent with the presentation for the other countries. With one or two exceptions this reclassification exercise is straight forward, with a clear correspondence of codes between the two systems.

The procedure adopted, therefore, is as follows:

* calculate the 1980 intermediate consumption coefficients from I-O tables for France, Germany (after estimating the split from R44 to R59), Italy and UK, for the sectors listed above

* take the Belgian INS data breakdown by NACE code for 1984, regroup into ESA R-59 codes, add an estimated breakdown of local government purchases, and calculate intermediate consumption coefficients for Belgium

* calculate capital expenditure coefficients for Belgium from INS data, add an estimated breakdown of local authority capital purchases, and use these coefficients for estimating the breakdown of capital purchases by the public sector in all five countries.

* apply the 1980 coefficients so calculated to the 1984 public sector intermediate consumption and capital purchases for each country. Table 5.4.1 shows the figures used for the capital/current breakdown, compiled from previous sections.

TABLE 5.4.1 - CAPITAL AND CURRENT PURCHASES, 1984
(billion currency units)

	Belgium bn BF	France bn FF	Germany bn DM	Italy bn Lit	UK bn £
Government					
Intermed. consu.	171.4	248.5	91.2	35,031	31.7
GFCF	117.0	120.7	40.0	25,184	6.5
	288.4	369.1	131.3	60,215	38.2
Public enterprises					
Current	335	145.6	53.6	21,998	23.9
Investment	145	89.3	23.0	12,228	7.6
	480	234.9	76.6	34,226	31.5
TOTAL	768.4	604.0	207.9	94,441	69.7

Source: Table 5.1.1

5.4.2 Results of Analysis

The results of the analysis are shown in Tables 5.4.2 to 5.4.6, which present:

* the breakdown of current purchases
* the breakdown of capital purchases
* the total breakdown of purchases in ecus
* the percentage breakdown of purchases
* the share of public purchases in total sector output.

Figure 5.1 shows the results of the analysis, aggregated to 1-digit NACE level, in percent of total pruchases for each country. There is a reasonable degree of similarity between the countries. It is clear that the Belgian figures for services are under represented because they are based on the percentage breakdown of contracts let, since there are no 1980 input-output takes for Belgium. This however has no significant impact on the total savings estimated in Part II.

5.4.3 Comparison of Input-Output Breakdown of Total Purchases with the Breakdown of Contracts Let

For France, and only for France, we have independent data on the breakdown of total purchases from the input-output analysis described above, and on the breakdown of contracts reported from the data given by the Commission Central des Marches. The comparison of these sets of data is given in Table 5.4.7. The contract data refers to 1983 and the purchasing data are the estimates for 1984 (but based, as described above, on input-output coefficients for 1980). The data are summarised in Figure 5.2.

A particular anomaly appears in the categories 'non ferrous minerals and metals' and 'construction materials' (non-metallic minerals and products) where contracts in 1983 exceed the estimate of total purchases. These items had been constant for several years and are

TABLE 5.4.2 ESTIMATED BREAKDOWN OF PUBLIC SECTOR CURRENT PURCHASES BY ESA R-59 CATEGORIES (Million ECU's)

ESA R-59 Category	Category description	Belgium	France	Germany	Italy	United Kingdom	Total
010	Agricultural, forestry and fishery products	50.8	389.6	869.9	592.2	350.8	2253.3
031	Coal and coal briquettes	15.9	1528.1	4035.0	338.2	8263.7	14180.9
033	Lignite (brown coal) and lignite briquettes	0.0	69.5	142.1	49.6	0.0	261.2
050	Products of coking	25.0	2.6	46.8	6.9	76.4	157.6
071	Crude petroleum	0.0	0.0	155.7	0.0	3536.1	3691.8
073	Refined petroleum products	2197.6	7065.5	5618.3	8562.8	7127.8	30572.1
075	Natural gas	0.0	549.5	451.4	752.3	0.0	1753.2
095	Water (collection, purification, distribution)	55.2	444.2	585.2	117.4	416.8	1618.8
097	Electric power	192.4	2397.9	2314.3	1221.4	2601.7	8727.7
098	Manufactured gases	44.6	166.3	55.6	429.5	809.3	1505.3
099	Steam, hot water, compressed air	46.7	107.0	86.7	0.0	0.0	240.4
110	Nuclear fuels	0.3	797.8	306.9	49.0	0.0	1154.0
135	Iron ore and ECSC iron and steel products	59.8	249.3	325.6	191.0	361.3	1186.9
136	Non-ECSC iron and steel products	67.3	45.0	131.0	25.4	475.9	744.6
137	Non-ferrous metal ores; non-ferrous metals	23.5	21.7	131.2	26.4	149.4	352.1
151	Cement, lime, plaster	3.4	4.3	45.0	72.7	55.6	181.0
153	Glass	20.7	24.0	56.8	39.4	83.4	224.3
155	Earthenware and ceramic products	19.5	24.8	100.8	76.6	333.5	555.1
157	Other minerals and derived products (non-metallic)	84.3	96.3	247.6	32.3	548.8	1009.4
170	Chemical products	414.4	882.8	5203.9	1928.2	3904.3	12333.6
190	Metal products	807.1	2224.7	2072.2	713.7	2205.7	8023.4
210	Agricultural and industrial machinery	960.0	1000.3	1531.9	497.7	3720.2	7710.2
230	Office machines, etc.	110.1	106.3	1876.3	410.5	2501.0	5004.1
250	Electrical goods	743.8	2778.0	2469.3	1370.7	5019.3	12381.1
270	Motor vehicles and engines	386.3	1055.3	1140.6	218.6	809.3	3610.1
290	Other transport equipment	1938.8	3423.3	1524.0	1216.4	8663.1	16765.6
310	Meat and meat products	43.3	480.8	585.5	395.9	719.0	2224.5
330	Milk and diary products	6.7	216.9	458.6	137.1	375.1	1194.4
350	Other food products	53.5	418.4	528.4	442.5	1021.2	2464.0
370	Beverages	0.0	114.4	467.6	21.8	204.9	808.8
390	Tobacco products	0.1	0.0	16.8	0.2	20.8	38.0
410	Textiles and clothing	390.8	248.3	580.9	330.6	1038.6	2589.2
430	Leathers, leather and skin goods, footwear	123.0	54.7	64.2	72.0	170.2	484.2
450	Timber and wooden furniture	140.1	1016.4	241.8	226.3	927.4	2552.0
471	Pulp, paper, board	0.0	584.5	743.6	90.9	281.4	1700.3
473	Paper goods, products of printing	300.0	1314.5	2285.4	1541.5	3668.1	9109.6
490	Rubber and plastics products	149.3	457.0	681.8	483.1	965.7	2736.9
510	Other manufacturing products	37.6	519.1	209.1	99.0	785.0	1649.8
530	Building and civil enginnering works	1046.9	5339.4	3687.3	4152.3	6474.8	20700.7
550	Recovery and repair services	0.0	746.9	450.8	1361.3	0.0	2558.9
570	Wholesale and retail trade	0.0	583.4	3295.0	1269.9	4421.9	9570.3
590	Lodging and catering services	6.0	133.6	1872.2	403.1	2876.1	5291.0
611	Railway transport services	41.5	1288.2	975.4	310.9	844.1	3460.1
613	Road transport services	0.0	1801.2	855.6	1136.1	864.9	4657.8
617	Inland waterways services	0.0	29.4	12.2	7.4	0.0	48.9
631	Maritime and coastal transport services	0.0	64.9	100.8	94.1	187.6	447.4
633	Air transport services	0.0	666.5	573.1	264.6	437.7	1941.8
650	Auxiliary transport services	0.0	1149.3	268.1	554.1	1938.3	3909.7
670	Communications	0.0	1688.0	1915.0	1032.8	2417.6	7053.4
690	Credit and insurance	0.0	387.8	1023.0	962.1	5189.5	7562.3
710	Business services provided to enterprises	0.0	7239.0	7174.3	3352.7	0.0	17765.9
730	Renting of immovable goods	0.0	708.4	1284.3	637.4	2890.0	5520.1
750	Market services of education and research	0.0	2139.9	634.1	89.9	0.0	2863.9
770	Market services of health	0.0	727.3	343.9	1586.3	0.0	2657.5
790	Market services n.e.c.	537.7	1779.2	1875.7	1132.9	3397.2	9722.8
810	General public services	0.0	0.0	0.0	25.1	0.0	25.1
850	Non-market services of education and research	0.0	0.0	0.0	33.5	0.0	33.5
890	Non-market services of health	0.0	0.0	0.0	113.0	0.0	113.0
930	Non-market services n.e.c.	0.0	0.0	0.0	0.0	0.0	0.0
	Total	11143.8	57351.4	64728.8	41289.0	94130.6	268643.7

Source: WS Atkins estimates from ESA Input Output tables 1980 (see text)

TABLE 5.4.3 ESTIMATED BREAKDOWN OF PUBLIC SECTOR
CAPITAL PURCHASES BY ESA R-59 CATEGORIES
(Million ECU's)

ESA R-59 Category	Category description	Belgium	France	Germany	Italy	United Kingdom	Total
010	Agricultural, forestry and fishery products	0.0	0.2	0.2	0.2	0.2	0.9
031	Coal and coal briquettes	0.0	0.0	0.0	0.0	0.0	0.0
033	Lignite (brown coal) and lignite briquettes	0.0	0.0	0.0	0.0	0.0	0.0
050	Products of coking	1.8	9.3	8.6	8.3	7.3	35.3
071	Crude petroleum	0.0	0.0	0.0	0.0	0.0	0.0
073	Refined petroleum products	0.2	0.9	0.8	0.8	0.7	3.3
075	Natural gas	0.0	0.0	0.0	0.0	0.0	0.0
095	Water (collection, purification, distribution)	0.1	0.4	0.4	0.4	0.3	1.7
097	Electric power	0.4	2.3	2.1	2.1	1.8	8.8
098	Manufactured gases	0.6	3.3	3.0	2.9	2.6	12.5
099	Steam, hot water, compressed air	0.0	0.2	0.2	0.2	0.2	0.7
110	Nuclear fuels	0.0	0.0	0.0	0.0	0.0	0.0
135	Iron ore and ECSC iron and steel products	0.1	0.4	0.4	0.4	0.3	1.7
136	Non-ECSC iron and steel products	0.1	0.8	0.7	0.7	0.6	2.9
137	Non-ferrous metal ores; non-ferrous metals	0.6	3.4	3.1	3.0	2.6	12.7
151	Cement, lime, plaster	0.1	0.6	0.5	0.5	0.5	2.2
153	Glass	0.1	0.8	0.7	0.7	0.6	2.9
155	Earthenware and ceramic products	0.2	1.0	0.9	0.9	0.8	3.9
157	Other minerals and derived products (non-metallic)	0.4	2.2	2.1	2.0	1.8	8.4
170	Chemical products	0.9	5.0	4.6	4.4	3.9	18.7
190	Metal products	35.2	186.5	171.7	165.3	146.0	704.6
210	Agricultural and industrial machinery	117.4	622.2	572.9	551.5	487.1	2351.0
230	Office machines, etc.	87.8	465.2	428.4	412.3	364.2	1757.9
250	Electrical goods	281.9	1494.1	1375.8	1324.3	1169.7	5645.7
270	Motor vehicles and engines	146.0	774.0	712.7	686.1	606.0	2924.8
290	Other transport equipment	891.5	4725.6	4351.3	4188.4	3699.7	17856.6
310	Meat and meat products	0.0	0.0	0.0	0.0	0.0	0.0
330	Milk and diary products	0.0	0.0	0.0	0.0	0.0	0.0
350	Other food products	0.5	2.6	2.4	2.3	2.0	9.7
370	Beverages	0.0	0.0	0.0	0.0	0.0	0.0
390	Tobacco products	0.0	0.0	0.0	0.0	0.0	0.0
410	Textiles and clothing	2.2	11.7	10.3	10.4	9.2	44.3
430	Leathers, leather and skin goods, footwear	0.1	0.4	0.4	0.3	0.2	1.5
450	Timber and wooden furniture	6.4	33.9	31.2	30.1	26.6	128.2
471	Pulp, paper, board	0.0	0.0	0.0	0.0	0.0	0.0
473	Paper goods, products of printing	3.3	17.5	16.1	15.5	13.7	66.1
490	Rubber and plastics products	0.4	1.9	1.7	1.7	1.5	7.2
510	Other manufacturing products	6.1	32.2	29.6	28.5	25.2	121.6
530	Building and civil enginnering works	4076.8	21609.0	19897.5	19152.5	16917.5	81653.4
550	Recovery and repair services	0.0	0.0	0.0	0.0	0.0	0.0
570	Wholesale and retail trade	0.0	0.0	0.0	0.0	0.0	0.0
590	Lodging and catering services	0.0	0.1	0.1	0.1	0.1	0.5
611	Railway transport services	0.1	0.3	0.3	0.3	0.2	1.1
613	Road transport services	0.0	0.0	0.0	0.0	0.0	0.0
617	Inland waterways services	0.0	0.0	0.0	0.0	0.0	0.0
631	Maritime and coastal transport services	0.0	0.0	0.0	0.0	0.0	0.0
633	Air transport services	0.0	0.0	0.0	0.0	0.0	0.0
650	Auxiliary transport services	0.0	0.0	0.0	0.0	0.0	0.0
670	Communications	0.0	0.0	0.0	0.0	0.0	0.0
690	Credit and insurance	0.0	0.0	0.0	0.0	0.0	0.0
710	Business services provided to enterprises	0.0	0.0	0.0	0.0	0.0	0.0
730	Renting of immovable goods	0.0	0.0	0.0	0.0	0.0	0.0
750	Market services of education and research	0.0	0.0	0.0	0.0	0.0	0.0
770	Market services of health	0.0	0.0	0.0	0.0	0.0	0.0
790	Market services n.e.c.	104.2	552.2	508.4	489.4	432.3	2086.5
810	General public services	0.0	0.0	0.0	0.0	0.0	0.0
850	Non-market services of education and research	0.0	0.0	0.0	0.0	0.0	0.0
890	Non-market services of health	0.0	0.0	0.0	0.0	0.0	0.0
930	Non-market services n.e.c.	0.0	0.0	0.0	0.0	0.0	0.0
	Total	5765.6	30560.2	28139.8	27086.3	23925.5	115477.4

Source: WS Atkins estimates from ESA Input Output tables 1980 (see text)

TABLE 5.4.4 ESTIMATED BREAKDOWN OF PUBLIC SECTOR TOTAL PURCHASES BY ESA R-59 CATEGORIES
(Million ECU's)

ESA R-59 Category	Category description	Belgium	France	Germany	Italy	United Kingdom	Total
010	Agricultural, forestry and fishery products	50.8	389.8	870.2	592.4	351.0	2254.3
031	Coal and coal briquettes	15.9	1528.1	4035.0	338.2	8263.7	14180.9
033	Lignite (brown coal) and lignite briquettes	0.0	69.5	142.1	49.6	0.0	261.2
050	Products of coking	26.7	11.9	55.3	15.2	83.7	192.9
071	Crude petroleum	0.0	0.0	155.7	0.0	3536.1	3691.8
073	Refined petroleum products	2197.8	7066.4	5619.2	8563.6	7128.5	30575.4
075	Natural gas	0.0	549.5	451.4	752.3	0.0	1753.2
095	Water (collection, purification, distribution)	55.3	444.7	585.6	117.8	417.2	1620.5
097	Electric power	192.8	2400.2	2316.4	1223.5	2603.5	8736.6
098	Manufactured gases	45.3	169.6	58.6	432.4	811.9	1517.8
099	Steam, hot water, compressed air	46.7	107.2	86.9	0.2	0.2	241.1
110	Nuclear fuels	0.3	797.8	306.9	49.0	0.0	1154.0
135	Iron ore and ECSC iron and steel products	59.8	249.8	326.0	191.4	361.6	1188.6
136	Non-ECSC iron and steel products	67.5	45.7	131.8	26.1	476.5	747.5
137	Non-ferrous metal ores; non-ferrous metals	24.1	25.1	134.3	29.3	152.0	364.8
151	Cement, lime, plaster	3.5	4.9	45.6	73.2	56.0	183.2
153	Glass	20.8	24.8	57.5	40.1	84.0	227.2
155	Earthenware and ceramic products	19.7	25.8	101.8	77.5	334.3	559.0
157	Other minerals and derived products (non-metallic)	84.7	98.5	249.5	34.3	550.6	1017.8
170	Chemical products	415.3	887.8	5208.4	1932.6	3908.2	12352.3
190	Metal products	842.2	2411.2	2244.0	878.9	2351.7	8728.0
210	Agricultural and industrial machinery	1077.4	1622.5	2104.8	1049.2	4207.3	10061.2
230	Office machines, etc.	197.8	571.5	2304.7	822.8	2865.2	6762.0
250	Electrical goods	1025.7	4272.1	3845.0	2694.9	6189.1	18026.8
270	Motor vehicles and engines	532.3	1829.3	1853.4	904.6	1415.3	6535.0
290	Other transport equipment	2830.3	8148.9	5875.3	5404.8	12362.8	34622.2
310	Meat and meat products	43.3	480.8	585.5	395.9	719.0	2224.5
330	Milk and diary products	6.7	216.9	458.6	137.1	375.1	1194.4
350	Other food products	53.9	421.0	530.8	444.8	1023.3	2473.8
370	Beverages	0.0	114.4	467.6	21.8	204.9	808.8
390	Tobacco products	0.1	0.0	16.8	0.2	20.8	38.0
410	Textiles and clothing	393.0	260.0	591.7	341.0	1047.8	2633.5
430	Leathers, leather and skin goods, footwear	123.1	55.1	64.6	72.4	170.5	485.6
450	Timber and wooden furniture	146.5	1050.4	273.0	256.3	954.0	2680.3
471	Pulp, paper, board	0.0	584.5	743.6	90.9	281.4	1700.3
473	Paper goods, products of printing	303.3	1332.0	2301.5	1557.1	3681.8	9175.7
490	Rubber and plastics products	149.6	458.9	683.5	484.8	967.1	2744.1
510	Other manufacturing products	43.6	551.3	238.7	127.5	810.2	1771.4
530	Building and civil enginnering works	5123.7	26948.4	23584.8	23304.9	27392.7	102354.0
550	Recovery and repair services	0.0	746.9	450.8	1361.3	0.0	2558.9
570	Wholesale and retail trade	0.0	583.4	3295.0	1269.9	4421.9	9570.3
590	Lodging and catering services	6.0	133.7	1872.3	403.2	2876.2	5291.6
611	Railway transport services	41.6	1288.5	975.7	311.1	844.3	3461.2
613	Road transport services	0.0	1801.2	855.6	1136.1	864.9	4657.8
617	Inland waterways services	0.0	29.4	12.2	7.4	0.0	48.9
631	Maritime and coastal transport services	0.0	64.9	100.8	94.1	187.6	447.4
633	Air transport services	0.0	666.5	573.1	264.6	437.7	1941.8
650	Auxiliary transport services	0.0	1149.3	268.1	554.1	1938.3	3909.7
670	Communications	0.0	1688.0	1915.0	1032.8	2417.6	7053.4
690	Credit and insurance	0.0	387.8	1023.0	962.1	5189.5	7562.3
710	Business services provided to enterprises	0.0	7239.0	7174.3	3352.7	0.0	17765.9
730	Renting of immovable goods	0.0	708.4	1284.3	637.4	2890.0	5520.1
750	Market services of education and research	0.0	2139.9	634.1	89.9	0.0	2863.9
770	Market services of health	0.0	727.3	343.9	1586.3	0.0	2657.5
790	Market services n.e.c.	641.9	2331.4	2384.2	1622.3	3829.5	10809.3
810	General public services	0.0	0.0	0.0	25.1	0.0	25.1
850	Non-market services of education and research	0.0	0.0	0.0	23.5	0.0	23.5
890	Non-market services of health	0.0	0.0	0.0	113.0	0.0	113.0
930	Non-market services n.e.c.	0.0	0.0	0.0	0.0	0.0	0.0
	Total	16909.4	87911.7	92868.6	68375.3	118056.1	384121.1

Source: WS Atkins estimates from ESA Input Output tables 1980 (see text)

TABLE 5.4.5 ESTIMATED PERCENTAGE BREAKDOWN OF PUBLIC SECTOR TOTAL PURCHASES BY ESA R-59 CATEGORIES (Million ECU's)

ESA R-59 Category	Category description	Belgium	France	Germany	Italy	United Kingdom	Total
010	Agricultural, forestry and fishery products	0.30%	0.44%	0.94%	0.87%	0.30%	0.59%
031	Coal and coal briquettes	0.09%	1.74%	4.34%	0.49%	7.00%	3.69%
033	Lignite (brown coal) and lignite briquettes	0.00%	0.08%	0.15%	0.07%	0.00%	0.07%
050	Products of coking	0.16%	0.01%	0.06%	0.02%	0.07%	0.05%
071	Crude petroleum	0.00%	0.00%	0.17%	0.00%	3.00%	0.96%
073	Refined petroleum products	13.00%	8.04%	6.05%	12.52%	6.04%	7.96%
075	Natural gas	0.00%	0.63%	0.49%	1.10%	0.00%	0.46%
095	Water (collection, purification, distribution)	0.33%	0.51%	0.63%	0.17%	0.35%	0.42%
097	Electric power	1.14%	2.73%	2.49%	1.79%	2.21%	2.27%
098	Manufactured gases	0.27%	0.19%	0.06%	0.63%	0.69%	0.40%
099	Steam, hot water, compressed air	0.28%	0.12%	0.09%	0.00%	0.00%	0.06%
110	Nuclear fuels	0.00%	0.91%	0.33%	0.07%	0.00%	0.30%
135	Iron ore and ECSC iron and steel products	0.35%	0.28%	0.35%	0.28%	0.31%	0.31%
136	Non-ECSC iron and steel products	0.40%	0.05%	0.14%	0.04%	0.40%	0.19%
137	Non-ferrous metal ores; non-ferrous metals	0.14%	0.03%	0.14%	0.04%	0.17%	0.09%
151	Cement, lime, plaster	0.02%	0.01%	0.05%	0.11%	0.05%	0.05%
153	Glass	0.12%	0.03%	0.06%	0.06%	0.07%	0.06%
155	Earthenware and ceramic products	0.12%	0.03%	0.11%	0.11%	0.29%	0.15%
157	Other minerals and derived products (non-metallic)	0.50%	0.11%	0.27%	0.05%	0.47%	0.26%
170	Chemical products	2.46%	1.01%	5.61%	2.33%	3.31%	3.22%
190	Metal products	4.98%	2.74%	2.40%	1.29%	1.99%	2.27%
210	Agricultural and industrial machinery	6.37%	1.85%	2.27%	1.53%	3.56%	2.62%
230	Office machines, etc.	1.17%	0.65%	2.48%	1.20%	2.43%	1.76%
250	Electrical goods	6.07%	4.86%	4.14%	3.94%	5.24%	4.69%
270	Motor vehicles and engines	3.15%	2.08%	2.00%	1.32%	1.20%	1.70%
290	Other transport equipment	16.74%	9.27%	6.33%	7.90%	10.47%	9.01%
310	Meat and meat products	0.26%	0.55%	0.63%	0.58%	0.61%	0.58%
330	Milk and diary products	0.04%	0.25%	0.49%	0.20%	0.32%	0.31%
350	Other food products	0.32%	0.48%	0.57%	0.65%	0.87%	0.64%
370	Beverages	0.00%	0.13%	0.50%	0.03%	0.17%	0.21%
390	Tobacco products	0.00%	0.00%	0.02%	0.00%	0.02%	0.01%
410	Textiles and clothing	2.32%	0.30%	0.64%	0.50%	0.89%	0.69%
430	Leathers, leather and skin goods, footwear	0.73%	0.06%	0.07%	0.11%	0.14%	0.13%
450	Timber and wooden furniture	0.87%	1.19%	0.29%	0.37%	0.81%	0.70%
471	Pulp, paper, board	0.00%	0.66%	0.80%	0.13%	0.24%	0.44%
473	Paper goods, products of printing	1.79%	1.52%	2.48%	2.28%	3.12%	2.39%
490	Rubber and plastics products	0.88%	0.52%	0.74%	0.71%	0.82%	0.71%
510	Other manufacturing products	0.26%	0.63%	0.26%	0.19%	0.69%	0.46%
530	Building and civil enginnering works	30.30%	30.65%	25.40%	34.08%	19.31%	26.55%
550	Recovery and repair services	0.00%	0.85%	0.49%	1.99%	0.00%	0.67%
570	Wholesale and retail trade	0.00%	0.66%	3.55%	1.86%	3.75%	2.49%
590	Lodging and catering services	0.04%	0.15%	2.02%	0.59%	2.44%	1.38%
611	Railway transport services	0.25%	1.47%	1.05%	0.46%	0.72%	0.90%
613	Road transport services	0.00%	2.05%	0.92%	1.66%	0.77%	1.21%
617	Inland waterways services	0.00%	0.03%	0.01%	0.01%	0.00%	0.01%
631	Maritime and coastal transport services	0.00%	0.07%	0.11%	0.14%	0.16%	0.12%
633	Air transport services	0.00%	0.76%	0.62%	0.39%	0.37%	0.51%
650	Auxiliary transport services	0.00%	1.31%	0.29%	0.81%	1.64%	1.02%
670	Communications	0.00%	1.92%	2.06%	1.51%	2.05%	1.94%
690	Credit and insurance	0.00%	0.44%	1.10%	1.41%	4.40%	1.97%
710	Business services provided to enterprises	0.00%	8.23%	7.73%	4.90%	0.00%	4.63%
730	Renting of immovable goods	0.00%	0.81%	1.38%	0.93%	2.45%	1.44%
750	Market services of education and research	0.00%	2.43%	0.68%	0.13%	0.00%	0.75%
770	Market services of health	0.00%	0.83%	0.37%	2.72%	0.00%	0.59%
790	Market services n.e.c.	3.80%	2.65%	2.57%	2.37%	3.24%	2.81%
810	General public services	0.00%	0.00%	0.00%	0.04%	0.00%	0.01%
850	Non-market services of education and research	0.00%	0.00%	0.00%	0.03%	0.00%	0.01%
890	Non-market services of health	0.00%	0.00%	0.00%	0.17%	0.00%	0.03%
930	Non-market services n.e.c.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: WS Atkins estimates from ESA Input Output tables 1980 (see text)

TABLE 5.4.6 ESTIMATE OF PUBLIC SECTOR PURCHASES AS PERCENTAGE OF GROSS OUTPUT BY R-59 CATEGORIES
(Million ECU's)

ESA R-59 Category	Category description	Total Public Purchasing	Total Gross Output	Public Purch. as % of Gross Output
010	Agricultural, forestry and fishery products	2254	200384	1.12%
031	Coal and coal briquettes	14181	24412	58.09%
033	Lignite (brown coal) and lignite briquettes	261	271	96.38%
050	Products of coking	193	7809	2.47%
071	Crude petroleum	3692	105502	3.50%
073	Refined petroleum products	30575	185605	16.47%
075	Natural gas	1753	16135	10.87%
095	Water (collection, purification, distribution)	1620	11521	14.07%
097	Electric power	8737	72578	12.04%
098	Manufactured gases	1518	13173	11.52%
099	Steam, hot water, compressed air	241	745	32.37%
110	Nuclear fuels	1154	5737	20.11%
135	Iron ore and ECSC iron and steel products	1189	87133	1.36%
136	Non-ECSC iron and steel products	748	31215	2.39%
137	Non-ferrous metal ores; non-ferrous metals	365	69529	0.52%
151	Cement, lime, plaster	183	10683	1.72%
153	Glass	227	16279	1.40%
155	Earthenware and ceramic products	559	21475	2.60%
157	Other minerals and derived products (non-metallic)	1018	44649	2.28%
170	Chemical products	12352	219685	5.62%
190	Metal products	8728	148444	5.88%
210	Agricultural and industrial machinery	10061	182752	5.51%
230	Office machines, etc.	6762	52240	12.94%
250	Electrical goods	18027	158715	11.36%
270	Motor vehicles and engines	6535	170891	3.82%
290	Other transport equipment	34622	55659	62.20%
310	Meat and meat products	2225	77168	2.88%
330	Milk and diary products	1194	41183	2.90%
350	Other food products	2474	151491	1.63%
370	Beverages	809	43962	1.84%
390	Tobacco products	38	26309	0.14%
410	Textiles and clothing	2633	153965	1.71%
430	Leathers, leather and skin goods, footwear	486	32745	1.48%
450	Timber and wooden furniture	2680	81067	3.31%
471	Pulp, paper, board	1700	42469	4.00%
473	Paper goods, products of printing	9176	77554	11.83%
490	Rubber and plastics products	2744	68697	3.99%
510	Other manufacturing products	1771	29053	6.10%
530	Building and civil enginnering works	102354	330255	30.99%
550	Recovery and repair services	2559	56999	4.49%
570	Wholesale and retail trade	9570	386971	2.47%
590	Lodging and catering services	5292	116966	4.52%
611	Railway transport services	3461	21192	16.33%
613	Road transport services	4658	75182	6.20%
617	Inland waterways services	49	636	7.69%
631	Maritime and coastal transport services	447	30258	1.48%
633	Air transport services	1942	20521	9.46%
650	Auxiliary transport services	3910	47414	8.25%
670	Communications	7053	55190	12.78%
690	Credit and insurance	7562	155627	4.86%
710	Business services provided to enterprises	17766	169600	10.48%
730	Renting of immovable goods	5520	173285	3.19%
750	Market services of education and research	2864	9446	30.32%
770	Market services of health	2657	87599	3.03%
790	Market services n.e.c.	10809	94309	11.46%
810	General public services	25	278481	0.01%
850	Non-market services of education and research	24	93113	0.03%
890	Non-market services of health	113	25310	0.45%
930	Non-market services n.e.c.	0	14848	0.00%
	Total	384121	4982086	7.71%

Source: WS Atkins estimates from ESA Input Output tables 1980 (see text)

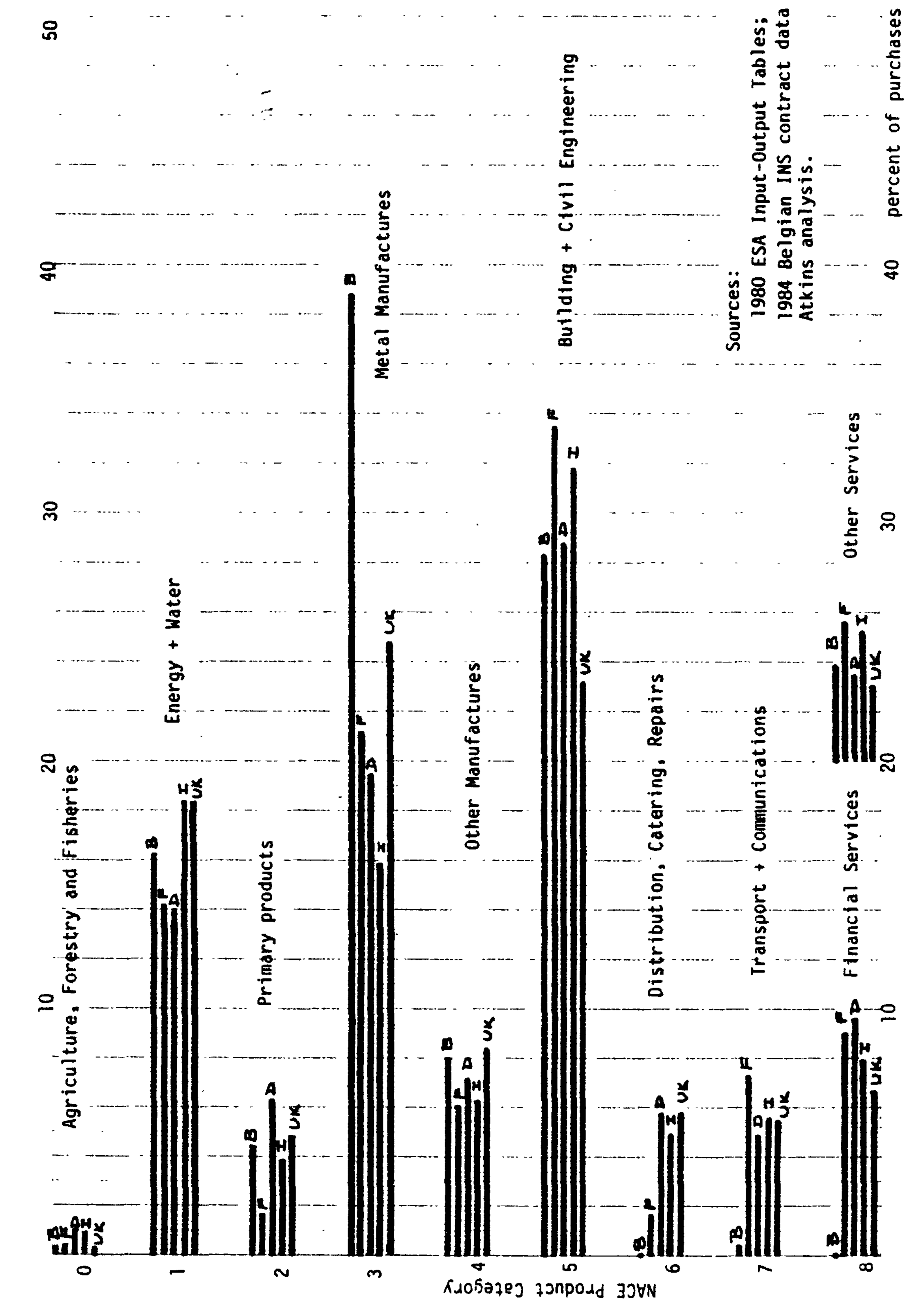


FIGURE 5.1 - BREAKDOWN OF PUBLIC PURCHASES BY PRODUCT CATEGORY

TABLE 5.4.7 - COMPARISON OF ESTIMATES OF TOTAL PURCHASING (1984) AND CONTRACTS LET (1983) FRANCE
(billion ecus)

NACE	Description	Contracts (1983)	Purchasing (1984)	% contract
0	Agric, fish, forestry	47.0	389.8	12
11/12	Solid fuels	905.7	1609.5	56
13/14	Oil & gas products	6375.2	7615.9	84
15-17	Elec gas water nuc fuel	-	3919.5	-
	Subtotal energy	7280.9	13144.9	
21/22	Ferrous mins & prods	219.0	295.5	74
21/22	Non fe mins & prods	* 2108.9	25.1	*
23/24	Non met mins & prods	231.7	154.0	150
25/26	Chem & pharm	495.5	887.8	56
	Subtotal intermed prods	3055.1	1362.4	
31	Metal working	701.1	2411.2	29
32	Mech engineering	2491.5	1622.5	153
33/34	Elec engineering	5155.9	4843.6	106
35/36	Transport equipment	4780.5	9978.2	48
	Subtotal equipment goods	13129.0	18855.5	70
41	Food, drink & tobacco	225.4	1233.1	18
43	Textiles & clothing	217.9	260.0	84
44/45	Leather goods	42.0	55.1	76
46	Wood/furniture/other mfs	214.4	1601.7	13
47	Paper	149.5	584.5	26
473/4	Printing	143.4	1332.0	10
48	Rubber/plastics	137.9	458.9	30
	Subtotal consump goods	1130.5	5525.3	20
5	Bldg/civil engineering	10202.1	26948.4	38
67	Repairs & rental trade	20.5	1330.3	2
66	Hotels/catering	36.4	133.7	27
63	Business services	2323.3	7239.0	32
85	Rents	10.8	708.4	1
6/8	Other services	525.1	5586.4	9
	Subtotal services	2916.1	14997.8	19
7	Transport & communcs	299.8	6687.8	4
	Total	38060.2	87911.7	43

Sources: Contracts: CCM data 1983 (the latest year available)
Purchasing: Atkins estimates for 1984 from ESA input-output tables (coefficientgs for 1980

* Note: See text

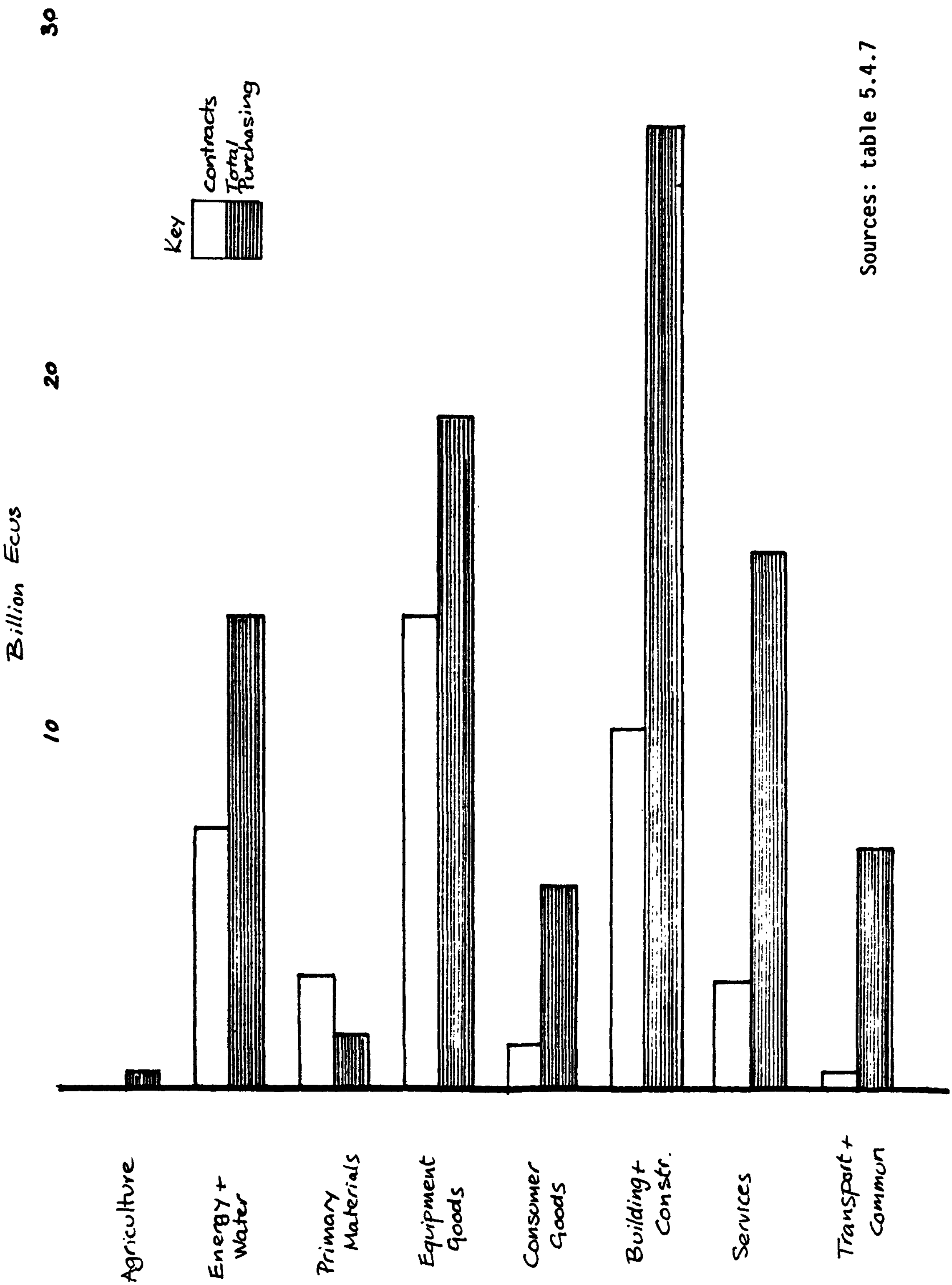


FIGURE 5.2 - COMPARISON OF CONTRACTS LET AND TOTAL PURCHASING ESTIMATES, FRANCE 1983 AND 1984

not apparently data errors or exceptional items although the large item for 'non ferrous minerals and metals' was about 1 billion ecus in 1980 compared to 2 billion in successive years. No obvious reason exists for this discrepancy between contracts let and estimated purchasing, but it is possible that the contracts data include:

* nuclear fuels, materials and ores for EdF power stations and processing (UK spends an estimated 7 bn ecus on coal compared to France's 1.2 bn ecus, so 2 bn ecus on nuclear materials is possible)

* construction materials purchased by or for contractors. These would be classed under 'construction' in purchasing data since it is the finished building or works which the public sector pays for, but contracts for materials, even if between private parties, may count as 'marches publics'.

The contracts let for mechanical and electrical engineering are also higher than the estimates for total purchasing, but this may be due to different allocations between the subcategories of equipment goods, because the total for all equipment goods looks correct.

Other than these anomalies (which would be unique to France and do not affect the estimate of total potential savings in Part II because no savings) the data indicate that overall, contracts reported in 1983 represent 43 percent of the estimated total purchases in 1984 (similar to the proportion estimated by CCM and reported in Section 5.2.2).

As would be expected the proportion of contract procurement in total purchasing indicated by the data varies from product to product. It is low in agricultural products, food and drink, furniture, paper, printing, rubber/plastics and in all services. It is high in fuels, raw materials, equipment goods, clothing and footwear.

6. ANALYSIS OF THE CONTRACT DATA BASE

6.1 Description of the Database and Sampling Procedure

6.1.1 Objectives

A central feature of the research programme was the compilation of a database of contracts let by the public sector in the years 1984 and 1985. In order to gather such information a proforma was designed (see Appendix IV) and distributed to purchasing authorities (one proforma per contract). The proforma covered the following contract details:

* description, specification, quality (or standard) of the purchase

* NACE classification and type of purchase (high-tech supplies, common supplies, works or services)

* the quantity and value of the items purchased

* administrative features of the contract (date, duration and frequency of purchase)

* tendering procedure, method of advertising, and selection criteria

* number of bidders

* information regarding the supplier (name, address, size, country of registration, identity of parent, foreign links, and activities in relation to the contract)

* assumed country of supply

* identity and activities of subcontractors.

The purpose of gathering this information and compiling the database was to:

* supplement and extend the information gathered in the interview programme by providing statistics on: tendering procedures, advertising methods, criteria used in selecting suppliers, level of competition and the composition of contracts. The intention was that the database would provide sufficient detail on these variables to make valid comparisons between types of contracts, countries, and types of purchasing authority

* identify direct and indirect imports to provide an indication of the level of international trade in supply to the public sector

and also:

* identify key suppliers (to assist in the selection of case studies for the interview programme to be carried out in Phase II)

* develop a basis for making price comparisons of equivalent items between countries.

The latter two objectives were not met, for reasons given below.

6.1.2 Sampling Frame

The intention of the Consultants was to develop a database in the region of 3,000 to 5,000 contracts, giving a target of up to 1,000 for each country included in the survey. The procedure for selecting purchasing entities and contracts for inclusion in the sample was:

* select a representative sample of entities from each type of public sector authority (central government, regional government, local government etc), the number of entities in each group reflecting the contribution of that group to the total procurement spend (a list of the entities that returned contract questionnaires is included in Appendix III)

* allocate a target number of contracts to each entity selected for the sample. The targets were determined by weighting the sample by the known value of each entity's purchasing relative to the total for the public sector

* each entity was requested to compile the required number of contracts so that:

  - half the sample would consist of a sample of the largest contracts issued in each year under review
  - the other half would include: at least one 'small' contract (under 100,000 ecu); as many items as possible from the 'Shopping List', with preference to larger contracts; and other randomly chosen contracts over 100,000 ecu. (This was chosen below the EC supplies threshold to capture any contracts which might have been deliberately split to avoid publication).

The 'Shopping List', mentioned above, was an important constituent of the sampling procedure. It consists of 51 items known to be purchased by the public sector (see Appendix V). The items were carefully selected to:

* ensure a mix between: everyday supplies and one-off purchases; high-tech and common goods; low value and high value equipment; and goods with a low and high design component

* ensure that the full range of products and services (based on the NACE classification) are represented.

The purpose of the 'Shopping List' was to obtain coverage of a wide range of products, and also develop a set of information within the database from which it would be possible to derive valid comparisons (notably, price comparisons) between countries.

The remainder of the sample was structured to focus attention on the largest and most important purchases (and hence those where public sector purchasing power could have a significant impact on supplying industries), while capturing, for the purposes of comparison, some information on smaller contracts.

6.1.3 Difficulties

Several difficulties were encountered in the administration of the questionnaire programme and analysis of the results. The most serious of these may be summarised as follows:

* several purchasing authorities either refused to co-operate, or took considerable time in agreeing to co-operate. The majority of respondents were unsympathetic to the objectives of the study, and hence could see little advantage in completing the proforma. For this reason, they assigned low priority to the research programme

* completion of the proforma made a significant call on resources, and since purchasing authorities would generally not allow the Consultants to carry out the research themselves, delays were inevitable

* many purchasing authorities contacted in the survey found the exercise required of them exceedingly difficult to carry out. One problem stemmed from the general lack of centralised purchasing which meant that the authorities undertaking the research needed to distribute the proforma to several purchasing departments to obtain a representative sample of contracts. Administrative delays, poor communications and misunderstandings were the usual results. Another major

difficulty was the time needed to retrieve the required information. Few public sector purchasing authorities appear to have computerised, or even systematic manual, information systems holding data on previous contracts. Manual retrieval of the data was therefore necessary, introducing lengthy delays to the process

* much of the information entered in the proforma is the subject of confidentiality undertakings between purchaser and supplier. In many cases, therefore, notably in the more commercially oriented authorities such as the UK's nationalised industries, it was considered inappropriate to identify suppliers and/or prices

* the consultants were not allowed access to the original files and so had no control over the data preparation

* in one member state, the laws prevented authorities from releasing data on prices and suppliers.

Nevertheless, those public authorities which contributed to the data base, dedicated considerable effort, to which the Consultants are indebted. The data base has yielded statistics previously unobtainable. Key aspects from the analysis are reported in the following subsections.

The database proved to be unsuitable as a basis for price comparisons. This was because:

* for relatively common items, the majority of contracts are for a basket of items whose specification and prices were not separately identified - for example, cabling of a range of sizes and types; frozen foods

* more complex works and supplies have complex specifications which the respondents were not able to summarise, and which anyway make the product unique and not susceptible to price comparisons

* even in 4,000 items and with the shopping list as a target, there were very few comparable items in the database.

6.2 Preliminary Analysis of the Data Base

The following tables show the analysis of the data base, with a little over 4,000 contracts.

* **The coverage of the data base** (Table 6.2.1). This shows the number and value of contracts sampled for each country, and for each type of purchasing authority. This table also sheds interesting light on the average size of contracts, which are obviously much smaller for local government (average under 1M ecu) than for central government or public enterprises (around 2 to 3M ecu).

  The database includes over 4,000 contracts covering all five countries, totalling 8½ billion ecus of contracts (some 2 percent of total annual purchasing, or around 4 percent of total contract procurement). Central government and public enterprises are both very well covered, although local government is relatively underrepresented (most local authorities contacted claimed to have let no or very few contracts over the threshold, and often found it hard to extract data on contracts they had let).

* **Breakdown by NACE product category** (Table 6.2.2). The table shows that most 2 digit NACE categories are covered. At macro-sectoral level the breakdown of contracts in the database compared with French CCM data on contracts and with the input-output estimates of the breakdown of total purchasing is shown below.

	Percentage breakdown by product in: Database (contracts) 1984-85	French CCM data 1983	Input-Output analysis (all purchases 1984)
Agriculture	-	-	-
Energy	4	19	17
Intermediate goods	3	7	4
Equipment goods	50	35	22
Consumer goods	3	3	7
Building and const.	34	27	27
Transport and comm.	2	1	6
Services	4	8	17
	100	100	100

The database is relatively overrepresented in equipment goods (particularly electrical equipment and transport equipment) and in construction. These are the categories which have relatively large contracts, and so the bias is probably a result of the sample selection on the basis of numbers of contracts. They are also the categories where large potential savings are found in the Part II report.

* **Breakdown by type of goods and services** (Table 6.2.3). Respondents were asked to classify the purchases into the categories shown. Approximately 30 percent were considered to be high technology goods, another 30 percent common goods, and 36 percent works (this is higher than 'construction' because it includes some contracts for the installation of equipment, considered by the purchaser to be a works contract, not a supply contract).

* **Size of contract by purchasing authority** (Table 6.2.4). 60 percent of all the contracts sampled are between 100,000 ecu and 1 million ecu, with a significant number (about 4%) over 10 million ecus.

* **Contract duration** (Table 6.2.5). 30 percent of contracts have a duration of over two years and half of all contracts have a duration of over one year.

* **Method of tendering** (Tables 6.2.6 to 6.2.8). There are marked differences between the countries:
  - only Belgium uses open tendering to a significant degree (52 percent of contracts for 43 percent of the value of contracts sampled). In all other countries the number of open tenders is under 10 percent, representing only 1 percent of the value of contracts sampled in Italy and 1½ percent in UK
  - restricted tendering is the most common method in France, Italy and UK, but these tend to be smaller contracts than average
  - negotiated tendering tends to be used for larger contracts in all countries and is particularly dominant in Germany (70 percent by value). In both France and Italy almost half of the value of contracts sampled were let by negotiation, and around a third in Belgium and UK (note: the "others" category in Italy is mainly "trattiva privata" which is a negotiated form of tender).

* **The extent of trade** (Table 6.2.9). This table unequivocally confirms the thesis that very few contracts are let with foreign suppliers. After taking out the "no responses" the percent of value of contracts in the sample let with foreign suppliers is:

Belgium	2.5%
France	1.6%
Germany	5.5%
Italy	0.3%
UK	0.4%
All 5	1.3%

Of foreign contracts about two thirds are with non-EC suppliers.

It is also true, however that many purchases (27 percent of supplies in the sample - excluding works and services) are made from intermediaries (agents, stockists or importers) who may supply imported products. This is particularly true in UK (43 percent of supplies) but not so of Italy (only 2 percent). In addition, some 15 percent of suppliers had foreign parents, subsidiaries or manufacturing licences, so that some hidden trade in goods or components is likely.

Purchasers (or the officials filling in the questionnaires) were not always aware of the origin of the products. There are difficult problems of definition of country of origin, which is normally taken to mean the country contributing over 50 percent of the products' value added, and may not always be evident. On the evidence of the replies given, however, and assuming that "don't know" replies are actually national supplies (on the hypothesis that foreign suppliers are likely to be noted and reported in the files), the import penetration rates are:

	% import penetration	
Belgium	21.3	(26.9)
France	16.1	(16.3)
Germany	11.5	(25.9)
Italy	1.0	(1.1)
UK	4.4	(4.5)
All 5	8.2	(9.5)

(figures in brackets are as percent of all positive responses, excluding 'don't knows').

The differences are quite marked, and it is notable that the two countries most often quoted by suppliers as having restrictive procedures and nationalistic bias, France and Germany, have much higher levels of import penetration, in the sample, than UK or Italy. The difference in perceptions is probably because suppliers do not attempt to enter the Uk or Italian markets without having a local presence, so are less aware of the barriers, which are mainly linguistic, cultural and geographical.

* **Size of supplier** (Table 6.2.10). Details on the supplier were often not available, but of those for which details were given, about half were large firms (over 500 employees or over 100 million ecus turnover). The proportion of contract value going to small firms (under 50 employees or 1 million ecus) is small, around 2 percent for Ministries and public enterprises, and around 12 percent for local government.

* **Criteria for bid selection** (Tables 6.2.11 and 6.2.12). The interpretation of this table is a little difficult because of the different national interpretations of the questionnaire wording. Nevertheless, some clear national differences emerge. In Germany, price only adjudication is hardly ever used (1% of response by value) and it is rare in UK and France (5 and 15 percent respectively). The most frequent users of price adjudication are Italy (32 percent) and Belgium (33 percent). Delivery factors were reported to be of frequent importance only in Germany and UK.

* **Advertising** (Tables 6.2.13 and 6.2.14). It is notable that tenders are rarely advertised in the national press in UK or Germany, but these countries make relatively high use of the OJEC (30 percent and 24 percent of positive responses respectively). France also makes relatively high use of the OJEC (32 percent of responses).

Germany, and to a lesser extent Belgium, make frequent use of registered firms lists, as do nationalised industries.

* **Origin of bidders** (Tables 6.2.15 and 6.2.16). This question had a large proportion of non-responses, and there is probably some ambiguity as to whether respondents intepreted the question as the area from which bids were actually received, or from which bids could theortically have been received. Since in theory all tenders could be open to foreign bidders it is assumed that responses refer to the actual origin of bids received. (This ambiguity refers particularly to the UK and Italian questionnaires which read "open to bidders from ..."; the French says "origine des soumissionaires ...", the German: "war die ausschreibung - weltweit ... etc).

Comparing Tables 6.2.15 and 6.2.9.

	% of contracts by value with:	
	Foreign bidder	Foreign supplier
Belgium	29	21
France	16	16
Germany	25	12
Italy	2	1
UK	36*	4

* Doubtful response

It would appear from the data (excluding the UK figure which is probably erroneous) that when foreign firms bid they have a good chance of success. This may mean that they do not bid if there is a strong local firm, or it may be that foreign bidding is underreported (because sometimes foreign bidders were reported in the purchaser's archive files, only if they won).

* **Number of bidders** (Table 6.2.17). Over one third of the value of contracts (excluding no-responses) in the sample had only one bidder; a further 13 percent had only two or three, 39 percent by value had between four and ten. In terms of numbers of contracts, the uncontested bids were only 14 percent of the total, but they were on average larger contracts than the competitive tenders.

TABLE 6.2.1: ANALYSIS OF DATA BASE COVERAGE
(Millions of Ecus)

	No. of contracts	Total value	Average value
By country			
Belgium	1101.00	857.33	0.78
France	744.00	1466.38	1.97
Germany	568.00	1085.68	1.91
Italy	847.00	2129.66	2.51
UK	773.00	2876.38	3.72
Total	4033.00	8415.43	2.09
By entity type			
Central govt.- Min	1370.00	3682.78	2.69
Central govt.- other	531.00	1046.11	1.97
Regional govt.	159.00	85.47	0.54
Local govt.	617.00	399.52	0.65
Public enterprises	1356.00	3201.54	2.36
Total	4033.00	8415.43	2.09

Source: WS Atkins' Contract Data Base

TABLE 6.2.2: BREAKDOWN BY NACE CODE (values in Ecus)

NACE CODE	SECTOR DESCRIPTION	No.of contracts	Total value	Average value	% of total value
000	Unspecified	7	20,292,764	2,898,966	0.24
010	Agriculture & Hunting	1	48,529	48,529	0.00
020	Forestry	1	460,375	460,375	0.01
110	Extrac. of Solid Fuel	1	741,785	741,785	0.01
140	Refining of pet/gas	111	354,290,030	3,191,802	4.21
150	Nuclear fuels	1	151,122	151,122	0.00
160	Prod/Dist of elec/gas	11	5,806,283	527,844	0.07
170	Supply etc. of Water	8	3,161,175	395,147	0.04
220	Metal prod & process	20	11,453,560	572,678	0.14
230	Mining of non-met min	8	14,110,083	1,763,760	0.17
240	Manu of non-met mins.	29	12,376,836	426,787	0.15
250	Chemical products	104	171,010,489	1,644,332	2.03
260	Man-made Fibres Ind.	2	38,089,394	19,044,697	0.45
310	Manu of metal artics.	163	565,424,178	3,468,860	6.72
320	Mechanical engineerin	182	578,835,553	3,180,415	6.88
330	Office mach,EDP,inst.	244	343,694,844	1,408,585	4.08
340	Electrical goods	499	1,107,576,375	2,219,592	13.16
350	Motor veh. & engines	207	221,540,290	1,070,243	2.63
360	Other transport equip	110	1,359,077,001	12,355,245	16.15
370	Instrument eng.	93	71,309,543	766,769	0.85
410	Food,drink,tobacco	43	16,870,098	392,328	0.20
420	Commodity production	6	9,942,438	1,657,073	0.12
430	Textiles & clothing	41	15,659,351	381,935	0.19
440	Leather & skin goods	12	1,572,047	131,004	0.02
450	Footwear & clothing	143	94,330,589	659,654	1.12
460	Timber/wood furniture	55	30,616,129	556,657	0.36
470	Paper,printing,publ.	128	48,725,697	380,670	0.58
480	Rubber & plastic prod	65	22,393,460	344,515	0.27
490	Other manu. products	6	2,055,909	342,652	0.02
500	Building & Civil Eng.	1,437	2,855,121,990	1,986,863	33.93
610	Wholesale distrib.	32	19,405,697	606,428	0.23
640	Retail distribution	5	2,818,476	563,695	0.03
650	Retail distribution	13	2,724,770	209,598	0.03
660	Hotels & Catering	4	3,711,029	927,757	0.05
670	Repair of consumer gd	1	18,191	18,191	0.00
710	Railways	1	906,802	906,802	0.01
720	Other land transport	7	4,033,617	576,231	0.05
740	Sea trans & shipping	1	133,590	133,590	0.00
750	Air Transport	1	220,750	220,750	0.00
760	Support.serv.to trans	14	12,689,759	906,411	0.15
790	Communication	17	143,624,616	8,448,507	1.71
820	Insurance	7	6,863,058	980,437	0.08
830	Business services	75	169,326,952	2,257,693	2.01
840	Rent/leas of movables	24	9,745,428	406,060	0.12
910	Public admin.MOD	3	1,143,818	381,273	0.01
920	Sanitary services	50	34,732,346	694,647	0.41
940	Research & develop.	30	22,902,328	763,411	0.27
970	Recreational services	7	3,496,834	499,548	0.04
980	Personal services	3	193,402	64,467	0.00
Total		4,033	8,415,429,380	2,086,643	100.00

Source: WS Atkins' Contract Data Base

TABLE 6.2.3: CONTRACTS BY CATEGORY OF GOODS
(Value in Ecus)

Category of goods	No.of contracts	Total value	Average value	% of total value
Hi tech supplies	600.00	2499351818	4165586.36	29.70
Common supplies	1663.00	2600016864	1563449.71	30.90
Works	1505.00	3020820522	2007189.72	35.90
Services	223.00	213717325	958373.65	2.54
Unspecified	42.00	81522851	1941020.26	0.97
Total	4033.00	8415429380	2086642.54	100.00

Source: WS Atkins' Contract Data Base

TABLE 6.2.4: SIZE OF CONTRACT BY TYPE OF PURCHASING AUTHORITY

ENTITY TYPE	No. of contracts in the range (Mio Ecus): <0.1	0.1 to 1.0	1 to 10	>10
Central govt.- Min	123	873	309	65
Central govt.- other	153	279	72	27
Regional govt.	26	114	19	0
Local govt.	186	348	79	4
Public enterprises	223	794	271	68
Unspecified	0	0	0	0
Total	711	2408	750	164

Source: WS Atkins' Contract Data Base

TABLE 6.2.5: CONTRACT DURATION
(Value in Ecus)

Duration	No.of contracts	Total value	Average value	% of total value
< 1 month	52.00	67122262	1290812.73	0.80
1 month - 1 year	1604.00	1843807492	1149505.92	21.91
1 year - 2 years	399.00	1565461253	3923461.79	18.60
> 2 years	375.00	2637321175	7032856.47	31.34
unspecified/invalid	1603.00	2301717198	1435880.97	27.35

Source: WS Atkins' Contract Data Base

TABLE 6.2.6: METHOD OF TENDERING BY COUNTRY
(Value in Ecus)

	Belgium	France	Germany	Italy	UK	All 5
By value of contracts						
Open	370979424	59895284	59459810	20408804	45615733	556359055
Restricted	170356086	701600997	220421573	955653810	1758773810	3807006276
Negotiated	311662976	660314452	760131424	20172306	917402936	2669684094
Prev. supplier	724266	28816273	13137596	35436609	41902681	120017425
Other	0	10641326	16413140	1017583631	70241255	1114879352
No response	3611630	4909413	16112683	80401741	42447711	147483178
Total	857334382	1466377745	.1085676226	2129656901	2876384126	8415429380
By number of contracts						
Open	568.00	72.00	41.00	72.00	37.00	790.00
Restricted	363.00	387.00	165.00	498.00	572.00	1985.00
Negotiated	157.00	252.00	299.00	51.00	63.00	822.00
Prev. supplier	3.00	18.00	33.00	27.00	14.00	95.00
Other	0.00	3.00	15.00	188.00	57.00	263.00
No response	10.00	12.00	15.00	11.00	30.00	78.00
Total	1101.00	744.00	568.00	847.00	773.00	4033.00

Source: WS Atkins' Contract Data Base

TABLE 6.2.7: METHOD OF TENDERING BY COUNTRY
(per cent by value in Ecus)

	Belgium	France	Germany	Italy	UK	All 5
By value of contracts						
Open	43.27	4.08	5.48	0.96	1.59	6.61
Restricted	19.87	47.86	20.30	44.87	61.15	45.24
Negotiated	36.35	45.03	70.01	0.95	31.89	31.72
Prev. supplier	0.08	1.97	1.21	1.66	1.46	1.43
Other	0.00	0.73	1.51	47.78	2.44	13.25
No response	0.42	0.33	1.48	3.78	1.48	1.75
Total	100.00	100.00	100.00	100.00	100.00	100.00
By number of contracts						
Open	51.59	9.68	7.22	8.50	4.79	19.59
Restricted	32.97	52.02	29.05	58.80	74.00	49.22
Negotiated	14.26	33.67	52.64	6.02	8.15	20.38
Prev. supplier	0.27	2.42	5.81	3.19	1.81	2.36
Other	0.00	0.40	2.64	22.20	7.37	6.52
No response	0.91	1.61	2.64	1.30	3.88	1.93
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: WS Atkins' Contract Data Base

TABLE 6.2.8: METHOD OF TENDERING BY ENTITY
(per cent by value in Ecus)

	Cent.govt Ministry	Cent.govt Other	Regional Govt.	Local Govt.	Public Enterprises
By value of contracts					
Open	7.98	2.71	16.43	14.94	5.01
Restricted	45.16	24.07	52.36	74.77	48.37
Negotiated	42.39	16.94	15.74	8.03	27.66
Prev. supplier	2.02	0.05	10.94	0.18	1.10
Other	1.59	51.17	3.57	0.03	16.18
No response	0.86	5.06	0.96	2.05	1.68
Total	100.00	100.00	100.00	100.00	100.00
By number of contracts					
Open	27.08	4.52	19.50	27.23	14.45
Restricted	41.68	56.12	33.96	55.92	52.88
Negotiated	23.36	19.21	26.42	14.10	19.99
Prev. supplier	2.12	0.75	10.06	0.49	3.17
Other	4.16	17.89	5.66	0.32	7.37
No response	1.61	1.51	4.40	1.94	2.14
Total	100.00	100.00	100.00	100.00	100.00

Source: WS Atkins' Contract Data Base

TABLE 6.2.9: INDICATORS OF THE EXTENT OF TRADE
(percent of purchases by value in Ecus)

	Belgium	France	Germany	Italy	UK	All 5
Purchases from suppliers based:						
in the home country	97.43	98.43	64.37	94.12	99.07	93.06
in other EC *	0.61	0.62	1.04	0.31	0.22	0.46
outside EC	1.95	0.96	2.73	0.00	0.18	0.78
no response	0.00	0.00	31.86	5.58	0.53	5.70
Purchases from suppliers who are intermediaries:						
agents	2.01	14.34	14.44	0.83	23.96	12.97
stockists	1.41	1.25	2.56	0.06	4.28	2.17
importers	16.59	8.13	0.67	0.09	5.81	5.20
one of the above	19.80	16.33	17.02	0.98	29.92	17.53
no response	9.89	0.91	60.77	12.40	4.91	13.32
Purchases from suppliers who are intermediaries: (excluding works and services)						
agents	3.37	26.64	14.71	1.66	34.23	20.04
stockists	1.76	2.46	2.58	0.11	6.59	3.48
importers	25.75	15.87	0.68	0.06	8.97	8.18
one of the above	30.52	30.49	17.30	1.83	43.39	27.08
no response	1.49	0.73	61.51	1.11	0.93	13.65
Purchases from suppliers who have foreign links:						
foreign parent	4.26	11.04	6.02	0.71	11.23	7.15
for. subsid.	0.27	15.71	2.18	7.48	8.97	8.01
for. licence	0.19	6.43	1.59	1.69	1.86	2.41
other	0.00	7.39	0.05	15.35	28.16	14.30
one of the above	4.45	26.95	7.10	18.26	43.60	25.59
Purchases which are assumed to originate from:						
the home country	57.80	82.90	32.94	85.62	93.33	78.15
other EC countries	17.49	7.94	2.68	0.90	0.78	4.01
outside EC	3.78	8.13	8.84	0.09	3.58	4.19
no response	20.93	1.03	55.53	13.40	2.30	13.65

*note: for supplier s domicile, Other EC refers to 5 study countries only

Source: WS Atkins' Contract Data Base

TABLE 6.2.10: SIZE OF SUPPLIER BY TYPE OF ENTITY
(percent of total value of purchases in Ecus)

	Cent.govt Ministry	Cent.govt Other	Regional Govt.	Local Govt.	Public Enterprises
By turnover					
over 100 Mio ecus	43.33	49.11	13.48	15.11	40.29
1 - 100 Mio ecus	32.24	22.81	36.02	24.81	26.11
under 1 Mio ecus	1.94	2.74	3.92	6.15	1.12
unspecified	22.48	25.34	46.58	53.93	32.49
By employees					
over 500	31.16	46.17	20.25	19.67	41.02
50 - 500	14.80	24.58	26.43	18.69	19.49
under 50	17.62	3.90	9.85	5.82	2.27
unspecified	36.41	25.35	43.47	55.82	37.22

Source: WS Atkins' Contract Data Base

TABLE 6.2.11: CRITERIA FOR BID SELECTION BY COUNTRY
(percent by value in Ecus)

	Belgium	France	Germany	Italy	UK
Lowest cost	21.09	42.29	42.33	53.58	52.24
Technical merit	42.05	41.75	46.96	45.31	63.95
Delivery	0.68	3.31	24.61	0.55	55.18
Other	0.00	5.89	32.58	11.20	34.43
No response	36.91	43.35	48.94	16.93	4.89
All 3 criteria	0.00	2.90	23.69	0.14	35.62
Lowest cost only	20.33	8.60	0.80	26.25	4.96

Source: WS Atkins' Contract Data Base

TABLE 6.2.12: CRITERIA FOR BID SELECTION BY ENTITY
(percent by value in Ecus)

	Cent.govt Ministry	Cent.govt Other	Regional Govt.	Local Govt.	Public Enterprises
Lowest cost	55.45	55.53	56.56	70.04	29.77
Technical merit	51.81	50.22	42.77	31.38	52.83
Delivery	29.05	3.58	20.96	25.93	21.61
Other	18.09	1.64	27.91	4.03	29.53
No response	21.22	35.98	10.94	15.77	23.56
All 3 criteria	27.51	1.16	16.67	3.45	8.55
Lowest cost only	11.44	10.88	31.28	25.73	10.81

Source: WS Atkins' Contract Data Base

TABLE 6.2.13: ADVERTISING METHODS BY COUNTRY
(percent by value in Ecus)

	Belgium	France	Germany	Italy	UK
Local Press	2.98	7.31	0.44	10.82	1.16
National Press	29.82	25.43	7.80	18.63	0.95
OJEC	19.53	15.92	21.76	1.43	28.72
one of the above	35.17	27.86	22.49	18.91	29.00
Registered Firms	43.63	16.07	59.00	14.60	16.50
Other	15.46	4.20	11.00	26.59	6.77
No Advertising	0.00	11.38	0.76	11.36	14.02
No response	13.64	49.23	11.05	39.30	5.13

Source: WS Atkins' Contract Data Base

TABLE 6.2.14: ADVERTISING METHODS BY ENTITY
(percent by value in Ecus)

	Cent.govt Ministry	Cent.govt Other	Regional Govt.	Local Govt.	Public Enterprises
Local Press	6.01	0.31	28.94	12.31	3.21
National Press	14.52	8.97	35.74	32.82	10.84
OJEC	32.27	5.76	32.64	45.18	1.14
one of the above	38.47	14.13	48.75	56.84	11.17
Registered Firms	15.26	17.50	24.96	16.01	37.64
Other	7.50	13.47	45.86	8.46	18.25
No Advertising	3.14	11.81	6.25	23.36	15.07
No response	13.69	55.90	3.60	4.05	26.09

Source: WS Atkins' Contract Data Base

TABLE 6.2.15: GEOGRAPHICAL ORIGIN OF BIDDERS, BY COUNTRY
(percent by value in Ecus)

	Belgium	France	Germany	Italy	UK	All 5
By value of contracts						
World	7.11	12.41	14.64	0.06	11.82	8.83
EEC	21.83	3.23	10.14	2.02	23.81	12.74
Nation	53.93	46.04	38.25	59.89	51.75	51.30
Local	1.35	0.66	0.94	0.37	5.26	2.26
No response	15.79	37.66	36.03	37.66	7.35	24.87
Total	100.00	100.00	100.00	100.00	100.00	100.00
By number of contracts						
World	9.09	5.51	6.16	0.47	17.46	7.81
EEC	26.45	7.12	13.73	2.83	5.82	12.18
Nation	49.73	56.18	54.23	81.11	59.51	60.02
Local	2.00	5.24	7.92	2.36	8.15	4.69
No response	12.73	25.94	17.96	13.22	9.06	15.30
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: WS Atkins' Contract Data Base

TABLE 6.2.16: GEOGRAPHICAL ORIGIN OF BIDDERS, BY ENTITY
(percent by value in Ecus)

	Cent.govt Ministry	Cent.govt Other	Regional Govt.	Local Govt.	Public Enterprises
By value of contracts					
World	14.96	10.52	2.70	17.41	3.30
EEC	28.17	4.68	32.50	6.11	3.52
Nation	52.54	34.92	44.11	48.23	66.19
Local	3.30	0.20	4.50	18.67	0.29
No response	1.04	49.69	16.19	9.58	26.70
Total	100.00	100.00	100.00	100.00	100.00
By number of contracts					
World	12.78	5.65	0.63	4.54	8.11
EEC	23.29	4.33	12.58	7.62	9.96
Nation	58.41	68.17	55.35	65.80	66.15
Local	3.59	1.51	8.81	13.29	3.24
No response	1.93	20.34	22.64	8.75	12.54
Total	100.00	100.00	100.00	100.00	100.00

Source: WS Atkins' Contract Data Base

TABLE 6.2.17: NUMBER OF BIDDERS
(Values in Ecus)

Number	No. of contracts	Total value	Average value	% of total value
1	487.00	2458517242	5048290.02	29.21
2 or 3	546.00	931220090	1705531.30	11.07
4 to 10	1749.00	2829135703	1617573.30	33.62
> 10	769.00	972003613	1263983.89	11.55
unspecified	482.00	1224552732	2540565.83	14.55

Source: WS Atkins' Contract Data Base

7. COMPARISON WITH THE USA

7.1 Description of the Public Sector in the USA

Public expenditure is carried out at three basic levels in the USA, namely Federal, State and local. Table 7.1.1 provides a breakdown of expenditure by level for 1983/84. Capital outlays accounted for 13% of 'direct expenditure' in 1983/84. Federal capital disbursements are used mostly for the purchase of defence equipment, while construction (mostly highways) accounts for the bulk of State and local government capital accounts.

A breakdown of expenditure by function is provided in Table 7.1.2. Defence accounts for the major share (44%) of Federal government expenditure. The major categories of expenditure for State and local governments are set out in Table 7.1.3. Thus, State and local governments account for the greater part of expenditure on education (93%) highways (98%) police and fire (93%) hospitals and health services (78%) and public welfare (72%).

Federal government supplied 15% of the revenue of State and local governments in 1983/84, and thus finances a large proportion of their expenditure. Funds for local governments are also provided by the States. In the case of education, for example, State inter-governmental payments, including federal amounts channelled through the States, provided 53% of local government direct expenditure. A similar situation obtains in the case of highways. Such transfers include 'program-specific' grants towards capital projects.

TABLE 7.1.1 - US PUBLIC EXPENDITURE BY SPENDING AUTHORITY, 1983-84

Authority	No. of Entities	Total Expend.	General Expend.	General Expenditure		
				Current Op.	Capital Outlay	Other
Federal	1	829,173	565,031	324,919	72,456	167,656
State	50	243,072	201,310	156,734	25,583	18,993
Local	82,290	355,781	301,974	276,730	45,166	-19,922
TOTAL	82,341	1,428,027	1,068,315	758,383	143,204	166,728

Source: Bureau of the Census, Governmental Finances in 1983/84, 1985

Notes: "General Expenditure" excludes: utilities expenditure, liquor stores expenditure and insurance trust expenditure.

"Capital Outlay" is direct expenditure for contract construction of buildings, roads, and other improvements to existing structures (including purchase of equipment and land). It also includes amounts for additions, replacements and major alterations to fixed works and structures (but expenditure for repairs to such works and structures is classified as current operation expenditure).

"Current Operation" is direct expenditure for compensation of own officers and employees and for the purchase of supplies, materials and contractual services, except amounts for capital outlay.

"Others" includes assistance and subsidies, interest on debt insurance benefits and repayments.

TABLE 7.1.2 - US PUBLIC EXPENDITURE BY FUNCTION, 1983-84

($ millions)

Function	Federal	State	Local	Total
National Defence & International Relations	248,040	-	-	248,040
Postal Service	26,619	-	-	26,619
Space Research & Technology	7,203	-	-	7,203
Education	12,794	48,771	129,749	191,315
Public Welfare	23,715	49,122	15,588	88,424
Hospitals	7,105	15,227	18,916	41,247
Health	5,861	6,340	5,936	18,138
Social Insurance Administration	3,567	2,546	10	6,123
Veterans Services	16,020	99	1	16,119
Highways	792	23,250	16,266	40,308
Airports	3,079	386	3,199	6,663
Water Transport & Terminals	1,811	402	928	3,140
Parking Facilities	-	-	484	484
Police	2,092	2,793	16,469	21,354
Fire	-	-	8,202	8,202
Correction	681	7,161	3,927	11,769
Protective Inspection & Regulation	-	2,229	1,004	3,233
Sewerage	-	246	11,270	11,516
Natural Resources	57,876	5,662	1,759	65,297
Housing & Urban Renewal	8,325	818	8,465	17,608
Parks and Recreation	1,539	1,388	6,956	9,882
Sanitation Other Than Sewage	-	-	4,710	4,710
Government Administration	7,556	9,837	16,518	33,911
Interest on General Debt	109,209	13,137	15,559	137,905
Other & Unallocated	21,147	11,899	16,059	49,105
GENERAL EXPENDITURE TOTALS	565,031	201,310	301,974	1,068,315

Source: Bureau of the Census, Governmental Finances in 1983/84, 1985

Note: Total subject to rounding effects

TABLE 7.1.3 - US STATE AND LOCAL GOVERNMENT DIRECT GENERAL EXPENDITURE BY PRINCIPAL HEADING, 1983/84

Activity	STATE		LOCAL	
	Item as % of State expenditure	State as % of all Government expenditure	Item as % of Local expenditure	Local as % of all Government expenditure
Education	24.2	25.5	43.0	67.8
Highways	11.5	57.7	5.4	40.4
Police & Fire	1.4	9.4	8.2	83.5
Hospitals & Health	10.7	36.3	8.2	41.8
Public Welfare	24.4	55.5	5.2	17.6
Total	72.3	NA	69.9	NA

Source: Calculated from Bureau of the Census, Governmental Finances in 1983/84, 1985.

Note: Totals subject to rounding effects

Local government functions at five levels: County, Municipality, Township, Special District and School District. The contribution of each level to total expenditure, and expenditure on major local government services, is set out in Table 7.1.4.

This shows that school districts are responsible for most education expenditure, while counties and municipalities together dominate spending on highways, hospitals and health services and police and fire. The primary function of special districts is to provide health services.

TABLE 7.1.4 - US LOCAL GOVERNMENT DIRECT GENERAL EXPENDITURE BY SPENDING AUTHORITY AND PRINCIPAL ACTIVITY, 1983-84

SPENDING AUTHORITY

Principal Activity	Total	Counties (N = 3041)		Municipalities (N = 19,076)		Townships (N = 16,734)		Special Districts (N = 28,588)		School Districts (N = 14,851)	
	$million	$million	% of Total	$million	% of Total	$million	% of Total	$million	% of Total	$million	% of Total
Education	127,534.8	9,924.7	7.8	10,336.6	8.1	2,718.0	2.1	43.8	-	104,512.0	81.9
Highways	16,266.0	6,363.7	39.1	7,815.4	48.0	1,788.5	11.0	298.5	1.8	-	-
Police & Fire	24,670.6	4,771.7	19.3	17,830.5	72.3	1,427.3	5.8	641.2	2.6	-	-
Hospital & Health	24,852.1	12,503.3	50.3	6,153.2	24.7	147.6	0.6	6,048.0	24.3	-	-
Public Welfare	15,587.8	10,536.6	67.6	4,848.6	31.1	203.0	1.3	-	-	-	-
Sub-Totals	208,911.3	44,100.0	21.1	46,984.4	22.5	6,284.4	3.0	7,031.5	3.4	104,512.0	50.0
ALL EXPENDITURE	301,973.6	70,611.9	23.4	93,981.9	31.1	10,295.5	3.4	20,579.2	6.8	106,505.1	35.3
Principal Activity Total as % of all Expenditure Totals	69.2	62.5		50.0		61.0		34.2		98.1	

Source: Calculated from Bureau of the Census, Governmental Finances in 1983/84, 1985

Note: Figures for "education" exclude expenditure on libraries as in Table 7.1.2.

7.2 Federal Government Procurement Procedures

7.2.1 Purchasing Authorities

Federal government procurement is carried out by three categories of purchasing authorities:

* General Services Administration

* Military Agencies

* Other Civilian Agencies.

General Services Administration (GSA)

GSA buys, warehouses and issues items that have government-wide useage as well as arranging provision of a variety of services. Upon request, GSA also makes purchases for individual agencies. In addition, GSA negotiates single and multiple-award "schedule" contracts (i.e. 'call' contracts) that permit agencies to order directly from suppliers at fixed prices.

GSA has four major sub-divisions:

* Information Resources Management Services, which is responsible for directing and co-ordinating government-wide programmes for the procurement, management, and use of automated data processing and telecommunications equipment, software and services

* Public Buildings Service, which is responsible for the design and construction of buildings, the planning of space, interior design, leasing of offices, maintenance and security of buildings, plus several miscellaneous services

* Federal Property Resources Service, which is responsible for the disposal of surplus land and buildings

* Federal Supply Service, which is responsible for supplying common-use items to civilian agencies and the DOD.

Under the 'Stock Program', approximately 16,000 items are stored in wholesale distribution centres. Agencies submit their requisitions to the GSA regional office serving their area. Orders are then directed to the appropriate distribution centre to be shipped from stock. Alternatively, an item may be purchased under the 'Federal Supply Schedule' (FSS) programme. Schedules are indefinite quantity contracts usually established for a term of 1 to 3 years. Payment is made directly to the contractor by the ordering agency. There are nearly 200 different schedules under this programme. About half of these are multiple awards resulting in negotiated contracts with several suppliers, the remainder being single-award schedules with contracts made under sealed bid procedures.

Agency requirements for items that cannot be included in either the stock or FSS programmes are consolidated by GSA and special, definite quantity contracts are executed. Direct delivery is made from the contractor to the agency involved. These contracts are formally advertised, but may be negotiated in certain circumstances.

FSS contracts are also awarded for travel, freight and repair and maintenance services.

GSA operates Business Service Centres in 12 major cities to assist suppliers in obtaining federal business, and maintains 77 Small Business Information offices. It also co-operates with the Offices of Small and Disadvantaged Business Utilisation housed in each federal department.

Since the early 1980's, GSA has undergone major restructuring to improve performance. Although it is not required to recover costs (like the UK's trading fund central purchasing agencies) it is becoming more commercially oriented, and has succeeded in lowering costs in recent years.

Military Agencies

Military purchasing is carried out by the three services, the Defence Logistics Agency (DLA) and other DOD agencies. Individual military activities award contracts to supply their respective needs or the combined needs of DOD activities where designated as an executive agent (i.e. where a military service with a predominant interest in one item purchases it for all users through consolidated purchasing). The various purchasing agencies are:

* Department of the Air Force. The Air Force Logistics Command buys all supplies and services to support operational systems, including aircraft and weapons. The Air Force Systems Command buys all Air Force systems, including aircraft and weapons, and makes initial purchase of related support equipment.

* Department of the Army. The Army Material Command is responsible for the material functions of the Army, including R&D, testing and evaluation, procurement and production, storage, distribution, transportation, maintenance and disposal. AMC consists of a nationwide network of 66 military installations and 250 separate units. The Army Corps of Engineers has both military and civilian responsibilities in construction and water resources projects.

* Department of the Navy. Procurement is divided between several commands, the most important of which are the Office of Naval Research and the Major Systems Command.

* Defence Logistics Agency. DLA (prior to 1977, the Defence Supply Agency) manages approximately two million general supply items for the military services, notably food, clothing, textiles, fuel, medical and dental equipment, electrical and electronic equipment. Six DLA supply centres each have responsibility for specific commodities.

Other Civilian Agencies

Each civilian agency maintains a procurement function. These vary mainly in the degree of decentralisation. The Veterans Administration, for example, has both central procurement and local purchasing at each facility which maintain their own bidders lists. The Department of State, on the other hand, has centralised procurement. Although each agency is subject to the legal provisions of the Federal Acquisition Regulation, they differ in procedures used for contracts below $25,000. In general, agencies make use of GSA services below $25,000 wherever possible. Competitive procurement is used, if practical, for purchases over $1,000, but this is informal (e.g. telephone quotations) below $10,000.

7.2.2 Legal Framework

Federal Acquisition Regulation

Prior to 1984, there were two primary procurement regulations in force:

* Defence Acquisition Regulation (DAR), published by DOD, formerly the Armed Services Procurement Regulation of 1947

* Federal Procurement Regulations (FPR), published by GSA.

In addition to the above a number of "semi-autonomous procurement regulations" were employed by NASA, CIA and the Tenessee Valley Authority which had some degree of independence from FPR. Agencies using either DAR or FPR were also allowed to issue supplementary regulations.

A 1972 report by the Commission on Government Procurement and the 1977 report by the Commission on Federal Paperwork both criticised the regulatory framework as burdensome and confused. A 1978-79 survey by the Office of Federal Procurement Policy (OFPP) identified

877 different sets of procurement regulations, 4,000 statutes, General Accounting Office decisions, court cases, executive orders and policy directives, contained in a total of 64,000 pages, of which were 22,000 being revised each year.

A 1980 OFPP report to Congress recommended that a uniform procurement system be distilled from existing regulations. The Federal Acquisition Regulation (FAR) was subsequently devised by DOD, GSA and NASA with guidance from OFPP and enacted on April 1st, 1984.

The development of FAR is controlled by two councils:

* the DAR council (which includes DLA and NASA)

* the Civilian Agency Acquisition Council (which is chaired by GSA).

OFPP is authorised to issue binding regulations only when GSA, NASA and DOD are unable to agree upon government wide rules.

While FAR is meant to be a uniform procurement code, it is subject to modification by agencies with statutory authority to implement different systems, provided they are not inconsistent with FAR principles. The DOD, for example, has a 1,200 page supplement to FAR. NASA also publishes a lengthy supplement to FAR. What FAR has introduced is a set of binding principles covering aspects such as competition and transparency, plus a measure of standardisation of paperwork within, and, in some cases, between DAR and FPR. However, there are still substantial differences between agencies in practices, procedures and clauses.

Recent Acts Promoting Competition

Several acts, created in 1985, contained provisions to promote full and open competition for federal procurements by limiting non-competitive awards:

* Public Law 98-369 "Competition in Contracting Act" (CICA)

* Public Law 98-577 "Small Business and Federal Procurement Competition Enhancement Act"

* Public Law 98-525 "Defence Procurement Reform Act".

The most far-reaching of these Acts is CICA. This is designed to promote the use of competitive procurement (either advertised or negotiated) by reducing the number and limiting the scope of existing provisions, allowing purchasers to pursue non-competitive awards. In the case of DOD, for example, the number of justifications for negotiating non-competitive awards has been reduced from 17 to 7. There is particular concern that the use of formal advertising (which leads to straightforward sealed bids evaluated solely on price) which is the "preferred" method of procurement, is very limited and decreasing. Whereas in the late 1970s, some 16% of procurement were made through formal advertising, the figure for 1986 was a little over 2%.

Another provision of CICA is that the head of an agency should designate another bureaucrat as "competition advocate", whose jobs it is to promote, and challenge barriers to, full and open competition. Other requirements include submission of a 30 day advance notice in the Commerce Business Daily, of all proposed procurements above $25,000 (previously, 15 days was the statutory requirement) together with publication of a list of all evaluative factors having a bearing on the award and their relative order of importance. Detailed records now have to be kept by all agencies of the reasons why awards have been made non-competitively. These can be examined and challenged by the General Accounting Office.

Analysis of FPDC records suggests that CICA is having an impact upon the level of competition. This is evident from Table 7.2.1.

TABLE 7.2.1 - IMPACT OF CICA ON COMPETITION IN FEDERAL PROCUREMENT

Procurement Method		% of Total Dollar Value	
Pre-CICA	Post-CICA Equivalents	Pre-CICA	Post-CICA
Formal advertising (competitive) Negotiated competitive	full and open competition other than full and open competition - competitive - full and open but only one bid	37.7%	54.8%
Negotiated non-competitive	non-competitive	57.6%	40.2%
Other	not available for competition	4.7%	5.0%

Source: FPDC Standard Report, Fiscal Year 1987, 1st Quarter, October 1st, 1986 to December 31st, 1986

Note: This is the first FPDC report which displays all of the CICA data as well as pre-CICA data.

Other Federal Laws

Federal procurement is subject to a range of laws aimed at securing certain socio-economic objectives. According to a study carried out in 1984, there are over 60 laws covering the social and economic aspects of federal procurements. A summary of these laws by function is set out in Table 7.2.2.

These laws are essentially market-distorting. They aim, for example, to divert business to labour surplus areas and to small and women-owned businesses. Another objective is to force employers to adopt affirmative action practices with regard to handicapped people and ethnic minorities. Interestly, no less than 15 laws have been promulgated to give preferential treatment to US suppliers. Most of these laws cover specific industries which the government wishes to support for strategic and political reasons.

TABLE 7.2.2 - FEDERAL LAWS AFFECTING PROCUREMENT

Function	No of Laws
Improving Working Conditions	5
Favouring Disadvantaged Groups (e.g. woman-owned businesses, minorities, small businesses, affirmative action program)	22
Favouring American Companies (e.g. Buy America Act, and specific product groups)	15
Protecting the Environment	5
Other (e.g. not buying from Communist Countries)	14

Source: US Congress Joint Economic Committee, Socio-economic Regulations and the Federal Procurement Market: A Study, 1984

The application of these laws incurs a number of costs for both purchaser and supplier. The purchaser, on the one hand, is diverted from his prime responsibility of securing value for money, while the supplier, on the other, is forced to divert entrepreneurial resources from productive activities to the administration of complex and time consuming regulations. A study carried out in 1979 estimated that the federal laws regarding procurement, in force at that time, cost $100 billion (including the cost of administering the laws and setting up regulatory agencies, the indirect cost of compliance on suppliers and the induced effects of the diversion of resources on, for example, innovation). Furthermore, from a survey of over 700 suppliers to Federal government, reported in 1984, it was concluded that while federal laws have little impact on corporate policies, they have a major disruptive impact on bidders and result, ultimately, in a reduction in the level of competition and an increase in prices paid by government.

The most important laws affecting competition are those giving preferential treatment to US suppliers and to small, women-owned and minority-owned businesses.

'Buy America' Act

The Buy America Act and Executive Order 10582 were implemented in the 1930's. The Act requires Federal government to purchase end-products that have been mined, produced or manufactured in the US (i.e. where over 50% of the value of the product is of US origin) except:

* where the articles are to be used outside the USA

* for certain DOD and NASA purchases

  (The Act is waived with respect to DOD procurements of military equipment from the US' 13 NATO partners. The Memoranda of Understanding with these countries provides for equal competition among tenderers (except for set-asides for small businesses and labour surplus areas). NASA also has a limited MoU with Japan, Canada and the European Space Agency for the permanent manned space station)

* where GATT applies (it is estimated that 80% of federal procurement is not governed by GATT)

* where US products are not of 'reasonable price'

  (The offered price of a domestic end product is currently 'unreasonable' if the lowest acceptible domestic offer (including transportation) exceeds the lowest acceptable foreign offer, inclusive of duty, by more than 6% (if the domestic offer is from a large business not located in a labour surplus area) or more than 12% (if the domestic offer is from a small business or in a labour surplus area).

An example of a law protecting a specific industry is that requiring agencies to procure 'jewelled bearings' exclusively from a government owned plant in Rolla, North Dakota.)

Small and Disadvantaged Businesses

One of the most elaborate sets of regulations concerns small businesses. These laws have the following implications:

* all procurements under $10,000 are reserved exclusively for small businesses

* above $10,000, set-asides for small businesses are optional and made at the discretion of the contracting officer, with a purchase which is restricted to small business bidders being identified by a set-aside clause in the invitation for bids or request for proposals

* on construction contracts worth over $1 million, and supply contracts over $500,000, tenders must contain proposals for sub-contracting to small firms.

The Small Business Administration (SBA) works closely with purchasing agencies to develop policies and procedures that will lead to increased contract awards to small businesses. It provides a range of services to individual companies to help them obtain and carry out government contracts. Its major activities are as follows:

* SBA Procurement Centre Representatives are stationed at the major federal buying centres. They are responsible for ensuring that the appropriate procurements are set-aside to small businesses, for initiating 'break-outs' on sole-source

purchases, for alerting small enterprises to sub-contracting opportunities from prime contractors and for reviewing the small business programme.

* SBA qualifies firms as small businesses and provides information on government buying methods.

* Through the Certificate of Competancy programme, SBA provides an appeal procedure for the small business that faces loss of a government contract award because it is not thought capable of meeting contract requirements.

* SBA is empowered to take over contracts, or parts of contracts, for the purpose of contracting non-competitively directly to small businesses.

* SBA maintains a centralised, computer-based inventory and referral system of small businesses interested in being a prime or sub-contractor for federal requirements. Over 110,000 small firms are listed on this PASS system (Procurement Automated Source System), 16,000 of them being minority-owned and over 19,000 women-owned.

In addition, each of the 18 federal departments (including DLA and other military agencies) maintains an Office of Small and Disadvantaged Business Utilisation with responsibility for planning preferential procurements (as provided for by Public Law 95-507).

Despite these efforts, SBA is seen by critics as under-resourced and ineffective. Although small firms contribute just under 50% of business GNP, they average 20-25% of government procurement (3-5% in R&D). According to DOD data, small businesses account for 17% of procurements under $25,000. Traditionally, set-asides are reserved for mundane, low-price, low-profit products. There is no legal framework governing small-businesses set-asides, and large firms tend to be preferred. This is evident from Table 7.2.3 which shows the extent to which a relatively small number of large firms dominate the federal market.

TABLE 7.2.3 - SIZE-DISTRIBUTION OF FEDERAL CONTRACTS BY PERCENTAGE OF FEDERAL BUSINESS PERFORMED

Number of Firms	All Federal Agency Contracts (1986)	All DOD Contracts (1985)	DOD (R&D, Testing and Evaluation Contracts) (1986)
Top 5 Firms	18.9	22.5	23.9
Top 10 Firms	30.4	34.6	38.5
Top 25 Firms	45.0	51.0	-
Top 100 Firms	63.1	70.1	-

Sources: 1. FPDS, Standard Report Fiscal Year 1986, 4th Quarter 1986

2. DOD, 100 Companies Receiving the Largest Dollar Volume of Prime Contract Awards, 1985, Directorate for Information Operations and Reports

3. DOD, 500 Contractors Receiving the Largest Dollar Volume of Prime Contract Awards for RDT&E, 1986, Directorate for Information Operations and Reports.

Note: applies to contracts over $25,000

Other Preferential Procurements

Preferential treatment is accorded to other types of business as follows:

* Section 8(a) of the Small Business Act, as amended by Public Law 95-507, authorises the SBA to enter into contracts with federal agencies for goods and services. In turn, SBA sub-contracts the actual performance of the work to 'socially and economically disadvantaged' businesses certified by SBA as eligible and competent (i.e. firms owned by minorities). The

Minority Business Development Agency maintains a PROFILE system (similar to PASS) listing minority-owned businesses and their capabilities.

* Executive Order 12138 of 1979 requires agencies to take affirmative action to support businesses owned by women.

* Agencies may restrict competition to firms that agree to perform most of the work in areas having higher than average unemployment (labour surplus area set-asides).

In 1986, labour surplus areas, women-owned businesses and minority-owned businesses accounted for 0.6%, 0.6% and 2.4% of federal procurements respectively.

7.2.3 Institutions

Several organisations have responsibility for monitoring and directing federal procurement:

* Commission on Government Procurement. Set up in 1969 to report to Congress, the Commission is mainly concerned with monitoring performance and recommending cost-saving measures such as simplification of procedures and aggregation of requirements.

* Office of Federal Procurement Policy. OFPP was set up in 1974. Its main function then was to develop a comprehensive proposal for a uniform procurement system and to set up a computer based federal procurement data system. Its current responsibilities are to:

  - assist in the development of a single system of federal procurement by offering advice and resolving differences between FAR and DAR
  - promote and co-ordinate research and studies

- foster simplification and standardisation of procedures (e.g. forms and contract language).

OFPP has a lead role in the Reform '88 Management Improvement Programme (set up in 1983) which aims to lower the cost of federal procurement by increasing competition, simplifying procedures, reducing lead times, improving the efficiency of the workforce and by contracting-out services

* Federal Acquisitions Institute. This is located within GSA with responsibility for promoting professional purchasing practices.

* Office of Federal Contract Compliance Programs (Department of Labour). Ensures that equal employment opportunities legislation is enforced.

* General Accounting Office. Oversees compliance with procurement law and handles appeals and disputes.

* Civilian Agency Acquisitions Council/Defence Acquisitions Regulation Council. Described above.

* Small Business Administration. Described above.

7.2.4 Procedures

FAR sets out the circumstances under which the various methods of procurement are permissable. These methods may be summarised as follows:

* Small Purchases:

Simplifed procedures apply where contract values do not exceed \$25,000. Supplies and services contracts under \$10,000 must be set-aside for small businesses. Purchases under \$1,000 may be made without quotations. Above \$1,000, quotations must be received from at least three suppliers. Above $10,000, formal 'Requests for Quotations' are sent out to a number of firms, selected from the bidders list, sufficient to ensure adequate competition

* FSS Program:

Agencies are required to make use of FSS schedule contracts (the military has a similar system) unless an identical product can be procured from an alternative source at lower price.

* Sealed Bidding:

'Sealed bids' are generally solicited when four conditions apply:

- time permits the solicitation, submission and evaluation of sealed bids
- the award can be made on the basis of price and other price-related factors
- it is not necessary to conduct discussions with tenderers
- there is a reasonable expectation of receiving more than one bid.

In these circumstances, the agency prepares an 'Invitation to Bid' (IFB) containing all relevant information. This is sent to a selection of firms registered on the agency's bidders list for the products or services in question. If necessary, a selection is made by rotation, but current contract holders are generally included. In addition, a synopsis of the IFB is published in the CBD, in public places, and sometimes in the media. The agency must then respond to any requests for bid packages arising from the advertisement. Sufficient time must be allowed to enable firms not solicited to enter the competition.

The bid opening procedure is public and tenderers are entitled to examine the pertinent facts of their competitors' bids. The contract is awarded to the "lowest responsive bid" (i.e. the lowest priced offer conforming exactly to all requirements) provided the bidder is deemed "responsible". Unlike, say, the UK system, suppliers in the US are assessed after the bid opening procedure and are certified 'responsible' only for the contract in question, not in general. The assessment of responsibility is based on an evaluation of the firm's financial records, its past performance and its technical and production capabilities.

The determinatin of responsibility prior to soliciting bids (pre-qualification) has generally been viewed as a restriction on competition. However, in certain circumstances, notably R&D contracts, a '2-step IFB' approach may be used. Here, bidders submit technical proposals as Step 1, and only those judged technically competent are allowed to submit price bids in Step 2. In Step 1, the IFB is published in the normal way.

* Negotiation:

This is used in over 80% of federal procurements (by value) where requirements cannot be defined precisely enough to allow offers to be evaluated solely on price. In these circumstances, 'Requests for Proposals' (RFP's) are issued either to a selection of firms (competitive negotiation) or one (non-competitive negotiation). In some cases, especially where R&D contracts are involved, a 'pre-award survey' is made or 'Requests for Information' issued to build up a list of potential candidates. Where procurements are competitive, the purchasing agency may enter into negotiation with all, some or none of the candidates (i.e. those who, in the opinion of contracting officers, have a 'reasonable chance' of winning the contract). Following any negotiations, which are all conducted in parallel, the selected firms each make their best and final offer. No further negotiation is allowed. In the case of some service contracts (e.g. architect/engineer services) candidates are first evaluated on technical grounds, negotiations on price and other conditions then being carried out with the first choice. (Only if these negotiations break down will the second, third or lower ranked candidates be invited for discussion).

Uncompetitive negotiation is allowed where:

- there is only one responsible source (less than 6% of major weapons systems and 10% of military spare parts contracts are competitive) and a change in specification would impose an unjustified cost on the administration (one justification of sole sourcing being compatibility)
- a unique unsolicited research proposal has been offered
- there is "unusual and compelling" urgency
- there is a need for industrial mobilisation (e.g. to reduce dependence on a single source or to create a national capability for strategic reasons).

7.2.5 Standards and Specifications

Federal and military specifications have been established and published in the Index of Federal Specifications and Standards and the DOD Index of Specifications and Standards. The latter contains 40,000 standards. The declared objective is to to achieve uniformity in the quality of product or service and fairness in competition, but there are variations between the two codes. Many standards are redundant by the time they are published and some actively restrict competition. In a recent study, the GAO found that of 138 typical bids, in which 8956 firms were invited, technical 'problems' meant that only 716 responded.

Both federal and military agencies maintain a Qualified Products List (QPL). This lists manufacturers whose products have been tested and shown to conform to the required standards and specifications. Procurements of the products can be made only from those manufacturers listed. The objective is to ensure that the award of a contract is not delayed by testing of a product. This approach has been criticised since it raises the possibility of an agency limiting a particular competition to vendors on the QPL without notifying those not on the list. Hence, the Defence Procurement Reform Act and the Small Business and Federal Procurement Competition Enhancement Act contains provisions which oblige agencies to consider awards to non-qualified bidders providing they can demonstrate compliance before the award.

7.3 State and Local Government Procurement Procedures

7.3.1 Differences between Authorities

Differences in the procurement practices of State and local governments arise in the following areas:

* Degree of Centralisation

  Most States purchase on behalf of local governments and set up schedule contracts and general specifications, but the level of centralisation varies widely. State agencies may be delegated either total authority to provide supplies and services (there are 4 in Virginia) or limited powers (up to $1,200 for 200 Virginia agencies, up to $10,000 for DC government). The trend is towards greater centralisation and consolidation of requirements, but divisions will remain between 'supplies' and 'construction'.

* Legal Framework

  Only a fraction of States have a specific procurement regulation on the lines of FAR.

* Preference Laws

There are four sets of 'preference' procedures, each of which are described below.

- Preference for local suppliers

Some 20 States retain statutes allowing purchasers to give preferential treatment to in-State suppliers. These usually apply to supplies and services, rather than construction, and may be limited to particular regions (in California, for example) and to particular products (e.g. printing services in Oregon, coal in Illinois). They work by authorising purchasers to award contracts to an in-State supplier if its bid is equal to or within a certain percentage (usually 2 to 5%) of the 'lowest responsible' out-of-State bidder. Preference policies are generally more stringent at lower levels of government. An unpublished paper, by Craig & Sailors of Houston University, includes a regression analysis which indicates that States with percentage preference laws spend 3% more in real terms per capita than other states, equal to $1.6 billion in 1980. This would appear to be an over-estimate since preference rules are applied in only a fraction of cases.

- Reciprocal laws

Some 19 States have 'reciprocal laws' authorising the use of preference procedures (as above) in cases where an out-of-State bidder, offering the 'lowest responsive' bid, enjoys preferential treatment in his own State. The use of these laws has contributed towards the gradual dismantling of preference procedures. However, each government will ensure, whenever possible, that local suppliers are selected for solicitation on every procurement. Craig and Sailors suggest that reciprocal preference laws have no significant impact on state expenditure.

- Preference for small, women-owned and minority business

  State and local governments are expected to assist such businesses, but policies differ. Although there are no statutory obligations to 'set-aside' procurements, some governments restrict competition to certain categories of firms by setting up 'sheltered markets'. Others set targets (e.g. 35% of procurement dollars in DC are allocated to minority owned firms). Most assist by ensuring that disadvantaged firms are well represented on bidders lists, have access to information and are solicited on every procurement. About 20 States have preferential regimes of some nature.

- 'Buy America' laws

  Some 35 States have laws or policies favouring American made goods by statute, 30 of which are product specific

* Advertising Procedures

All governments solicit firms directly by selection from a bidders list and by posting notices in public places. The use of media advertisement, however, is variable and declining (35 States have a legal requirement to advertise in the media) and some publish a synopsis of awards and procurements in in-house publications (DC government, for example, publishes notices above $10,000, Virginia above $5,000).

* Paperwork

Governments differ in their paperwork, often quite radically, especially that used in admitting firms to the bidders list (commodity codes used to categorise suppliers are often unique to each State) and in soliciting bids and proposals.

* Specifications

At least 42 States have initiated programmes to harmonise specifications within, but not between, State governments.

* Procedures

Although State and local governments subscribe to a common system of procurement (described below), there are differences in detail, notably:

- selection of firms to be solicited (some are rotational, others involve regional bidding and the degree of pre-qualification used also varies)
- procedures for dealing with late bids, mistakes, protests and appeals
- dollar thresholds and levels of authority required for the use of particular procedures
- procedures for procuring professional services (States using the FAR approach, like Virginia, evaluate bidders first on the basis of their technical proposals. Others, like Maryland and Missouri, allow tenderers to submit price proposals as well).

Several initiatives have been proposed to establish a uniform procurement code for State and local governments on the lines of the Uniform Commercial Code in the 1960s. The American Bar Association, for example, drafted a Model Procurement Code in 1979, portions of which have been introduced into a number of States' legislatures. The Council of State Governments and the

National Institute of Governmental Purchasing have both conducted studies highlighting difference in procedures and recommending harmonisation. The view now is that States and local governments should adapt their procurement procedures to FAR post-CICA. Some States, such as Virginia, have already enacted laws bringing their procedures more in line with FAR. Nevertheless, the remaining differences on procedures, together with preference laws, do inhibit inter-State competition.

This has provoked a leading expert on procurement law to suggest that "....without a concerted attempt to seek substantial uniformity in procurement rules and procedures of State and local governments, the States of our union may well constitute less of a 'common market' in the public sector than will the countries of Europe by the end of this decade".

(Noel Keyes, 1986, p.xi)

7.3.2 General Procedures

In many States, the State purchasing code applies to all local governments. In Virginia, for example, the 1985 Public Procurement Act (which is based on FAR) applies to all municipalities and counties with a population over 3,500, unless they have adopted by ordinance or resolution, alternative policies and procedures based on competitive principles of similar force. Local government procurement comes under State law anyway where co-operative purchasing arrangements have been set up for which State agencies are responsible.

There are five basic procurement procedures, the principles of which are as follows:

* Small Purchases

Formal advertising and full IFB's are not required for purchases up to certain dollar thresholds. Rules differ between States, but the Virginia system is as follows:

Goods & Printing	Non-Professional Services	Procedure
less than $500	less than $2,000	Competition not required
$501-$1,200		Solicit 3 sources by phone or in writing
$1,201-$5,000	$2,001-$10,000	Solicit minimum of 6 sources, by phone or in writing
$5,001-$10,000		Solicit minimum of 6 sources in writing

* Formal Advertising

Formal advertising involves the various steps outlined below:

- Preparation of an IFB containing all specifications, contractual terms and conditions
- Solicitation of firms directly from a bidders list. This may follow a pre-qualification procedure (i.e. 2-step formal advertising) which is usually applied only to particular suppliers and services (for example, printers in Virginia). The number of bidders solicited must be sufficient to ensure adequate competition. Virginia specifies a minimum of six, which must include two from within the State, one minority-owned firm, and the previous contract holder. Bidders' lists are extended not only by firms applying but by direct solicitation.

- A synopsis of the IFB is posted in a public place a minimum number of days before deadline (usually 10) and advertised either in a government publication or the commerical media.
- Bid opening is public.
- The contract is awarded to the bidder who is both 'lowest responsive' (the lowest offer responding to all conditions set out in the IFB) and 'responsible' (possessing the potential ability to perform successfully under the terms and conditions of the contract programme).

IFB's are used where:

- firms can bid on the basis of furnishing identical services or materials
- there are sufficient bidders who are willing to compete for business
- there is enough time to permit the preparation, distribution, receipt and evaluation of bids.

It is thought that IFB's account for 80-90% of all State and local government procurements and 50-60% of dollars spent. The advantages of the procedure are that it is open, fair and competitive. However, it is likely that negotiation (disallowed under the system) and the use of performance, rather than technical, specifications could result in lower prices in many cases.

* Competitive Negotiation

Negotiation is employed where:

- specifications cannot be defined precisely enough to allow evaluation of bids on price only
- special conditions apply (e.g. spare parts)
- personal and professional services or construction and maintenance contracts are involved.

The procedure for soliciting offers is similar to formal advertising (except that a RFP is used) thereby ensuring adequate competition. Proposals are evaluated with reference to managerial capability, technical capability, methodology and price. Negotiations are entered into with the top two or three tenderers.

* Non-Competitive Negotiations

Non-competitive procurements can only be authorised at the highest levels. They can be justified in the following circumstances:

- emergency (i.e. health and safety or equipment in jeopardy)
- sole source
- certain small purchases
- where procurements can be made competitively from handicapped workshops
- purchases from other government agencies.

* Federal Grants

Where such grants are involved, federal law only prevails if it exceeds local regulations. The objective of this rule is to ensure that federal dollars are disbursed through competitive procurements. Grantees are not obliged to apply all other federal laws to their procurements unless stipulated, but they are expected to take affirmative action in respect of small, minority and women-owned businesses and labour surplus areas and apply the 'Buy America' Act when enforced by the federal agency.

7.4 Volume of Public Procurement in USA

7.4.1 Sources of Information

One of the implications of the U.S. Freedom of Information Act is that Federal government is required to publish a much greater volume of information regarding its procurements than public authorities in Europe. There are three sources of data:

* Federal Procurement Data Centre
* Commerce Business Daily
* Agency Reports

Federal Procurement Data Centre

Public Law 93-400 required the Office of Management and Budget, through its Office of Federal Procurement Policy, to set up a data collection system for federal procurements. The Federal Procurement Data System (FPDS) was duly set up in 1978 and commenced data collection in October of that year. The Federal Procurement Data Centre now produces quarterly reports (begining January 1st through March 31st) which include data on all contracts over $25,000 let by federal agencies (prior to April, 1985, the reporting threshold was $10,000 for civilian agencies).

The database includes:

* total dollars obligated by contracts for purchases made by federal agencies (i.e. the value of all contracts, not all purchases)

* the number of contracts (or "actions")

* breakdown by type of purchase

* breakdown by economic category (Federal Supply Classification) services being classified by 40 section headings (and corresponding single lesser codes) while supplies and equipment purchases are classified by 78 headings (and corresponding two-digit codes)

* breakdown by method of procurement

* listing of top 100 suppliers and value of business placed

* breakdown of affirmative actions required by federal law

* breakdown by type of contract .

An example of some of the information available is set out in Table 7.4.1.

Commerce Business Daily

The Commerce Business Daily is published by the US Department of Commerce. It lists:

* all (unclassified) proposed procurements over $5,000 by civilian agencies

* all (unclassified) proposed procurements over $10,000 by military agencies.

* all (unclassified) contract awards over $25,000 by civilian agencies

* all (unclassified) contract awards over $100,000 by military agencies.

TABLE 7.4.1 - FPDS DATA, ALL US FEDERAL AGENCIES, FISCAL YEAR 1986

Contract Breakdown	No. Contracts Contracts	Value of Contracts ($million)	% of Total Value of all Contracts
All 'Actions' (contracts over $25,000)	414,767	182,559	100.0
Methods of Procurement			
- formal advertising	14,330	2,474	1.4
- negotiated competitive	88,232	41,640	22.8
- negotiated non-competitive	57,732	54,760	30.0
- other	12,790	9,797	5.4
- unspecified	241,683	73,888	40.5
Product or Service			
- supplies and equipment	170,596	95,800	52.5
- R&D	34,448	25,673	14.1
- construction	36,980	11,959	6.6
- architect/engineer	9,637	2,376	1.3
- ADP services	7,669	1,979	1.1
- ADP equipment	24,395	3,895	2.1
- real property	13,782	407	0.2
- other services	117,260	40,470	22.2
Set-Asides (included in above)			
- small business	192,868	30,721	16.8
- labour surplus areas	8,901	1,014	0.6
- minority & disadvantaged business	21,547	4,417	2.4
- women-owned businesses	8,881	1,170	0.6
Sub Totals of Set Asides	232,197	37,322	20.4

Source: Federal Procurement Data Centre, FPDS Standard Report, July 1st 1986 through September 30th 1986.

CBS does not list procurements that are:

* classified for reasons of national security
* for perishable items
* for certain utility services
* required within 15 days (CBD gives at least 30 days notice)
* placed under existing contracts
* for personal professional services
* for services from educational institutions
* made only from foreign sources
* not to be given advance publicity, as determined by SBA.

The information regarding contract awards includes:

* a brief description of the product or service
* the quantity(ies) purchased
* the name and address of the supplier
* the name and address of the purchaser
* the date of award of contract
* the value of the contract
* approved product number (where appropriate)
* contract reference number.

Agency Reports

Some of the federal agencies with large procurement spends, notably the Department of Defence (since 1985) and NASA (since 1986) publish procurement reports. The Department of Defence, for example, provides inter alia:

* details of prime contract awards
* a breakdown of awards by service category and FSC
* a listing of the 500 companies receiving the largest dollar volume of business for R&D, test and evaluation
* a listing of the 100 companies receiving the largest dollar volume of prime contract awards.

In addition, several agencies publish guides for prospective suppliers which contain summarised information on the value of business placed and the kinds of opportunities available.

These sources of information refer to federal procurements only. There are no equivalent sources for either State or local government procurements. States and local authorities are not required to publish procurement data or report procurements to a central body. The National Association of State Purchasing Officials and the National Institute of Governmental Purchasing both publish monographs concerning State and local government purchasing, but the emphasis is upon procurement practices rather than the volume of business placed.

7.4.2 Volume of Public Sector Procurement and Macro-economic Importance

Table 7.4.2 provides estimates of public sector procurement by spending authority in 1983/84. These figures are compiled mostly from secondary sources, notably the Bureau of the Census' analyses of government finances. FPDC data may also be used for this purpose, but its limitation is that it excludes purchases below $25,000.

The analysis suggests that public sector procurement is equivalent to around 10% of US GDP. Purchasing by federal agencies accounts for over 50% of US public sector procurement. Its current value is in the order of $180 billion, involving over 400,000 contract actions.

TABLE 7.4.2 - US PUBLIC PROCUREMENT BY SPENDING AUTHORITY, 1983-84

Government Spending Authority	$ billion
Federal Government (All Agencies)	160
State Government Authorities	55
Local Government Authorities	85
TOTAL US PUBLIC PROCUREMENT, 1983-84	300

Sources: various; mostly Bureau of the Census, Governmental Finances in 1983/84 and State Finances in 1983/84

Note: This excludes expenditure on utilities

7.4.3 Breakdown by Entity

A breakdown of federal procurement by 59 agencies is provided by FPDC. Table 7.4.3 gives a simplified breakdown for the 1986 financial year by aggregating the procurements of agencies with relatively small budgets. This shows that nine departments accounted for over 97% of federal produrement dollars in 1986. The Department of Defence alone accounts for 80% of the total.

A similar source of information does not exist for State and local government procurement. It is possible to compile a rough breakdown of procurement by State and local government tier (e.g. county, municipality) from the Department of Commerce's government finances publications, but certain assumptions have to be made in deriving purchasing figures from the categories listed, which limits the value of the exercise.

TABLE 7.4.3 - FEDERAL PROCUREMENT EXPENDITURE BY SPENDING AUTHORITY, 1986

Department or Agency	Expenditure ($ billion)
Department of Defence	145.9
- Army	(35.1)
- Air Force	(45.5)
- Navy	(46.2)
- Defence Logistics Agency	(14.8)
- Other	(4.3)
Department of Energy	13.9
NASA	7.3
Tennessee Valley Authority	2.3
Department of Agriculture	2.0
General Services Administration	2.0
Veterans Administration	1.8
Department of Transportation	1.2
Department of Health & Human Services	1.1
Other Civilian Agencies	5.1
Total	182.6

Source: Calculated from Federal Procurement Data Centre, FPDS Standard Report, July 1st, 1986, through September 30th, 1986.

7.4.4 Breakdown by Product Group

It is possible to construct a profile of Federal government purchasing by FSC product group from the FPDC reports (excluding purchases below $25,000) and the CBD database (excluding civilian contracts below $25,000 and military contracts below $100,000). The FPDC figures are published and are reproduced (for the 1986 fiscal year) in Table 7.4.4. The FPDC also provides a breakdown by type of purchase. An example for the 1986 fiscal year is set out in Table 7.4.5.

Individual State and local government authorities do maintain statistics of this type, but the level of detail and classification systems vary and there is no centralised data collection. The Department of Commerce's publications on State and local government finances contain only enough information to construct the breakdown of purchases shown in Table 7.4.6.

TABLE 7.4.4 - FEDERAL GOVERNMENT PROCUREMENT BY FSC CLASSIFICATION, 1986

Category	No. of Contracts	Value ($m)
Services		
A Research and Development	34,448	25,672
F Natural Resource Management	5,625	331
G Social Services	2,142	494
H Quality Control, Testing and Inspection Services	1,714	635
J Maintenance, Repair and Rebuilding of Equipment	23,260	5,725
K Modification of Equipment	1,720	1,967
L Technical Representative Services	2,238	824
M Operation of Government-owned Facility	3,901	14,893
N Installation of Equipment	1,107	371
P Salvage Service	741	109
Q Medical Service	16,831	612
R Professional, Technical and Management Services	42,052	10,097
S Utilities and Housekeeping Services	19,931	5,508
T Photgraphic, Mapping, Printing and Publication Services	2,214	235
U Training Services	3,279	846
V Transportation and Travel	4,334	1,759
W Lease or Rental of Equipment	6,672	1,119
X Lease or Rental of Facilities	13,678	403
Y Construction of Structures and Facilities	14,450	7,668
Z Maintenance, Repair or Alteration of Real Property	22,530	4,291
Supplies and Equipment		
10 Weapons	1,790	1,331
11 Nuclear Equipment	44	95
12 Fire Control Equipment	2,278	1,714
13 Ammunition and Explosives	1,830	3,754
14 Guided Missiles	3,440	10,399
15 Aircraft and Airframe Structure	6,459	17,995
16 Aircraft Components and Accessories	6,942	2,736
17 Aircraft Launching, Landing and Ground Handling Equipment	820	416
18 Space Vehicles	414	1,025
19 Ships, Small Craft, Pontoons and Floating Docks	2,138	4,498
20 Ship and Marine Equipment	728	282

continued/...

TABLE 7.4.4 - FEDERAL GOVERNMENT PROCUREMENT BY FSC CLASSIFICATION, 1986 (continued)

Category	No. of Contracts	Value ($m)
22 Railway Equipment	28	4
23 Ground Effect and Motor Vehicles,	1,178	3,180
24 Tractors	127	66
25 Vehicular Equipment Components	2,534	1,292
26 Tires and Tubes	335	102
28 Engines, Turbines and Components	7,066	7,045
29 Engine Accessories	3,261	506
30 Mechanical Power Transmission Equipment	1,105	130
31 Bearings	1,047	120
32 Woodworking Machinery and Equipment	29	2
34 Metalworking Machinery	1,168	196
35 Service and Trade Equipment	279	32
36 Special Industrial Machinery	1,361	136
37 Agricultural Machinery and Equipment	163	7
38 Construction, Mining, Excavating and Highway Maintenance Equipment	564	254
39 Materials Handling Equipment	1,014	366
40 Rope, Cable, Chain and Fittings	434	39
41 Refrigeration, Air Condition and Air Circulation Equipment	1,170	143
42 Fire-Fighting, Rescue and Safety Equipment	817	263
43 Pumps and Compressors	1,890	240
44 Furnace, Steam Plant and Drying Equipment: Nuclear Reactors	820	902
45 Plumbing, Heating and Sanitation Equipment	374	34
46 Water Purification and Sewage Treatment Equipment	129	32
47 Pipe, Tubing, Hose and Fittings	1,642	130
48 Valves	1,973	163
49 Maintenance and Repair Ship Equipment	2,599	590
51 Hand Tools	1,699	86
52 Measuring Tools	161	6
53 Hardware and Abrasives	2,394	160
54 Prefabricated Structures and Scaffolding	659	147
55 Lumber, Millwork, Plywood and Veneer	697	31
56 Construction and Building Material	900	91
58 Communication, Detection and Coherent Radiation Equipment	12,904	10,303
59 Electrical/Electronic Equipment Components	8,088	1,640
60 Fibre Optics Materials, Components, Assemblies and Accs	118	17

continued/...

TABLE 7.4.4 - FEDERAL GOVERNMENT PROCUREMENT BY FSC CLASSIFICATION, 1986 (continued)

Category	No. of Contracts	Value ($m)
61 Electric Wire and Power Distribution Equipment	3,910	845
62 Lighting Fixtures and Lamps	933	78
63 Alarm and Signal Systems	332	62
65 Medical, Dental and Veterinarian Equipment and Supplies	13,125	1,175
66 Instruments and Laboratory Equipment	9,643	1,844
67 Photographic Equipment	1,553	179
68 Chemicals and Chemical Products	1,986	139
69 Training Aids and Devices	987	1,019
70 General Purpose ADP Equipment, Software, Supplies and Support	21,000	3,195
71 Furniture	4,721	302
72 Household and Commercial Furnishings and Appliances	1,334	64
73 Food Preparation and Service Equipment	1,699	90
74 Office Machines and Visible Record Equipment	1,027	83
75 Office Supplies and Devices	5,743	184
76 Books, Maps and Other Publications	979	118
77 Musical Instruments, Phonographs and Home-type Radios	54	2
78 Recreational and Athletic Equipment	134	5
79 Cleaning Equipment and Supplies	1,565	68
80 Brushes, Paints, Sealers and Adhesives	1,553	54
81 Containers, Packaging and Packing Supplies	2,140	213
83 Textiles, Leather, Fur, Apparel, Shoe Find, Tents and Flags	503	260
84 Clothing, Individual Equipment and Insignia	1,546	947
85 Toiletries	1,355	64
87 Agricultural Supplies	339	20
88 Live Animals	43	4
89 Subsistence	17,158	2,810
91 Fuel, Lubricants, Oils and Waxes	4,596	11,558
93 Non-metalic Fabricated Materials	658	96
94 Non-metalic Crude Materials	13	1
95 Metal Bars, Sheets and Shapes	979	83
96 Ores, Minerals and their Primary Products	73	201
99 Miscellaneous	2,296	529
E Real Property, Purchase	104	3

Source: Federal Procurement Data Centre, FPDS Standard Report, July 1st, 1986 through September 30th, 1986.

TABLE 7.4.5 - FEDERAL GOVERNMENT PROCUREMENT BY TYPE OF PURCHASE, 1986

Category	No. of Contracts	Value $ billion
Supplies & Equipment	170,596	95.80
ADP Services	7,669	1.98
ADP Equipment (Purchase & Lease)	24,395	3.89
R & D	34,448	25.67
Construction	36,980	11.96
Real Property (Purchase & Lease)	13,782	0.41
Architect/Engineer Services	9,637	2.38
Other Services	117,260	40.47
Total	414,767	182.6

Source: Federal Procurement Data Centre, FPDC Standard Report, July 1st, 1986 through September 30th 1986.

TABLE 7.4.6 - STATE AND LOCAL GOVERNMENT PROCUREMENT BY TYPE OF PURCHASE, 1983-84

($ billion)

Category	State	Local
Current Exp. Supplies & Services	31.7	40.3
Construction	18.6	34.7
Equipment	4.5	9.5
Land & Existing Structures	0.2	0.5
Utilities	4.4	45.6
TOTAL	59.4	130.6

Source: Calculated from Bureau of the Census, Governmental Finances in 1983/84, 1985.

Note: "Current Operation Expenditure on Supplies and Services": revenue account expenditure on supplies and services; "Construction": construction of buildings and roads, and additions, replacements, and major alterations to fixed works and structures (excluding repairs and maintenance); "Equipment": capital outlays on apparatus, furnishings, motor vehicles, office machines and the like having an expected life of more than 5 years; "Purchase of Land and Existing Structures": purchase of assets and other costs involved in such transactions; "Utilities": purchases from utility companies for government properties.

APPENDICES

APPENDIX I

EXPENDITURE AND PURCHASING BY ENTITY, 1984 AND 1985

I.F. - Additional Tables for France

I.G. - Additional Tables for Germany

I.UK. - Additional Tables for UK

APPENDIX I.F. - ADDITIONAL TABLES FOR FRANCE

LIST OF TABLES

CCM Analyses of Data on Contracts Let

Other Data for France

TABLE I.F.1. - BREAKDOWN OF CONTRACTS LET, BY TYPE OF AUTHORITY AND PRODUCT GROUP 1983

A) CENTRAL GOVERNMENT AND PUBLIC ENTERPRISES 1983

Répartition par produits des commandes publiques

(Montants en millions F)

	État	Établissements publics administratifs	Collectivités locales	Entreprises publiques	Total
Agriculture	39,6	25,3	237,5	18,0	320,4
Industries agricoles, alimentaires	553,2	55,7	860,9	65,6	1 535,4
Énergie	4 625,2	55,0	1 586,9	43 337,3	49 604,4
Industries des biens intermédiaires	3 306,9	43,8	1 519,9	19 858,5	24 729,1
Biens d'équipement professionnel	46 825,1	390,4	2 757,3	29 496,5	79 469,3
Biens d'équipement ménager	126,8	5,8	34,6	58,0	225,2
Véhicules de transport terrestres	1 271,4	1,0	1 265,9	2 577,8	5 116,1
Biens de consommation courante	3 484,6	157,8	1 938,9	1 445,3	7 026,6
Bâtiment, génie civil	16 657,1	604,0	28 106,5	24 139,1	69 506,7
Transports, télécommunications	914,3	10,6	73,2	1 044,6	2 042,7
Services marchands	8 758,3	192,6	1 752,2	8 951,1	19 654,2
Location, crédit-bail immobilier	43,9	0,1	1,0	28,9	73,9
Produits indéterminés	0,0	0,0	0,0	0,7	0,7
Total	86 606,4	1 542,1	40 134,8	131 021,4	259 304,7

B) LOCAL GOVERNMENT 1983

Répartition par produits des commandes publiques locales

(Montants en millions F)

	Collectivités territoriales	Hôpitaux	Offices publics d'HLM	Total collectivités locales
Agriculture	68,6	168,9	0,0	237,5
Industries agricoles, alimentaires	240,8	620,1	0,0	860,9
Énergie	1 327,9	161,2	97,8	1 586,9
Industries des biens intermédiaires	1 162,8	347,4	9,7	1 519,9
Biens d'équipement professionnel	916,0	1 781,4	59,9	2 757,3
Biens d'équipement ménager	17,6	16,2	0,8	34,6
Véhicules de transport terrestres	1 229,2	36,3	0,4	1 265,9
Biens de consommation courante	459,0	1 462,1	17,8	1 938,9
Bâtiment, génie civil	20 922,8	1 790,9	5 392,8	28 106,5
Transports, télécommunications	54,6	18,6	0,0	73,2
Services marchands	992,2	551,8	208,2	1 752,2
Location, crédit-bail immobilier	1,0	0,0	0,0	1,0
Produits indéterminés	0,0	0,0	0,0	0,0
Total	27 392,5	6 954,9	5 787,4	40 134,8

Source: Commission Centrale des Marches 'Recensement economique des marches publics' Marches Publics, La Revue de l'achat public, no. 212

TABLE I.F.2. BREAKDOWN OF LOCAL AUTHORITY CONTRACTS BY TYPE OF AUTHORITY, IN PERCENT

Répartition de la commande publique locale par type de collectivités contractantes

(En %)

Collectivités	1982		1983	
	(Nombre)	(Montant)	(Nombre)	(Montant)
Communes	56,7	48,9	54,7	44,2
Departements	11,7	16,4	11,0	15,0
Syndicats	6,0	8,0	6,5	9,0
OPHLM	10,6	12,1	12,2	14,5
Hôpitaux	15,0	14,5	15,6	17,3
Total	**100,0**	**100,0**	**100,0**	**100,0**

On note qu'à l'intérieur de la commande publique locale, les communes constituent la part la plus importante (plus de 44 % en valeur).

Source: CCM op.cit

TABLE I.F.3. NUMBER AND VALUE OF CONTRACTS, BY CENTRAL GOVERNMENT, LOCAL GOVERNMENT AND PUBLIC ENTERPRISES

(En millions de F)

	Marchés		Avenants		Total montant des marches + avenants
	Nombre	Montant	Nombre	Montant (1)	
État et EPA :					
1981	74 100	76 284,0	13 600	10 572,0	86 856,0
1982	70 880	73 361,2	13 039	13 250,8	86 612,0
1983	59 284	69 776,1	25 885	18 372,4	88 148,5
Collectivités locales :					
1981	95 400	36 710,0	800	258,0	36 968,0
1982	101 838	44 732,2	751	229,1	44 961,3
1983	87 603	39 929,6	573	205,2	40 134,8
Entreprises publiques :					
1981	6 380	117 999,0	2 800	3 219,0	121 218,0
1982	58 334	125 663,2	2 647	4 739,8	130 403,0
1983	52 793	126 625,2	6 633	4 396,2	131 021,4
Total :					
1981	233 300	230 993,0	17 200	14 049,0	245 042,0
1982	230 852	243 756,6	16 437	18 219,7	261 976,3
1983	199 680	236 330,9	33 091	22 973,8	259 304,7

(1) Montant des avenants = avenants en augmentation – avenants en diminution.
On notera que parmi les avenants sont comptabilisés également les marches reconduits.

Source: CCM op. cit

TABLE I.F.4. PUBLIC WORKS CONTRACTS BY TYPE OF AUTHORITY

Année 1983

Collectivités	Montant en millions F	Pourcentage du total BTP des collectivités locales	Pourcentage du total des marchés de la collectivité
Département	4 008,6	14,3	66,5
Communes de + de 100 000 habitants	3 951,0	14,1	64,8
Communes de 50 à 100 000 habitants	1 554,2	5,5	72,7
Communes de 10 à 50 000 habitants	3 549,7	12,6	79,5
Communes de – de 10 000 habitants	4 677,5	16,6	92,4
Syndicats	3 181,8	11,3	88,1
OPHLM	5 392,8	19,2	93,2
Hôpitaux	1 790,9	6,4	25,8
Total	**28 106,5**	**100,0**	**70,0**

Source: CCM op .cit

TABLE I.F.5. BREAKDOWN BY SIZE OF CONTRACT AND TYPE OF AUTHORITY

RÉPARTITION PAR TRANCHES DE MONTANTS ET PAR COLLECTIVITÉS CONTRACTANTES DES MARCHÉS ET AVENANTS (1) Année 1983

(En millions de F)

Collectivites	Etat et EPA		Collectivités locales		Entreprises publiques		Total	
Montants	Nombre	Montant	Nombre	Montant	Nombre	Montant	Nombre	Montant
Avenants en diminution	1 977	− 1 126.0	41	− 5.0	952	− 1 802.1	2 970	− 3 033.2
0 à 150 000 F	32 914	1 726.2	35 543	2 240.1	3 553	216 9	72 010	4 183.3
150 000 à 800 000 F	37 018	12 932 7	42 328	14 031.0	41 604	14 043.6	120 950	41 006.8
800 000 à 5 500 000 F	11 396	21 523.4	9 625	16 278.1	11 750	21 143.4	32 771	58 941.9
5.5 millions de F à 10 millions de F	746	5 506.8	381	2 743.8	742	5 308.8	1 869	13 559.5
Supérieur à 10 millions de F.	1 118	47 585.9	258	4 846.8	825	92 113.8	2 201	144 546.4
Total	**85 169**	**88 148.5**	**88 176**	**40 134.8**	**59 426**	**131 021.4**	**232 771**	**259 304.7**

(1) **Nota.** – Sur ce tableau, les seuils de 150 000, 800 000 et 5 500 000 F sont en 1983 respectivement :
- le seuil au-delà duquel la passation d'un marché public est obligatoire;
- le seuil au-delà duquel une publicité nationale est obligatoire;
- le seuil au-delà duquel une publicité européenne est obligatoire pour les marchés de travaux, compte tenu de leur importance particulière dans la commande publique.

Ce dernier seuil a été porté à 6 700 000 F par un arrêté du 28 mars 1984 (*JO* n° 89, NC du 13 avril 1984)
Pour chacune des tranches de montants portées dans ce tableau, les marchés dont le montant est égal à la limite inférieure de la tranche sont inclus dans la tranche, tandis que les marchés dont le montant est égal à la limite supérieure de la tranche en sont exclus.

Source: CCM op.cit

TABLE I.F.6. BREAKDOWN BY METHOD OF PROCUREMENT

A) FOR STATE AND EPAS

RÉPARTITION PAR MODES DE PASSATION DES MARCHÉS DE L'ÉTAT EN 1983
(Avenants exclus)

(En millions de F)

Collectivités	État		EPA		Total	
Modes de passation	Nombre	Montant	Nombre	Montant	Nombre	Montant
Adjudication ouverte ou restreinte .	98	55.1	22	7.7	120	82.8
Appel d'offres ouvert ou restreint.	30 221	19 582.2	944	794.2	31 165	20 376.4
Négociés avec concurrence.....	4 765	4 650.3	329	220.9	5 094	4 871.2
Négociés sans concurrence.....	21 898	44 039.1	973	415.5	22 871	44 454.6
Modes non déclarés..........	34	11.1	0	0.0	34	11.1
Total général.........	**57 016**	**68 337.8**	**2 268**	**1 438.3**	**58 284**	**89 776.1**

B) LOCAL AUTHORITIES

RÉPARTITION PAR MODES DE PASSATION DES MARCHÉS DES COLLECTIVITÉS LOCALES EN 1983
(Avenants exclus)

(En millions de F)

Collectivités	Collectivités territoriales		Hôpitaux		OPHLM		Total	
Modes de passation	Nombre	Montant	Nombre	Montant	Nombre	Montant	Nombre	Montant
Adjudication ouverte ou restreinte..................	2 145	930.7	528	285.2	110	120.4	2 783	1 336.3
Appel d'offres ouvert ou restreint..................	33 242	16 713.0	5 187	2 673.9	5 589	2 960.6	44 018	22 347.6
Négociés avec concurrence......................	14 840	4 619.0	4 020	1 557.1	3 079	1 395.2	21 939	7 571.3
Négociés sans concurrence......................	12 628	4 801.0	3 967	2 429.6	1 860	1 295.6	18 455	8 526.2
Modes non déclarés......	344	130.3	22	6.8	42	11.2	408	148.2
Total général..........................	**63 199**	**27 194.0**	**13 724**	**6 952.6**	**10 680**	**5 783.0**	**87 603**	**39 929.6**

Source: CCM op.cit

TABLE I.F.7. NUMBER OF VALUE OF CONTRACTS LET BY TYPE OF EPA

Années	1982		1983		Taux d'accroissement de 1983/1982 (en %)	
Catégories d'EPA	Nombre	Montant en millions de F	Nombre	Montant en millions de F	Nombre	Montant
Universités	351	102.8	301	146.3	− 14.2	+ 42.3
Établissement d'enseignement et de recherche non agricole	1 855	612.0	1 784	726.5	− 3.8	+ 18.7
Établissements nationaux à caractère administratif divers. − Caisses et fonds	620	213.8	562	178.9	− 9.4	− 16.3
Agences de bassin, parcs nationaux, centres forestiers	200	56.2	217	64.9	+ 8.5	+ 15.5
Académies et musées	39	39.3	77	423.7	+ 97.4	+ 978.1

TABLE I.F.8. NUMBER AND VALUE OF NEW CONTRACTS V. SUPPLEMENTARY CONTRACTS/VARIATIONS

Année 1983

(En millions de F)

Collectivités	État		EPA		Total	
Types de contrats	Nombre	Montant	Nombre	Montant	Nombre	Montant
Marchés ordinaires	57 016	68 337.8	2 268	1 438.3	59 284	69 776.1
Avenants augmentant le montant initial	10 833	11 355.1	332	50.5	11 165	11 405.6
Avenants diminuant le montant initial	1 958	− 1 125.1	19	− 0.9	1 977	− 1 126.0
Avenants ne modifiant pas le montant initial	5 060	0.0	197	0.0	5 257	0.0
Marchés reconduits	7 340	8 038.6	146	54.2	7 486	8 092.8
Total	**82 207**	**86 606.4**	**2 962**	**1 542.1**	**85 169**	**88 148.5**

Source: CCM op.cit

TABLE I.F.9. BREAKDOWN BY SUPPLYING SECTOR AND BY TYPE OF AUTHORITY

A) STATE AND EPAS

RÉPARTITION PAR BRANCHES ÉCONOMIQUES DES MARCHÉS ET AVENANTS DE L'ÉTAT ET DES EPA DE 1980 À 1983

(En millions de F)

	ÉTAT				EPA			
	1980	1981	1982	1983	1980	1981	1982	1983
Agriculture, sylviculture, pêche	40.4	34.9	35.7	39.8	3.3	10.6	24.2	25.3
Viande, produits laitiers	269.0	243.8	304.1	272.6	1.0	9.3	52.1	39.1
Autres produits agricoles, alimentaires	211.2	193.3	300.8	280.6	0.0	3.3	29.0	16.6
Combustibles minéraux solides, coke	11.4	33.8	14.4	88.7	0.0	0.0	0.0	0.0
Produits pétroliers, gaz naturel	3 443.3	2 153.8	4 676.2	4 536.5	8.6	35.0	41.8	55.0
Minerais et metaux ferreux	266.9	278.2	270.5	253.4	0.7	0.0	0.1	1.1
Minerais et métaux non ferreux	164.3	175.0	172.7	194.3	0.0	0.2	0.0	0.0
Matériaux de construction	376.6	366.1	420.3	379.5	0.1	0.3	0.7	4.2
Verre	19.7	19.1	21.7	20.8	0.6	0.0	1.8	0.7
Chimie de base, fibres synthétiques	130.0	227.0	144.7	136.1	6.8	2.6	4.5	5.7
Parachimie, pharmacie	233.3	523.8	650.6	1 008.3	6.0	15.6	20.4	13.2
Fonderie, travail des métaux	944.4	1 387.9	1 478.1	1 296.9	2.5	8.7	5.1	5.6
Construction mécanique	2 470.4	3 345.7	3 811.9	3 150.3	55.8	67.3	129.6	99.6
Matériels électriques professionnels	20 031.5	23 721.0	20 892.9	23 001.1	84.9	106.7	229.2	279.5
Biens d'équipement ménagers	167.0	165.5	177.9	126.8	1.8	5.5	5.1	5.8
Automobiles, matériels de transports terrestres	1 633.9	2 220.4	1 629.3	1 188.9	0.5	0.8	1.0	1.0
Construction navale, aéronautique, armement	20 931.2	18 483.3	18 251.9	20 673.7	2.8	29.9	20.0	11.3
Textiles, habillement	978.4	1 121.7	1 109.1	1 036.1	0.7	0.9	2.4	0.5
Cuirs et chaussures	260.4	226.1	241.4	193.0	0.0	0.0	0.0	0.0
Bois, meubles, industries diverses	563.1	508.6	529.6	653.5	1.7	2.5	9.1	92.7
Papier carton	728.4	379.7	803.2	710.1	6.9	18.3	27.2	26.0
Imprimerie, presse, édition	511.5	477.5	641.0	593.7	37.8	37.0	54.8	51.4
Caoutchouc, matières plastiques	436.4	615.8	312.8	315.8	0.3	7.1	0.8	0.5
Bâtiment, génie civil	15 789.3	17 323.8	16 404.3	16 657.1	76.2	228.7	186.7	604.0
Réparation, commerce automobile	39.4	22.8	59.1	82.5	0.2	0.1	0.2	0.0
Hôtels, cafés, restaurants	3.3	5.8	4.0	2.8	0.1	0.2	0.2	1.5
Transports	582.0	570.7	1 132.4	914.3	3.7	2.9	8.1	10.6
Services marchandises aux entreprises	7 881.0	11 912.0	10 708.0	8 383.3	88.6	78.9	155.2	155.0
Services marchandises aux particuliers	287.5	248.1	324.4	372.2	11.3	19.3	33.5	36.1
Location, crédit-bail immobilier	19.2	17.4	46.0	43.9	0.0	1.5	0.2	0.1
Produits indéterminés	15.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**79 439.7**	**87 002.6**	**85 569.0**	**86 606.4**	**402.7**	**693.2**	**1 043.0**	**1 542.1**

Source: CCM op.cit

B) HOSPITALS AND OPHLM

RÉPARTITION PAR BRANCHES ÉCONOMIQUES DES MARCHÉS ET AVENANTS DES HÔPITAUX ET DES OPHLM DE 1980 À 1983

(En millions de F)

	HÔPITAUX				OPHLM			
	1980	1981	1982	1983	1980	1981	1982	1983
Agriculture, sylviculture, pêche	162.4	154.3	182.5	168.9	0.0	0.1	0.2	0.0
Viande, produits laitiers	333.0	358.7	411.1	387.4	0.0	0.0	0.0	0.0
Autres produits agricoles, alimentaires	201.7	181.7	238.7	232.7	0.0	0.0	0.2	0.0
Combustibles minéraux solides, coke	14.1	13.0	12.4	3.4	6.9	0.3	4.3	8.0
Produits pétroliers, gaz naturel	96.3	153.7	150.4	157.8	86.1	44.5	169.8	89.8
Minerais et métaux ferreux	0.3	1.3	2.3	0.7	0.0	1.6	0.2	0.0
Minerais et métaux non ferreux	9.8	10.9	26.9	20.4	0.3	0.0	0.0	0.0
Matériaux de construction	7.9	9.3	13.5	18.2	1.8	0.9	0.4	0.6
Verre	40.9	42.7	31.9	40.6	0.1	0.3	0.6	0.2
Chimie de base, fibres synthétiques	23.7	43.6	111.5	129.0	0.0	0.4	0.5	0.5
Parachimie, pharmacie	739.6	902.5	1 191.6	1 216.7	2.7	1.7	1.8	3.5
Fonderie, travail des métaux	23.7	28.8	34.5	41.1	14.5	9.3	7.2	6.2
Construction mécanique	746.2	803.7	1 190.1	1 332.7	19.7	41.7	165.0	42.5
Matériels électriques professionnels	315.6	232.0	422.5	448.7	29.6	16.2	24.8	17.4
Biens d'équipement ménagers	13.1	12.2	21.3	16.2	1.5	4.9	5.3	0.8
Automobiles, matériels de transports terrestres	12.5	16.7	23.7	34.1	0.4	0.2	1.4	0.4
Construction navale, aéronautique, armement	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Textiles, habillement	107.7	93.3	153.6	171.4	1.0	0.2	0.9	0.3
Cuirs et chaussures	3.8	4.8	5.4	6.1	0.0	0.0	0.0	0.0
Bois, meubles, industries diverses	27.5	30.2	36.9	40.0	1.4	2.3	2.6	14.0
Papier carton	47.7	47.0	75.3	64.5	0.3	0.4	0.6	0.5
Imprimerie, presse, édition	27.5	41.2	36.8	27.9	0.4	0.1	0.2	0.0
Caoutchouc, matières plastiques	20.9	29.7	26.1	32.9	4.0	1.9	1.8	1.7
Bâtiment, génie civil	1 548.3	1 442.5	1 803.1	1 790.9	3 671.2	3 572.2	4 744.0	5 392.8
Réparation, commerce automobile	1.3	0.5	4.4	2.2	0.0	0.0	0.0	0.0
Hôtels, cafés, restaurants	28.2	19.1	24.5	180.0	0.4	0.0	0.0	0.0
Transports	19.6	26.5	39.2	18.6	0.0	0.0	0.0	0.0
Services marchandises aux entreprises	93.9	138.1	115.9	179.5	123.7	125.5	283.6	200.9
Services marchandises aux particuliers	92.7	70.5	191.3	192.3	7.2	10.2	24.5	7.3
Location, crédit-bail immobilier	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Total	4 759.9	4 909.4	6 577.5	6 954.9	3 953.2	3 834.9	5 439.9	5 787.4

Source: CCM op.cit

C) LOCAL GOVERNMENT

RÉPARTITION PAR BRANCHES ÉCONOMIQUES DES MARCHÉS ET AVENANTS DES COLLECTIVITÉS TERRITORIALES DE 1980 À 1983

(Total toutes collectivités locales de 1980 à 1983)

(En millions de F)

	COLLECTIVITÉS TERRITORIALES - REGROUPEMENTS				TOUTES COLLECTIVITÉS LOCALES			
	1980	1981	1982	1983	1980	1981	1982	1983
Agriculture, sylviculture, pêche	58.7	60.7	64.8	68.6	219.2	215.2	247.5	237.5
Viande, produits laitiers	143.8	161.9	210.9	172.6	476.8	520.6	622.0	560.0
Autres produits agricoles, alimentaires	50.6	75.1	74.7	68.2	252.3	256.9	313.6	300.9
Combustibles minéraux solides, coke	47.4	29.7	47.7	24.5	68.5	43.0	64.4	36.1
Produits pétroliers, gaz naturel	1 011.8	1 400.5	1 618.5	1 303.4	1 174.3	1 598.7	1 938.7	1 551.1
Minerais et métaux ferreux	11.8	25.5	29.4	17.5	12.0	28.4	31.9	18.2
Minerais et métaux non ferreux	5.3	5.2	6.0	8.7	15.4	16.1	32.9	29.0
Matériaux de construction	572.9	617.1	717.5	648.8	582.6	627.3	731.4	667.8
Verre	3.4	2.7	6.3	5.7	44.3	45.7	38.8	46.6
Chimie de base, fibres synthétiques	38.7	45.2	32.2	115.9	62.4	89.4	144.2	245.3
Parachimie, pharmacie	60.5	72.6	88.2	97.0	802.8	976.8	1 281.6	1 317.2
Fonderie, travail des métaux	153.9	193.2	220.4	186.9	192.1	231.2	262.1	234.2
Construction mécanique	348.4	416.8	529.1	423.9	1 114.3	1 262.2	1 884.2	1 799.1
Matériels électriques professionnels	424.1	465.0	653.9	483.4	769.3	713.2	1 101.2	949.4
Biens d'équipement ménagers	17.1	17.8	23.1	17.6	31.7	34.9	49.7	34.7
Automobiles, matériels de transports terrestres	765.1	1 193.5	1 195.0	1 212.9	778.0	1 210.3	1 220.1	1 247.3
Construction navale, aéronautique, armement	31.5	5.2	6.8	8.7	31.5	5.2	6.9	8.7
Textiles, habillement	43.1	54.8	63.0	57.6	151.8	148.2	217.5	229.2
Cuirs et chaussures	8.6	9.0	11.7	8.7	12.4	13.8	17.1	14.8
Bois, meubles, industries diverses	138.1	159.1	179.8	164.9	166.9	191.7	219.3	218.9
Papier carton	55.7	70.5	78.7	90.1	103.6	118.0	154.6	155.2
Imprimerie, presse, édition	112.2	112.2	158.1	130.8	140.1	153.5	195.1	158.6
Caoutchouc, matières plastiques	108.0	98.6	81.9	89.2	133.0	130.2	109.8	123.8
Bâtiment, génie civil	18 251.1	21 897.1	25 472.0	20 922.8	23 470.7	26 911.8	32 019.1	28 106.5
Réparation, commerce automobile	14.3	12.2	36.7	16.3	15.6	12.7	41.1	18.5
Hôtels, cafés, restaurants	15.5	31.9	32.0	39.0	44.0	51.0	56.5	219.0
Transports	46.3	84.1	56.5	54.6	66.0	90.6	95.7	73.2
Services marchandises aux entreprises	404.7	558.3	648.5	565.6	822.2	821.9	1 048.0	946.0
Services marchandises aux particuliers	135.9	761.6	594.6	387.6	235.8	842.2	810.4	587.2
Location, crédit-bail immobilier	0.3	3.1	5.9	1.0	0.3	3.8	5.9	1.0
Total	23 076.8	28 620.2	32 943.9	27 392.5	31 789.9	37 364.5	44 961.3	40 134.8

Source: CCM op.cit

D) PUBLIC ENTERPRISES

RÉPARTITION PAR BRANCHES ÉCONOMIQUES DES COMMANDES ET AVENANTS DES ENTREPRISES PUBLIQUES DE 1980 À 1983

(Total toutes collectivités de 1980 à 1983)

(En millions de F)

	ENTREPRISES PUBLIQUES				TOUTES COLLECTIVITÉS			
	1980	1981	1982	1983	1980	1981	1982	1983
Agriculture, sylviculture, pêche	8.9	20.9	25.7	18.0	271.9	281.8	333.1	320.4
Viande, produits laitiers	2.1	2.8	4.7	1.1	749.0	776.5	982.9	872.8
Autres produits agricoles, alimentaires	22.0	47.0	49.6	64.5	485.5	500.4	693.0	662.6
Combustibles minéraux solides, coke	4 715.5	7 872.4	6 590.1	6 046.0	4 795.4	7 949.2	6 668.9	6 170.8
Produits pétroliers, gaz naturel	18 001.0	27 687.1	36 007.6	37 291.3	22 627.3	31 474.7	42 664.3	43 433.9
Minerais et métaux ferreux	1 087.2	1 428.4	1 202.8	1 219.5	1 366.8	1 735.1	1 505.3	1 492.2
Minerais et métaux non ferreux	6 939.9	12 237.4	12 708.3	14 144.7	7 119.6	12 429.7	12 913.9	14 368.0
Matériaux de construction	628.5	386.5	510.5	412.0	1 587.7	1 380.2	1 662.3	1 463.3
Verre	34.7	31.9	56.5	46.7	99.3	96.7	118.8	114.7
Chimie de base, fibres synthétiques	125.8	131.4	215.8	189.3	324.9	450.5	509.2	556.5
Parachimie, pharmacie	426.9	461.8	1 039.0	480.3	1 469.0	1 978.0	2 991.6	2 819.0
Fonderie, travail des métaux	1 433.9	1 528.1	1 914.8	3 239.7	2 572.9	3 156.0	3 660.1	4 776.4
Construction mécanique	18 518.4	17 690.0	14 597.7	11 925.5	22 158.9	22 365.2	20 423.4	16 974.5
Matériels électriques professionnels	7 696.6	10 151.1	9 702.8	10 671.7	28 582.3	34 692.0	31 926.1	34 901.7
Biens d'équipement menagers	49.9	32.2	62.4	58.0	250.3	238.1	295.1	225.3
Automobiles, materiels de transports terrestres	3 711.6	2 382.6	4 767.2	2 539.1	6 123.9	5 814.1	7 617.6	4 976.3
Construction navale, aéronautique, armement	7 448.2	7 614.9	10 228.3	6 899.3	28 413.7	26 133.3	28 507.1	27 593.0
Textiles, habillement	150.6	166.0	256.1	218.5	1 281.5	1 436.7	1 585.1	1 484.4
Cuirs et chaussures	36.8	51.6	64.2	78.1	309.5	291.4	322.7	285.9
Bois, meubles, industries diverses	576.3	389.7	681.4	495.3	1 308.1	1 092.5	1 439.4	1 460.4
Papier carton	114.3	156.2	147.2	127.0	953.1	672.2	1 132.2	1 018.2
Imprimerie, presse, édition	147.9	188.5	215.9	173.1	837.3	856.5	1 106.8	976.9
Caoutchouc, matières plastiques	266.4	302.2	786.2	499.6	836.0	1 055.3	1 209.6	939.8
Bâtiment, génie civil	23 241.8	23 392.1	20 550.3	24 139.1	62 578.0	67 856.4	69 160.4	69 506.6
Réparation, commerce automobile	14.1	27.5	28.4	38.7	69.4	63.1	128.8	139.7
Hôtels, cafés, restaurants	9.5	16.4	37.6	24.8	56.9	73.3	98.3	248.1
Transports	1 150.7	936.9	530.1	1 044.6	1 802.4	1 601.1	1 766.3	2 042.7
Services marchandises aux entreprises	3 658.5	4 947.6	5 114.0	6 344.4	12 250.3	17 760.5	17 025.2	15 828.7
Services marchandises aux particuliers	922.2	903.2	2 225.7	2 581.9	1 456.8	2 012.8	3 394.0	3 577.4
Location, crédit-bail immobilier	20.7	33.5	82.1	28.9	40.2	56.1	134.2	73.8
Produits indéterminés	0.0	0.0	0.0	0.7	15.3	0.0	0.0	0.7
Total	**101 160.9**	**121 217.9**	**130 403.0**	**131 021.4**	**212 793.2**	**246 278.2**	**261 976.3**	**259 304.7**

Source: CCM op.cit

TABLE I.F.10. SHARE OF PUBLIC CONTRACTS IN TOTAL PRODUCTION

PART DES MARCHÉS PUBLICS DANS LA PRODUCTION EFFECTIVE TTC

	1980	1981	1982	1983
Agriculture, sylviculture, pêche	0.117	0.109	0.109	0.099
Viande, produits laitiers	0.477	0.418	0.472	0.387
Autres produits agricoles, alimentaires	0.257	0.223	0.279	0.245
Combustibles minéraux solides, coke	30.001	39.234	32.790	31.262
Produits pétroliers, gaz naturel	10.287	11.752	16.138	15.660
Minerais et métaux ferreux	1.647	2.126	1.732	1.766
Minerais et métaux non ferreux	14.125	23.491	24.530	22.508
Matériaux de construction	2.862	2.300	2.682	2.278
Verre	0.673	0.569	0.645	0.546
Chimie de base, fibres synthétiques	0.370	0.466	0.474	0.454
Parachimie, pharmacie	1.841	2.683	2.828	2.370
Fonderie, travail des métaux	2.230	2.568	2.668	3.325
Construction mécanique	15.965	14.779	11.811	9.533
Matériels électriques professionnels	24.679	25.865	21.836	21.360
Biens d'équipement ménagers	1.134	0.820	1.172	0.901
Automobiles, matériels de transport terrestre	3.582	3.081	3.698	2.194
Construction navale, aéronautique, armement	38.522	28.064	27.260	23.943
Textiles, habillement	1.164	1.147	1.227	1.057
Cuirs et chaussures	1.436	1.137	1.281	1.045
Bois, meubles, industries diverses	1.661	1.110	1.584	1.530
Papier, carton	1.979	1.219	1.850	1.551
Imprimerie, presse, édition	1.671	1.470	1.593	1.253
Caoutchouc, matières plastiques	1.379	1.664	1.730	1.197
Bâtiment, génie civil	15.863	15.430	14.466	13.850
Réparation, commerce automobile	0.072	0.056	0.097	0.094
Hôtels, cafés, restaurants	0.043	0.048	0.056	0.126
Transports	0.900	0.715	0.708	0.750
Services marchandises aux entreprises	4.608	5.785	4.818	4.002
Services marchandises aux particuliers	0.567	0.666	0.970	0.911
Location, crédit-bail immobilier	0.020	0.024	0.051	0.025
Total	**5.698**	**5.788**	**5.550**	**5.049**

Source: CCM op.cit

TABLE I.F.11. SHARE OF THE LARGEST MINISTRIES IN TOTAL STATE CONTRACTS

Années	1981		1982		1983	
Ministères	Montant en millions de F	Pour-centage	Montant en millions de F	Pour-centage	Montant en millions de F	Pour-centage
Défense	45 794	53,1	45 781	53,5	46 293	53,5
PTT	27 365	31,7	21 093	24,6	26 462	30,6
Transports-Environnement	5 179	6,0	6 014	7,0	6 113	7,1
Éducation-Culture	1 947	2,3	1 215	1,4	1 869	2,2

Source: CCM op.cit

OTHER DATA FOR FRANCE

TABLE I.F.12. TURNOVER OF PUBLIC ENTERPRISES

Les chiffres d'affaires (en milliards de francs)

	1980		1981		1982		1983	
	France	Total	France	Total	France	Total	France	Total
Sacilor	11,4	16,7	11,4	17,5	15,6	28,3	17,0	31,5
Usinor	13,2	21,5	14,6	24,7	16,8	26,9	18,9	32,5
Sidérurgie	24,6	38,2	26	42,2	32,4	55,2	35,9	64,0
CDF-Chimie	6,5	11	7,4	11,8	7,8	12,5	12,4	19,5
EMC	4,1	7,5	4,5	8,5	5,2	9,5	6,1	11,6
Rhône-Poulenc	13,3	30,2	14,7	35,9	11,2	37,2	13,3	43,1
Péchiney	17,5	38,1	17,5	41	10	29	11,2	29
Saint-Gobain	14,9	39,7	14,7	43,5	18,1	51,3	21,1	57,9
Autres BI	56,3	126,5	58,8	140,7	52,3	139,5	64,1	161,1
Total BI	89,3	175,4	93,7	195,7	93,9	209	100	225,1
Thomson	19,9	36,5	23,6	43,7	25,8	47	21,7	49,4
CGE	31,7	45,8	37,5	56,7	39,2	65,8	38,2	62,5
Bull	3,5	6,3	4,1	7,3	4,6	8,1	5,8	11,6
Electronique	55,1	88,6	65,2	107,7	69,6	120,9	65,7	123,5
Snias (SA)	6,9	13,2	8,1	16,5	9,6	21,4	9,4	24
Snecma (SA)	1,7	3,5	2,1	4,4	2,3	5,9	2,3	6,6
Dassault (SA)	3,3	10,7	2,9	12,5	2,8	12,6	4	14
Matra (SA)	1,2	2,9	1,9	4,5	1,5	5,6	1,6	6,1
Renault	43,8	80,1	46,8	87,6	57,1	104,1	58,5	110,3
Autres BE	56,9	110,4	61,8	125,5	73,3	149,6	75,8	161,4
Total BE	112	199	127	233,2	142,9	270,5	141,5	284,5
Total général	201,3	374,4	220,7	428,9	236,9	479,5	241,5	509,6

Sources : Rapport d'activité des groupes. Rapport du SEN-SESSI sur le secteur public industriel en 1982 (MIR). DAFSA.

Nota : Du fait des variations parfois importantes des cercles de consolidation sur ces exercices et de l'absence de présentation normalisée des comptes, la comparaison d'une année sur l'autre doit être considérée avec précaution.

TABLE I.F.13. INVESTMENT BY PUBLIC ENTERPRISES

Le montant des investissements en France (en milliards de francs)

	1980	1981	1982
Entreprises publiques			
Sidérurgie	1,50	1,87	2,53
Autres biens intermédiaires	4,92	4,02	8,13
Total biens intermédiaires	6,42	5,89	10,66
Electronique - mécanique	3,07	3,80	4,91
Aéronautique - Automobile	5,96	7,76	7,89
Total biens d'équipement	9,03	11,56	12,80
Total secteur public	15,45	17,45	25,89
Branches hors secteur public			
Minerais et métaux ferreux	0,84	—	—
Autres biens intermédiaires	26,28	—	—
Total biens intermédiaires	27,12	23,86	21,34
Electronique - mécanique (T 14 T 15 A)	15,07	—	—
Aéronautique - autômobile	—	—	—
Total biens d'équipement (hors ménage)	24,30	23,06	24,94
Total	51,42	46,92	46,28

Source : INSEE.

TABLE I.F.14. KEY DATA FOR SELECTED PUBLIC TRANSPORT AUTHORITIES

SNCF

	1981	1982	1983	Pourcentage 1982/1981	Pourcentage 1983/1982
Effectifs (au 31-12)	249 020	253 338	251 220	+ 1,7	- 0,8
Chiffre d'affaires* **(hors taxes)**	38 041	42 371	46 034	+ 11,4	+ 8,7
Investissements* (a)	7 604	8 296	8 815	+ 9,1	+ 6,3
Résultat net*	— 2 020	— 6 158	— 8 381	+ 204,9	+ 36,1
Concours* (b)	14 995	14 593	18 992	- 2,7	+ 30,1
dont exploitation	13 931	14 500	16 508	+ 4,1	+ 13,9
en capital (c)	1 064	93	2 484	- 91,2	(+ 2 571)
Réseau exploité	34 596	34 599	34 710	+ 0,01	+ 0,3
dont électrifié	10 477	10 660	11 088	+ 1,7	+ 4,0

** En millions de francs.*
(a) Investissements industriels et financiers.
(b) Réalisations, non comprise la contribution aux charges de retraite.
(c) Y compris subventions d'équipement.

RATP

	1981	1982	1983	Pourcentage 1982/1981	Pourcentage 1983/1982
Effectifs	36 563	38 171	39 771	+ 4,4	+ 4,2
Chiffres d'affaires*	8 278	9 619	11 225	+ 16,2	+ 16,7
Investissements* (a)	2 364	2 327	2 305	- 1,6	- 0,9
Résultat net*	+ 196	+ 61	+ 68	- 68,9	+ 11,5
Concours* (b)	3 012	3 636	3 511	+ 20,7	- 3,4
dont exploitation	2 377	2 870	3 323	+ 20,7	+ 15,8
en capital (c)	185	166	188	- 10,3	+ 13,3
prêts	450	600	—	—	—

** En millions de francs.*
(a) Investissements industriels et financiers.
(b) Réalisations.
(c) Y compris subventions d'équipement.

Air France

	1981	1982	1983	Pourcentage 1982/1981	Pourcentage 1983/1982
Effectifs (moyens)	33 240	34 251	34 468	+ 3,0	+ 0,6
Chiffre d'affaires*	18 212	21 009	24 145	+ 15,4	+ 14,9
Investissements* (a)	1 984	2 244	1 833	+ 13,1	- 18,3
Résultat net*	- 378	- 792	+ 87	—	—
Concours* (b)	628	629	575	+ 0,1	- 8,6
dont exploitation	368	464	200	+ 26,1	- 56,9
en capital	260	165	375	- 36,5	+ 127,3

** En millions de francs.*
(a) Investissements industriels et financiers.
(b) Réalisations.

Aéroports de Paris

	1981	1982	1983	Pourcentage 1982/1981	Pourcentage 1983/1982
Effectifs	5 044	5 326	5 372	+ 5,6	+ 0,9
Chiffre d'affaires* (hors taxes)	2 082	2 419	2 704	+ 16,2	+ 11,8
Investissements* (a) (hors taxes)	555	382	359	− 31,2	− 6,0
Résultat net*	+ 28	+ 9	+ 19	− 67,9	+ 111,1
Concours (prêt)* (b)	40	—	—	—	—

** En millions de francs.*
(a) Investissements industriels et financiers.
(b) Réalisations.

CGMF et CGM

		1981	1982	1983	Pourcentage 1982/1981	Pourcentage 1983/1982
Effectifs :	CGMF	—	—	—	—	—
(moyens)	CGM (a)	5 133	5 056	4 939	− 1,5	− 2,3
Chiffre d'affaires (b) :	CGMF	310	308 (c)	302	− 0,6	− 1,9
(hors taxes)	CGM	3 723	4 131	4 540	+ 10,9	+ 9,9
Investissements :						
(au niveau du groupe)		133	173	216	+ 30	+ 24,8
Résultats net (d) :	CGMF	− 480	− 735	− 545	+ 53,1	− 25,8
	CGM	− 276	− 585	− 79	+ 111,9	− 86,4
Concours CGM (e) :						
Exploitation		91	100	119	+ 20,8	+ 19
Capital		500	375	565	− 65	+ 50,6
Prêts		—	74 (f)	47 (g)	—	− 77,3

(a) Personnel sédentaire et navigant.
(b) En millions de francs ; le chiffre d'affaires n'englobe pas les rabais et les ristournes, les produits accessoires et les produits financiers.
(c) Des changements comptables sont intervenus en 1982 : compte tenu des méthodes antérieures, le chiffre serait de 3 940 MF.
(d) Pertes comptables après amortissements et provisions.
(e) Réalisations au cours de l'exercice.
(f) Prêt bonifié à l'armement maritime.
(g) Subvention à la construction navale.

Source : Chiffres établis par le Haut Conseil du secteur public à partir des rapports d'activité des différentes entreprises.

APPENDIX I.G. - ADDITIONAL TABLES FOR GERMANY

LIST OF TABLES

TABLE I.G.1 : PUBLIC PROCUREMENT BY ENTITY IN GERMANY, 1984
AT FEDERAL, STATE AND COMMUNITY LEVEL
(in DM billions)

Entities / Expenditure	Schleswig Holstein	Lower Saxony	Northrhine Westphalia	Hessen	Rhineland Palatinate	Baden Wuerttemberg	Bavaria	Saarland	Hamburg	Bremen	Berlin	Total States	Total Communities	Federal Govern't	Grand Total
1. Current Purchases	0.79	2.17	3.96	1.64	0.97	2.67	2.76	0.47	1.97	0.86	4.25	22.51	33.10	37.61	93.23
2. Capital Purchases of which	0.63	1.17	2.28	1.10	0.76	2.39	2.63	0.21	1.11	0.41	1.57	14.27	32.17	7.26	53.71
- Construction	0.41	0.52	0.63	0.62	0.41	0.94	1.08	0.13	0.85	0.30	1.09	6.98	24.88	5.84	37.71
- Other	0.22	0.65	1.65	0.48	0.35	1.45	1.55	0.08	0.26	0.11	0.48	7.29	7.29	1.42	16.00
3. Total Expenditure (1+2)	1.42	3.34	6.24	2.74	1.73	5.06	5.39	0.68	3.08	1.27	5.82	36.79	65.27	44.87	146.94

Source: Federal Statistical Office

TABLE I.G.2 : PUBLIC PROCUREMENT BY ENTITY IN GERMANY, 1985

AT FEDERAL, STATE AND COMMUNITY LEVEL

(in DM billions)

Entities / Expenditure	Schleswig Holstein	Lower Saxony	Northrhine Westphalia	Hessen	Rhineland Palatinate	Baden Wuerttemberg	Bavaria	Saarland	Hamburg	Bremen	Berlin	Total States	Total Communities	Federal Govern't	Grand* Total
1.Current Purchases	0.90	2.28	4.32	1.73	0.99	2.83	2.89	0.50	1.98	0.91	4.59	23.93	n/a	37.04	60.97
2.Capital Purchases of which	0.53	0.83	1.29	0.84	0.62	1.53	1.72	0.19	1.21	0.04	1.43	10.22	n/a	7.53	17.75
- Construction	0.42	0.53	0.55	0.61	0.47	1.02	1.25	0.13	0.94	0.03	1.02	6.97	n/a	5.94	12.91
- Other	0.11	0.30	0.74	0.23	0.15	0.51	0.47	0.06	0.27	0.01	0.41	3.26	n/a	1.59	4.85
3.Total Expenditure (1+2)	1.43	3.11	5.61	2.57	1.61	4.36	4.61	0.69	3.19	0.95	6.02	34.15	n/a	44.57	78.72

Source: Federal Statistical Office

* excluding communities
n/a data for the communities is not available yet

TABLE I.G.3 : INVESTMENT BY DBP, 1985

(in DM millions)

Item	1985	
	DM mn	%
Real estate	57	0.3
Buildings	123	0.7
Telephone installations	3495	21.2
Telecommunications installations	1504	9.1
Radio installations	464	2.8
Local and remote telephone networks	2802	17.0
Telephone devices	850	5.1
Vehicles, containers and machine installations	210	1.3
Conveyors and distributors	12	0.1
Machines	78	0.5
Furniture and instruments	23	0.1
Assets under construction	6902	41.8
TOTAL	16520	100

Source: DBP Annual Report, 1985

TABLE I.G.4 : GROSS INVESTMENT IN CAPITAL GOODS BY THE GAS SUPPLY COMPANIES, 1984 AND 1985

(in DM millions)

Activity	1984		1985	
	DM mn	%	DM mn	%
Gas production and processing	227	7	191	5
Storage	89	3	198	6
Mains	2449	79	2684	77
Other	350	11	402	12
TOTAL	3115	100	3475	100

Source: Gasreferat des Bundesministeriums fur Wirtschaff

TABLE I.G.5 : GROSS INVESTMENT BY PUBLIC WATER SUPPLY COMPANIES, 1984 AND 1985

(in DM millions)

Activity	1984		1985	
	DM mn	%	DM mn	%
Accessing	162	8	174	8
Processing	135	7	118	6
Storage	116	6	110	5
Pipelines	1279	66	1436	69
Other	238	12	242	12
TOTAL	1930	100	2080	100

Source: BGW

APPENDIX I. UK - ADDITIONAL TABLES FOR UK

APPENDIX I.UK.1 - GENERAL GOVERNMENT SPENDING BY SPENDING AUTHORITY

(£ million)

	1984/85	1985/86
Central Government - Current	74,990	80,930
- Capital	17,072	17,523
- Total	92,062	98,453
Local Authorities - Current	30,421	31,208
- Capital	4,510	4,023
- Total	34,931	35,231
Nationalised Industries	3,827	1,709
Other Public Corporations	1,090	971
Privatisation Proceeds	-2,132	-2,702
TOTAL	129,778	133,622

Source: HM Treasury, The Government's Expenditure Plans 1987-88 to 1989-90, Vol II, 1987, pp.13-15; own estimates

APPENDIX I.UK.2 - CENTRAL GOVERNMENT EXPENDITURE BY DEPARTMENT

(£ million)

	1984/85	1985/86
Ministry of Defence	17,189	17,959
Foreign & Commonwealth Office	1,804	1,849
European Communities	971	831
Ministry of Agriculture, Fisheries & Food	1,831	2,282
Department of Trade and Industry	2,027	1,775
Department of Energy	2,591	682
Department of Employment	3,030	3,250
Department of Transport	1,781	2,132
Department of the Environment - Housing	1,293	1,300
Department of the Environment - Other Environmental Services	709	652
Home Office	1,264	1,389
Department of Education and Science	2,259	2,370
Office of Arts and Libraries	258	273
Department of Health & Social Security - Health & Personal Social Services	13,430	14,158
Department of Health & Social Security - Social Security	35,242	38,305
Scotland Departments	3,424	3,528
Wales Departments	1,284	1,394
Northern Ireland Departments	3,325	3,545
Chancellor's Departments	1,676	1,807
Other Departments	1,173	1,250
TOTAL	92,062	98,453

Source: HM Treasury, The Government's Expenditure Plans 1987-88 to 1989-90, Vol II, 1987, p. 10

Note: Excluded from the presentation is £4,498 million in 1984/85 finance for public corporations and £2,279 million in 1985/86

APPENDIX I.UK.3 - CENTRAL GOVERNMENT EXPENDITURE BY ECONOMIC CATEGORY

(£ million)

	1984/85	1985/86
Departmental running costs	11,155	11,703
Running costs receipts	-2,929	-3,097
Other public sector pay	14,073	15,025
Transfers to the personal sector	41,253	44,802
Purchases of assets, goods & services	22,879	24,289
Transfers to the corporate sector	7,436	5,442
Payments overseas	2,692	2,568
TOTAL	92,062	98,453

Source: HM Treasury, The Government's Expenditure Plans 1987-88 to 1989-90, Vol II, 1987, p.13

Notes:

* departmental running costs - total current expenditure on administration including pay and other staff costs, accommodation and other services
* running costs receipts - arising from charging other departments or outside bodies for services
* other public sector pay - pay and pensions of staff of NHS, local authorities and other bodies not covered by running costs
* transfers to the personal sector - current grants including social security benefits, capital grants and net lending
* purchases of assets, goods & services - expenditure on capital assets and current expenditure on goods and services
* transfers to corporate sector - grants and subsidies to nationalised industries and public corporations.

APPENDIX I.UK.4 - DEFENCE EXPENDITURE BY PRINCIPAL HEADING

	1984/85		1985/86	
	£ million	%	£ million	%
Personnel	5,999	34.9	6,232	34.7
Equipment	7,872	45.8	8,315	46.3
Works	1,272	7.4	1,437	8.0
Miscellaneous Stores & Services	2,045	11.9	1,976	11.0
TOTAL	17,189	100.0	17,959	100.0

Source: HM Treasury

APPENDIX I.UK.5 - DTI EXPENDITURE BY PRINCIPAL HEADING

(£ million)

	1984/85	1985/86
Regional & General Industrial Support	550	369
Support for Industry (R&D, Standards)	390	390
Research Establishments Building Programme	5	10
Support for Aerospace, Shipbuilding & Steel Manufacture	174	223
International Trade	41	43
Regulation of Domestic Trade & Industry	22	18
Central & Miscellaneous Services	124	111
TOTAL	1,306	1,163

Source: HM Treasury

APPENDIX I.UK.6 - DEPARTMENT OF ENERGY EXPENDITURE BY PRINCIPAL HEADING

(£ million)

	1984/85	1985/86
Selective Assistance to Individual Firms	33	23
Nuclear Research & Development	196	190
Non-nuclear Research & Development	41	40
Promotion of Energy Efficiency	11	19
Redundant Mineworkers Payments Scheme	202	566
Social Grants for Pit Closures	-	8
Other Central & Miscellaneous Services	34	34
TOTAL	516	881

Source: HM Treasury

APPENDIX I.UK.7 - DE EXPENDITURE BY PRINCIPAL HEADING

(£ million)

	1984/85	1985/86
Enterprise & Job Creation	159	181
Labour Market Efficiency	148	150
Employment Measures	958	1,013
Training	1,147	1,265
Health & Safety at Work	88	90
Industrial Relations	15	17
Other Labour Market Support	16	14
Central Services	116	89
TOTAL	2,647	2,820

Source: HM Treasury

APPENDIX I.UK.8 - CENTRAL AND LOCAL GOVERNMENT EXPENDITURE ON ROADS

(£ million)

	1984/85		1985/86	
	Current	Capital	Current	Capital
Central Government	78	718	77	734
Local Authorities	907	451	998	484
TOTAL	985	1,169	1,075	1,218

Source: HM Treasury

APPENDIX I.UK.9 - GENERAL GOVERNMENT EXPENDITURE ON HOUSING

(£ million)

	1984/85		1985/86	
	Current	Capital	Current	Capital
Central Government	487	6	480	3
Local Authorities	510	1,560	598	1,069
The Housing Corporation & New Towns	85	603	87	598
TOTAL	1,082	2,169	1,165	1,669

Source: HM Treasury

APPENDIX I.UK.10 - HOME OFFICE EXPENDITURE BY PRINCIPAL HEADING

(£ million)

	1984/85		1985/86	
	Central Govern.	Local Author.	Central Govern.	Local Author.
Court Services	2	168	2	176
Criminal Injuries Compensation	34	-	37	-
Prisons	601	-	655	-
Probation	21	153	23	168
Police	66	2,854	74	2,800
Civil Defence	33	13	34	14
Immigration & Citizenship	44	-	46	-
Passport Office	22	-	23	-
Fire	8	635	8	666
Community Services	22	-	23	-
Central & Miscellaneous Services	66	22	75	24
Other Central Government	-126	-	-135	-
TOTAL	793	3,845	865	3,848

Source: HM Treasury

APPENDIX I.UK.11 - DES EXPENDITURE BY SPENDING AUTHORITY

(£ million)

	1984/85		1985/86	
	Current	Capital	Current	Capital
Central Government	2,012	247	2,089	281
Local Authorities	10,525	423	10,987	411
TOTAL	12,537	670	13,076	692

Source: HM Treasury

APPENDIX I.UK.12 - DHSS-HPSS EXPENDITURE BY SPENDING AUTHORITY

(£ million)

	1984/85		1985/86	
	Current	Capital	Current	Capital
Central Government - NHS	12,603	793	13,288	836
Local Authorities - PPS	2,283	78	2,415	76
Public Corporations	23	-	23	-
TOTAL	14,909	871	15,726	912

Source: HM Treasury

APPENDIX I.UK.13 - GENERAL GOVERNMENT EXPENDITURE IN SCOTLAND

(£ million)

	1984/85		1985/86	
	Scottish Depts.	Local Author.	Scottish Depts.	Local Author.
Agriculture, Fisheries & Food	180	1	201	1
Industry, Energy, Trade & Employment	194	9	281	9
Tourism	10	3	9	4
Roads & Transport	124	378	136	401
Housing	257	399	262	359
Other Environmental Services	43	486	52	496
Law & Order	137	348	146	362
Education	204	1,549	219	1,560
Arts & Libraries	15	54	17	58
Health & PPS	1,856	326	1,966	348
Other Public Services	99	-	105	-
Common Police Services	-	4	-	5
Nationalised Industries	337	39	193	40
TOTAL	3,453	3,596	3,581	3,643

Source: HM Treasury

APPENDIX I.UK.14 - GENERAL GOVERNMENT EXPENDITURE IN WALES

(£ million)

	1984/85		1985/86	
	Welsh Depts.	Local Author.	Welsh Depts.	Local Author.
Agriculture, Fisheries & Food	79	-	86	-
Industry, Energy, Trade & Employment	104	4	156	5
Tourism	6	-	8	-
Roads & Transport	109	157	101	172
Housing	45	94	49	77
Other Environmental Services	7	260	-	282
Education	8	689	9	702
Arts & Libraries	10	19	11	20
Health & PPS	862	124	921	127
Other Public Services	31	-	34	-
Nationalised Industries	24	-	21	7
TOTAL	1,286	1,354	1,388	1,392

Source: HM Treasury

APPENDIX I.UK.15 - GENERAL GOVERNMENT EXPENDITURE IN NORTHERN IRELAND

(£ million)

	1984/85	1985/86
Northern Ireland Departments		
- National Agriculture & Fishery Support	76	77
- Local Agriculture, Fishery & Forestry Support	83	77
- Industry, Energy, Trade & Employment	403	437
- Transport	122	122
- Housing	337	358
- Environmental Services	175	186
- Law, Order & Protective Services	17	19
- Education & Science, Arts & Libraries	591	613
- Health & PPS	667	699
- Social Security	1,171	1,281
- Other Public Services	37	37
Northern Ireland Office		
- Law, Order & Protective Services	401	436
TOTAL	4,081	4,343

Source: HM Treasury

APPENDIX I.UK.16 - CENTRAL GOVERNMENT EXPENDITURE BY DEPARTMENTS OF THE CHANCELLOR OF THE EXCHEQUER

(£ million)

	1984/85	1985/86
Central Office of Information	2	-1
Customs and Excise	340	356
Registry of Friendly Societies	2	2
Government Actuary	1	1
HMSO	18	16
Inland Revenue	901	1,003
National Investment & Loans Office	-1	-1
Department for National Savings	146	152
HM Treasury	276	286
Public Corporations	5	6
TOTAL	1,689	1,821

Source: HM Treasury

APPENDIX I.UK.17 - CENTRAL GOVERNMENT EXPENDITURE BY DEPARTMENT ("OTHER DEPARTMENTS")

(£ million)

	1984/85	1985/86
Cabinet Office	121	129
Charity Commission	5	5
Commonwealth War Graves Commission	10	11
National Audit Office	26	28
House of Commons	59	63
House of Lords	9	10
Land Registry	-23	-33
Ordnance Survey	13	14
Parliamentary Commissioners and Health Service Commissioners	2	2
Paymaster General's Office	935	1,029
Privy Council Office	1	1
Public Record Office	9	10
Office of Fair Trading	7	7
Office of Gas Supply	-	-
Office of Telecommunications	-1	-1
Property Services Agency	-67	-101
Office of Population Censuses and Surveys	24	26
Crown Office	13	13
Northern Ireland Court Service	12	14
Crown Prosecution Service	9	11
Serious Fraud Office	-	-
Treasury Solicitors Department	10	12
TOTAL	1,173	1,250

Source: HM Treasury

APPENDIX I.UK.18 - LOCAL AUTHORITY PUBLIC EXPENDITURE IN GREAT BRITAIN BY TERRITORY

(£ million)

	Government Figures		CIPFA Figures	
	1984/85	1985/86	1984/85	1985/86
Current Expenditure				
England	25,168	26,154	21,794	22,442
Wales	1,492	1,542	1,276	1,327
Scotland	3,218	3,283	2,735	2,876
Capital Expenditure				
England	3,736	2,872	5,530	4,531
Wales	261	266	342	341
Scotland	646	669	877	862
TOTAL	34,520	34,785	32,554	32,379

Note: The table covers only England, Scotland and Wales since in Northern Ireland most equivalent spending is carried out by the Northern Ireland Departments. Two sets of figures have been reproduced.

Source: Government figures from HM Treasury, The Government's Expenditure Plans, 1987-88 to 1989-90, Vol II, 1987, p. 354
CIPFA figures from The Chartered Institute of Public Finance and Accounting, Finance and General Statistics 1985/86, and Capital Expenditure and Debt Financing Statistics, 1984/85 and 1985/86.
The CIPFA figures include a number of nil returns from individual authorities. These missing records have been allocated figures representing the average for the relevant type of authority.
Figures for Scotland from CIPFA, Rating Review Actual Income and Expenditure: Summary Volume, 1984/85 and 1985/86

APPENDIX I.UK.19 - FINANCING OF LOCAL AUTHORITY EXPENDITURE IN GREAT BRITAIN

(£ million)

	1984/85	1985/86
Expenditure	34,520	34,790
Debt Interest	4,090	4,450
National Accounts Adjustment	2,270	3,250
Total	40,880	42,480
Financed by:		
Aggregate Exchequer Grant	14,790	14,320
Other Government Grants	6,030	6,990
Rates	12,930	13,800
Trading Surpluses	1,140	1,230
Rents	2,870	2,990
Borrowing	3,120	3,160

Source: HM Treasury

APPENDIX I.UK.20 - LOCAL AUTHORITY PUBLIC EXPENDITURE IN ENGLAND BY FUNCTION

(£ million)

	Current		Capital	
	1984/85	1985/86	1984/85	1985/86
Agriculture, Fisheries, Food & Forestry	117	128	46	35
Industry, Trade & Employment	152	159	6	5
Arts & Libraries	383	408	48	40
Roads & Transport	1,918	1,785	853	660
Housing	584	623	1,425	949
Other Environmental Services	2,478	2,683	743	599
Law, Order & Protective Services	3,557	3,571	114	99
Education & Science	11,224	11,655	423	411
Health & PPS	2,274	2,406	78	76
Social Security	2,481	2,736	-	-
TOTAL	25,168	26,154	3,736	2,872

Source: HM Treasury

APPENDIX I.UK.21 - LOCAL AUTHORITY HIERARCHY IN GREAT BRITAIN 1984-1985

(£ million)

	Typical Spend 1984/85 (£ million)	Typical Population Served ('000s)
England		
London: Inner Boroughs	100	200
London: Outer Boroughs	110	230
GLC & ILEA	2,800	7,000
Metropolitan County Councils	300	2,000
Metropolitan District Councils	140	300
Non-Metropolitan Councils	280	650
Non-Metropolitan District Councils	10	90
Wales		
County Councils	150	380
District Councils	10	60
Scotland		
Regional Authorities	300	500
Island Authorities	30	20
District Authorities	16	50

Source: Calculated from CIPFA figures

APPENDIX I.UK.22 - LOCAL AUTHORITY FUNCTIONS IN ENGLAND AND WALES, 1985

	ENGLAND								WALES	
	GLC	ILEA	LONDON: INNER BOROUGHS	LONDON: OUTER BOROUGHS	METROPOLITAN COUNTY COUNCILS	METROPOLITAN DISTRICTS	NON-MET COUNTIES	NON-MET DISTRICTS	COUNTY COUNCILS	DISTRICT COUNCILS
Education	x	x		x		x	x	x	x	
School meals, Milk	x			x			x	x	x	
Libraries, Museums etc	x		x	x	x	x	x	x	x	x
PSS			x	x		x	x	x	x	x
Police	x		x		x		x	x	x	
Fire	x				x		x	x	x	
Justice	x		x		x	x	x		x	
Highways & Transport	x		x	x	x	x	x	x	x	x
Housing	x		x	x		x	x	x	x	x
Refuse Collection & Disposal	x		x	x		x	x	x	x	x
Environment Health	x		x	x		x	x	x	x	x
Pools, Sports, Recreation	x		x	x	x	x	x	x	x	x
Parks & Open Spaces	x		x	x	x	x	x	x	x	x
Town & Country Planning	x		x	x	x	x	x	x	x	x
Cemetaries & Crematoria			x	x		x		x		x
Rate Collection			x	x		x		x		x
Other Services	x		x	x	x	x	x	x	x	x

Source: Municipal Year Book 1986

APPENDIX I.UK.23 - LOCAL AUTHORITY FUNCTIONS IN SCOTLAND

REGIONAL & ISLANDS AUTHORITIES	DISTRICT & ISLANDS AUTHORITIES
Strategic Planning	Local Planning
Industrial Promotion	Development Control
Industrial Development	Urban Redevelopment
Roads	Industrial Development
Public Transport	Housing
Highways, Lighting	Tourism
Road Safety	Conservation
Airports	Recreation
Ferries	Parks
Harbours	Museums, Libraries etc
Water	Refuse Collection & Disposal
Flood Prevention	Burial & Cremation
Coast Protection	Licencing
Sewage	Courts
Police	Youth Employment
Fire	
Education	
Careers Service	
Social Work	
Consumer Protection	

Source: Municipal Year Book 1986

APPENDIX I.UK.24 - UK NATIONALISED SECTORS, TURNOVER, EMPLOYEES AND INVESTMENT

	Turnover (£ million)		Average No. Employees		Expenditure on Fixed Assets (£ million)	
	84/85	85/86	84/85	85/86	84/85	85/86
Energy	19,971	24,967	473,010	439,937	3,006	2,973
Post & Telecom.	10,083	3,247	447,330	205,136	1,240	148
Transport	8,756	8,575	355,239	347,348	696	1,065
Steel	3,736	3,735	73,650	67,100	233	194
Water	2,257	2,487	56,630	54,061	800	873
Shipbuilding	171	173	11,300	10,200	96	106
TOTAL	44,974	43,184	1,417,159	1,123,782	6,071	5,359

Source: Calculated from CIPFA, Nationalised Industries 1986: A Financial Digest, 1987

APPENDIX I.UK.25 - CONTRIBUTION OF THE NATIONALISED INDUSTRIES TO GDP AND EMPLOYMENT

	1984/85	%	1985/86	%
Employment: Nationalised Industries	1,417	5.9	1,124	4.6
Employed Labour Force ('000)	24,206		24,492	
Value Added: Nationalised Industries	31.66	11.1	32.79	10.8
GDP (£ billion)	285.27		303.64	

Source: CIPFA, Nationalised Industries 1986 : A Financial Digest, 1987, p.3; HM Treasury, The Government's Expenditure Plans 1987-88 to 1989-90, Vol I, 1987, p. 19

APPENDIX I.UK.26 - UK NATIONALISED INDUSTRIES : GOVERNMENT GRANTS FOR REVENUE AND CAPITAL PURPOSES, 1985-86

	£ million
British Railways Board	933
British Coal	907
London Regional Transport	325
National Bus Company	66
British Waterways Board	43
Water Authorities	29
British Shipbuilders	23
Scottish Transport Group	19
Electricity Council	5
Civil Aviation Authority	3
TOTAL	2,353

Source: CIPFA

APPENDIX I.UK.27 - UK NATIONALISED INDUSTRIES AND SPONSORING DEPARTMENTS

Department	Industry
Energy	Electricity Council British Coal
Environment	British Waterways Board Regional Water Authorities (England)
Trade and Industry	British Shipbuilders British Steel Post Office
Transport	Civil Aviation Authority London Regional Transport National Bus Company British Rail British Airports Authority
Scottish Office	North of Scotland Hydro-Electric Board Scottish Transport Group South of Scotland Electricity Board
Welsh Office	Welsh Water Authority

Note: British Gas was formerly sponsored by the Department of Energy; British Airways was sponsored by the Department of Transport.

APPENDIX I.UK.28 - UK PUBLIC SECTOR EXPENDITURE AND PROCUREMENT
COMPARISON OF SOURCES

(£ million)

	TREASURY				CSO				CIPFA				CONSULTANTS' ESTIMATES			
	1984/85		1985/86		1984/85		1985/86		1984/85		1985/86		1984/85		1985/86	
	Total Expend-iture	Procure-ment	Total Expend-iture	Procure-ment	Total Expend-iture	Procure-ment	Total Expend-iture	Procure-ment	Total Expend-iture	Procure-ment	Total Expend-iture	Procure-ment	Total Expend-iture	Procure-ment	Total Expend-iture	Procure-ment
Central Government	92,062	22,879	98,453	24,289	92,010	23,906	98,602	25,449	NR	NR	NR	NR	NR	NR	NR	NR
Local Authorities	34,931	9,729	35,231	9,414	40,480	10,845	41,940	11,029	32,000	7,700	32,353	8,000	NR	NR	NR	NR
Public Corporations	NR	NR	NR	NR	69,184	41,462	61,873	36,760	NR	NR	NR	NR	NR	31,377	NR	32,251
TOTAL	NR	NR	NR	NR	201,674	76,213	202,415	73,238	NR	NR	NR	NR	NR	31,527	NR	32,431

Sources: HM Treasury, The Government's Expenditure Plans 1987-88 to 1988-89, Vol II, 1987, various pages
CSO, (Central Statistical Office), United Kingdom National Accounts, 1986, various pages; personal communications 12/1/87; 19/1/87
CIPFA, Finance and General Statistics, 1985/86; Capital Expenditure and Debt Financing Statistics, 1984/85; 1985/86.
Procurement figures have been compiled from the CIFPA database. Since this does not include Scotland estimates have been substituted.
Consultants' estimates for public corporations are based on analysis of company accounts and direct enquiries to Corporations, together with CSO estimates for corporations outside the nationalised industries group.

APPENDIX I.UK.29 - NATIONALISED INDUSTRIES PROCUREMENT BY SECTOR

	Approx. Annual Procurement (£ billion)	%
Energy	15.5	53
Transport	5.0	17
Water	1.1	4
Steel/shipbuilding	3.2	11
Post and Telecommunications	4.4	15
TOTAL	29.2	100

Source: WS Atkins

Note: These figures include non-contract purchases, and expenditure on non-tradeables such as rents, rates, insurance, and fixed assets.

APPENDIX II

BREAKDOWN BY PRODUCT CATEGORY FOR SELECTED ENTITIES

TABLE II.1. - BREAKDOWN OF CONTRACTS LET BY UK MINISTRIES, BY NACE CODE, 1984

TREASURY PURCHASING STATISTICS 1984
UK RETURNS

PRODUCT CODES	ENTITY CROWN SUPPLIERS	COTA	HMSO	N IRELAND OFFICE	HOME OFFICE	MAFF	DTp	NATIONAL SAVINGS	INLAND REVENUE	MOD	SCOTTISH OFFICE
1				202	1402	467	207			29	
11	17665			896						1632	1700
14	164265		64	22293						502527	35
15										280531	
16			286	11066	8283			1363		147	925
17				655	3275			49		67	74
21											
22				716	1763					19060	
23	224			2505						28	
24	2809			207	99					562	73
25	8216		6881	4521	453	54				37014	5906
26					379					1	
31	32860		321	1681	1829		430			34279	
32	7294		1272	911	1762	343	412		89	792314	31
33			11853	970	190	20	224	72	24	34722	777
34	22930	7471	435	2089	35717	71	2194	12	459	1757150	575
35	306		214	5347	596		130		502	217261	3479
36	84					123				2995709	1877
37	34		12727	323	1524	352	121			89634	4485
41	21			8351	6590					47722	17670
43	19495		746	195	7714					25379	2809
44	54		3914		504					1028	
45	4463		93	1746	1330				31	96546	2521
46	29559			284	260					5255	0
47	138		102257	1350	230		50	1220		20431	370
48	8010		1445	698	270	29				35450	1034
49	29		4314	672	31		91	186		1403	21
71	3338		5075	845	2999	227	1050	7347	16217		152
81	148	10506	45	1198	5356	10507	62111	55460	38659		1154
91	11080	77150	1396	14634	4593	4072	4370	375	5771		724
94				6	1198	64161	7078	57	2642		1426
99	20405			20398	14473	12967	2438	20	7	271061	7153
TOTALS	351027	95121	153329	105260	101820	97521	187396	75861	64401	7302940	51590

TABLE II.1. - BREAKDOWN OF CONTRACTS LET BY UK MINISTRIES, BY NACE CODE, 1984

DHSS	DTI	COI	ROYAL MINT	WELSH OFFICE	IBAP	CUSTOMS &EXCISE	DoE	FCO	ODA	DEn	DEPARTMENT EMPLOYMENT
				1600							
				11322		226					
	250		1002	5105							
				217							
	0										
			10976								
	25	22	270	20							
2364	106			5234							
				1							
	10		20531	27							
	56		206	126			42	175			
	4562	0		357		73	20	395	202		246
7217	502	241		409		1180	0	2695	58		
41	23			596				792			
10566				205		196					
26513	1232			352		52					
				4914					13910		
			123	1							
			23								
				1423		337					
			29	191							
		1763	269	1401			33	153	120		
			117	479							
	14	260	209	1097							
	550			2174	26900	55			4367		
	7433	27120		121		48	4960	514		1372	
	152	9812		171	261	2449	747	919	355	11	2085
1034	368		58	141		40	22824		817	15705	496
2290	5906	5645	5450	1329	2237	32390	697	16736	511	750	
59151	24228	44915	79255	79378	79498	36993	29379	22869	20241	17832	2329

TABLE II.1. - BREAKDOWN OF CONTRACTS LET BY UK MINISTRIES, BY NACE CODE, 1984

DEPARTMENT EMPLOYMENT	ECGD	MET POL OFFICE	OFFICE FAIR TRD	ORDNANCE SURVEY	PG OFFICE	PUBLIC REC OFF		TOTAL =====
								2307
								23493
		8737						709469
								280531
		5923						34053
		1447						5784
								0
								32517
								2757
		24						4076
								68149
								381
		523						92491
		257						911250
348	569	288		57				56216
		2661						1830361
		5614						234861
		333						3010089
		116						136830
		2761						102339
		41						52502
								5523
		1515						110094
		536						36114
		351		340				131006
		216						48048
		45						8372
		656		115				82065
	62	2295		1640	44			246512
2085	65	555		371	31	15		142975
495		299	139	105				119203
		3182	25	139				422239
2929	696	39086	164	2667	95	15	0	8892708

TABLE II.2. - BREAKDOWN OF CONTRACTS LET BY UK MINISTRIES, BY NACE CODE, 1985

TREASURY PURCHASING STATISTICS 1985
UK RETURNS

PRODUCT CODES	ENTITY CROWN SUPPLIERS	CCTA	HMSO	N IRELAND OFFICE	HOME OFFICE	MAFF	DTp	NATIONAL SAVINGS	INLAND REVENUE	MOD	SCOTTISH OFFICE
1				665	1631	404				1	
11	21886			2612						3672	1520
14	150017		48	22095						349414	
15										130	
16		121	247	24066	9240	182		1352		3	2603
17				699	3290			100		5	
21				625							
22	57			264	917					15446	
23	54			2761						11	
24	2413			162	62					1649	36
25	7235		7028	5033	231	146				54671	6267
26					631					52	
31	32937		310	2030	3496		55			41444	651
32	6505		1599	1400	1227	73			41	2190956	119
33	16	218	13252	2520	38	31	6169	52	20	131111	2219
34	27550	2004	357	6912	10509	105	1328		5411	1725058	600
35	432		27	10999	321				1155	329294	4995
36	31					1722				2094845	1059
37	238		3633	624	1024	246				77550	5271
41	170			15247	6915					59254	19306
43	19870		715	333	3948					18031	2657
44	149		5647	16	229					1209	21
45	7671		134	2403	307				57	74591	2315
46	24989	75		304	411					4974	535
47	189	26	114086	933	149			2055		23325	714
48	10749		1523	867	100	36				26125	1152
49	64		4634	12139	91	119		257		1296	351
71		496	4380	1345	3603	227	487	4075	22440		201
81			50	7929	59605	9259	54565	61991	40729		1302
91	22456	109	2031	17911	6316	11530	2293	408	5349		1010
94		6084		66	3483	63101		67	6222		146
98	16754	19073		19599	15349	10371	261	4	9	346132	4913
99				618	2563	3730	736	62		712790	5[illegible]
TOTALS	352342	23206	160200	156222	136796	106312	65614	70464	31944	5934739	21567

TABLE II.2. - BREAKDOWN OF CONTRACTS LET BY UK MINISTRIES, BY NACE CODE, 1985

DHSS	DTI	COI	ROYAL MINT	WELSH OFFICE	IBAP	CUSTOMS &EXCISE	DoE	FCO	ODA	DEn	DEPARTMENT EMPLOYMENT
				157							
				1740							
	152			5350				23			
	243		390	4045							
				6							
	0										
			13527								
	31		136								
	86			6271							
				1							
	13		23819	7				8			
	195		324	32			65	340	14		
33643	3487	0	65	213		2485	1437	1455	136	127	343
343	3512	31	24	396		1457		3212	72		
	736			299		163		760			
9714				3		273		1			
16149	1643			501				2			
				5262					4830		
				61		45					
			316								
530				1336		175		2			
			202	24							
	22		512	865				131	101		
			79	652	312						
	18		142	5532				35			
1992	922			153	21011		7		890		
	5367	17215		45		45	2599	213		6435	
	2191			973	398	3119	11	330	290		2294
1122	3398			15		30	20177			31081	529
3306	11541	183	3091	896	12	2614	2457	9122	784	297	
1791	3653	30863	27	422	1196	328		92	2	753	
58949	39330	48292	47574	37404	92929	10532	23740	15972	7131	78693	3156

TABLE II.2. - BREAKDOWN OF CONTRACTS LET BY UK MINISTRIES, BY NACE CODE, 1985

ECGD	MET POL OFFICE	OFFICE FAIR TRD	ORDNANCE SURVEY	PE OFFICE	PUBLIC REC OFF	EDUC & SCIENCE	TOTAL =====
							2858
							31430
	2123						529762
							130
	8018		206				50926
	977						5077
							625
							31211
							2836
							4579
							85958
							684
	381						107104
							2203500
506	4290						245977
	9696					23	1799292
	7033					27	856875
	336						2109987
	655						107775
	3599						114583
	21						45732
	21						7607
	1148						91535
	714						32728
	421		246			340	144687
	917						42512
			827				26505
	500		206				123314
	4794		182	43		27	269905
74	1349	13		90	26		77069
		895	576			5199	142121
618	1395	27	25	32		19	471061
175	1747		28			4703	766875
1373	50736	936	2293	165	26	10324	10533302

TABLE II.3 - SSEB HEAD OFFICE PURCHASES BY NACE CODE, 1985-86

NACE CODE	HEAD OFFICE PURCHASES AND CONTRACTS (£'000s)
132	96
140	1,500
140.1	480
161	12,000
211	214
222	285
224.3	29
240	104
250	2,658
252	714
312	185
313	178
313.1	183
316.11	253
322	9,886
326	4,145
330	8,760
340	99
341	22,224
342	4,866
343	427
347	461
348	222
351	2,082
353	266
371	5,739
453.4	265
461	244
467	465
473	1,434
500.1	2,692
790	1,500
960	7,067
MISC	15,067
TOTAL	106,886

Source: SSEB

APPENDIX III

LIST OF ENTITIES INCLUDED IN THE CONTRACT SAMPLE DATABASE

BELGIUM

(Note: GB = Gemeenstebestuur (Municipality))

Ministry of Defence
Urban Transport
Ministry of Public Works
Ville D'Ixelles
Ville D'Evere
Ville D'Anderlecht
GB Schoten
GB Van Schilde
GB Wuustwezel
City Turnhout
GB Essen
Gemeente Brasschaat
S. Lokeren
S. Van Oudenaarde
GB de Pinte
Stad Aalst
GB Sint-Martens - Latem
Ville de Liege
RTBF
Regie des Voies Aeriennes
RTT
Regie des Postes
Regie du Transport Maritime
SNCV
STIB
Ministry of Communications
CIBE
INTERCOM
Ministry of Education
Ministry of Sante Publique
Commune de Bette
Stad Lier
Ville de Gand

Stadsbestuur Eeklo
Ville de Kortrjsk
Pre-metro Antwerp
SNCB
Promotions de Transport Urban
CPAS - Liege
CPAS - Schoten
CPAS - Gand

FRANCE

Ministry of Defence
Ministry of Agriculture
Ministry of Telecommunications
Ministry of Justice
Ministry of Foreign Affairs
MELLATT (Ministry of infrastructure, housing, and local government)
Ministry of Education
Ministry of Transport
Ministry of Culture and Communications
Ministry of PTT
Dir. Gen. Telecommunications
UGAP
Div. Gen. de Douanes
Soc. de l'autoroute Paris-Normandy
INSEE
Air France
EDF
National Space Agency
AFPA (Adult education association)
Ville de Paris
Assistance Publique (Paris)
Hopital de la Fontaine
Department des Bouches du Rhone
EPA Marne
Mairie de Paris
DDE - Louise
DDE - Nord
DDE - Hauts de Seine

DDE - Ile de France

DDE - Somme

DDE - Essone

DDE - Isere

Antenne 2

Prefet Maritime, Premiere Region Maritime

Bureau de Recherches Geologiques et Minieres

F.R. GERMANY

Federal Ministries

- Defence
- Interior (Central Purchasing Office)

Federal Border Guards

Federal Bureau of Criminal Investigation

Federal Office for Civil Defence

State of Baden - Wuertemberg

State of Hessen

- Min. of Interior
- Landes vermessungsaunt
- Central purchasing department

State of North Rhine - Westfalia - Building surveyors office

Rhineland Ministry of Sport

Berlin

- Municipal Transport Authority
- Diverse other authorities

Inland Revenue - Koblenz

VDEW (electricity utilities association)

DBB (Railways)

Regional office of postal workers Health Ins. Co.

Lahn District - Forestry

University Hospital of Marburg

University of Kassel - Hessen

ITALY

Provveditorato Generale dello Stato (PGS)
Ministry Public works
Ministry of Health
Ministry of Justice
Cassa del Mezzogiorno
Regione Emilia Romagna
Regione Toscana
ACOSER Bologna
Murgianord (mountain community)
Commune of Trieste
USL Trieste
Commune of Bologna
Ferrovie dello Stato
ENEL (electricty)
ATAC (transport - Rome)
ASST (telecoms)
Admin. delle poste and telecomm. (posts)
ANAS (roads)
ACEGA
State Monopolies

UNITED KINGDOM

Ministry of Defence
Home office
Department of Trade and Industry
Department of Energy
Ministry of Fisheries and Food
Scottish Development Department
Department of Transport
The Crown Suppliers
Her Majesty's Stationery Office
Central Computer Telecommunications Agency
Property Services Agency
National Health Service

Central Electricity Generating Board
South of Scotland Electricity Board
Southern Electricity Board
British Telecom
Post Office
British Coal
British Airways
British Airports Authority
London Dockland Development Corporation
Thames Water Authority
London Buses Ltd
Kent County Council
Essex County Council
Newcastle City Council
Basildon District Council
Harlow District Council
Borough of St. Edmundsbury
Inner London Education Authority

APPENDIX IV

CONTRACT QUESTIONNAIRE

For Atkins use only

0. SERIAL NO. ____

A T K I N S   P L A N N I N G

COST OF NON-EUROPE/PUBLIC PROCUREMENT

CONTRACTS DATABASE PROFORMA

(10524 JAN 1989)

Researcher: ______________________

PART I : PURCHASING AUTHORITY

1. COUNTRY: UK = U, France = F, Germany = D, Italy = I, Belgium = B ☐

2. ENTITY:
(END USER) ____

3. ENTITY CODE NUMBER: ____

4. PURCHASING DEPARTMENT
OR AGENCY: ____

5. IS (4) INDEPENDENT OF (2)? Yes = Y, No = N ☐

6. TYPE OF ENTITY: ____

Public Corporation	= PC	
Local Government	= LG	
State or Region	= SR	
Central Govt. Ministry	= GM	
Central Govt. Other	= GO	(specify): ____________

Supplementary Information (Fill in once only)

Address of entity: ______________________

____

Contact name: ______________________

Telephone: ______________________ Telex: ____________

	1984	1985
Annual expenditure:		
Annual purchases:		
No. of contracts let:		

CNEPP - CONTRACTS DATABASE PROFORMA

PART II : CONTRACT DETAILS

7. ENTITY CODE NO. (repeat from (3))

8. DESCRIPTION OF PURCHASE : (Be brief here - attach full description if necessary)

9. NACE CODE:

10. CLASS: Hi-tech Supplies = H, Common Supplies = C, Works = W, Services = S

11a. SPECIFICATION : Has it changed since the tender (Y/N)

11b. QUALITY or STANDARD

12. QUANTITY

13. a) CONTRACT VALUE (net of VAT*)
or b) PRECONTRACT ESTIMATE:
or c) RANGE - LOW:
- HIGH:

* Currency: BF/FF/DM/LI/UKL

14. DATE OF CALL FOR TENDER: (Day/Month/Year) / /

15. DATE OF CONTRACT: (Day/Month/Year) / /

16. DURATION: From / / to / /

17. FREQUENCY OF PURCHASE: (No. of months)

18. TENDERING PROCEDURE: Open = O, Restricted = R, Negotiated = N, Previous Supplier = P, Other = X (specify)

19. ADVERTISING:	Y/N	20. SELECTION CRITERIA:	Y/N
a) Local Press		a) Lowest Cost only	
b) National Press		b) Technical Merit	
c) OJEC		c) Delivery	
d) Registered Firms		d) Other (specify)	
e) Other (specify)		(Indicate whether used)	

21. OPEN TO BIDDERS FROM: WORLD = W, EEC = E, NATION = N, LOCAL = L

22. a) NUMBER OF BIDDERS:
b) NO. OF FOREIGN BIDDERS:

CNEPP - CONTRACTS DATABASE PROFORMA

PART III : SUPPLIER

23. NAME:

24. COUNTRY OF REGISTRATION: U/F/D/I/B/X = Other (specify)

25. LEGAL STATUS:

26. ACTIVITIES IN RELATION TO THIS PRODUCT: (may be more than one) Y/N

a) Manufacturer

b) Agent

c) Wholesaler/Stockist

d) Importer

e) Contractor (building/civil engineering)

f) Other (specify) ____________

27. PARENT:

Nationality: U/F/D/I/B/S = USA/J = Japan/X = Other (specify)

28. DOES THE SUPPLIER HAVE FOREIGN LINKS? (in relation to this product) (specify)

a) Parent ....

b) Subsidiaries ....

c) Licences ....

d) Other ....

29. ASSUMED COUNTRY OF SUPPLY: (specify unless H)
(Home = H, Other EEC = E, Other = X)

Comment: ____________

____

30. KNOWN SUBCONTRACTORS, NATIONALITY, WHAT SUPPLIED

1) ____________

2) ____________

3) ____________

4) ____________

Supplementary Information

Supplier's address: ____________

____

Contact Name: ____________

Telephone: ____________ Telex: ____________

31. Size of firm: Turnover (Ecu) < 1 Mio = 1, 1-100 Mio = 2, >100 Mio = 3

Employees < 50 = 1, 50-500 = 2, >500 = 3

APPENDIX V

'SHOPPING LIST'

LIST OF STANDARD ITEMS OF PUBLIC SECTOR
PROCUREMENT - 'THE SHOPPING LIST'

	Item	NACE code
1	Coal for power generation (specify calorific value)	111.1
2	98 octane gasoline	140.12
3	12mm reinforcement steel bar	221.1
4	Portland Cement	242.1
5	Replacement railway track laid on existing bed, (excluding electricity transmission and signalling)	314.4
6	Power station (specify type, fuel, output) (mechanical and electrical contract, not civils)	315.1
7	4 drawer metal filing cabinet	316.6
8	Police small arm, .38 revolver or similar	316.8
9	Agricultural tractor 90 hp	321.1
10	Street sweeper, Smidt SK150 type or equivalent	325.4
11	Packaged split-system air conditioner for computer rooms	328.4
12	Optical fibre cable e.g. Loose Tube Steel Core type (LTSC), 8 fibres, on drums (no connectors)	341.0
13	Overhead power transmission cable 132 kV aluminium conductor steel reinforced (ACSR)	341.0
14	Electrical transformer 1000kVa, 11kV - 433/250V or similar	342.0
15	Electronic telephone exchange 10,000 lines, stored program control	344.0
16	UHF television retransmitter, 0.05 kW effective radiated power (ERP) at 650 MHz or UHF radio station, ERP around 0.5 kW ERP at 96 MHz	345.1
17	Hand held UHF mobile radio (fire/police/ambulance)	345.1
18	Floppy disks, single sized double density 5¼"	345.2
19	Fluorescent light tube 80W, 4 foot/130cm	347.1
20	50 seater single deck city bus	351.0

	Item	NACE code
21	Saloon car (Ford Sierra/GM Ascona (Cavalier)/Fiat 132/ R21)	351.0
22	3 tonne truck, army	351.0
23	Vehicle battery, 12V, lead acid (specify amp-hrs)	353.0
24	Electric railway locomotive, 3,000 hp	362.1
25	Helicopter, air-sea rescue, 6 passenger	364.1
27	Airbus A300 or equivalent medium range passenger jet	364.1
28	Domestic electricity supply meter (spec. amperage)	371.2
29	White bread 500g loaves	419.1
30	Army socks, woollen	436.1
31	Army boot	451.1
33	Police/border guard uniform	453.4
34	Wooden school desk	467.2
35	Newsprint (in rolls)	471.31
36	Xerox paper 80 g/m^2	471.33
37	Printing of reports, soft back perfect binding, offset litho	473.2
38	Car tyre, radial ply 165SR13	481.1
39	Pencils, graphite HB	495.3
40	Word processor, IBM display write or equivalent	330.0
41	Mainframe computer e.g. for departmental payroll	330.0
42	4 storey government office block, with services (specify floor area)	500.0
43	Aircraft hanger for civil aircraft (spec. m^2)	500.0
44	2 carriageway, 3 lane motorway, excluding bridges, flat terrain (spec. km)	502.5
45	200 bed general hospital	500.0
46	Water main or gas pipeline	502.6
47	Contract catering (large government office/forces mess)	664.0
48	Contract haulage of petroleum and oil liquids (POL)	723.0
49	Pharmaceuticals - DIGOXIN or FRUSEMIDE	257.0
50	Cardiac monitor (continuous) (without ancillary equipment)	344.0
51	Software development consultancy (man-days)	94C

APPENDIX VI

REVIEWS OF UK PURCHASING POLICIES

Government Purchasing Review, 1984

Central government procurement systems are undergoing considerable restructuring at present. The inspiration for this was the multi-department review of government contract and procurement procedures carried out by the Management and Personnel Office in 1983-84. Since the subsequent report (published in 1984) had such a profound impact upon government thinking regarding procurement, it is appropriate to discuss its findings in some detail.

The review covered nine departments and a total procurement of about £2.5 billion. The main finding was that the overall costs of acquiring non-warlike goods and services could be reduced substantially by a combination of a number of changes in government purchasing and in supply procedures.

Potential savings (including price paid, procurement administration and other on-costs such as storage and distribution, spares and maintenance, servicing and replacement) were estimated at £500 million or 5% of the total expenditure. It was shown that savings could be obtained from streamlining purchasing arrangements and through a more effective supply process, reducing storage and distribution costs. It was also demonstrated that savings would arise from co-operation with industry through better planning of purchasing, through closer liaison between purchaser and supplier and through ensuring that specifications are better tuned to what the market can provide. Equally, the findings showed the importance of implementing the principals underlying the Financial Management Initiative (set up in 1982) to all activities in departments, such as the need to clarify responsibilities, to delegate appropriately and to provide proper training for purchasing staff.

The major findings and recommendations of the report may be summarised as follows:

* In order to maximise economies of scale and to take advantages of available discounts, departments were advised to meet as many of their requirements as possible with standard or proprietary products, while eliminating inessential differences between the requirements of end-users.

* The use of <u>performance</u> specifications is encouraged in preference to <u>detailed</u> specifications because suppliers can use their initiative and specialist knowledge to meet the end-user's requirements at minimum cost.

* International standards should be used more fully.

* Purchasing requirements should be planned well in advance to allow for the development of aggregated purchasing arrangements (i.e. centrally arranged contracts which several departments may use).

* Lifetime costings (including on-costs) and investment appraisals should be used to determine which products to buy.

* Stock levels should be reduced to a minimum

* Lists of approved suppliers/contractors should be reviewed regularly and their performance on tenders and contracts monitored systematically. New firms should be admitted to the list periodically and evaluation of companies applying for admission should be thorough and carried out in a systematic and consistent manner. Over-dependence on the part of supplier (on department business) or department (on one supplier) should be discouraged.

* Unsuccessful tenderers should be debriefed to let them know why their bid failed (without passing information which breaches commercial confidentiality); This helps potential suppliers improve their performance in future bids.

* Competitive tendering should be followed by post-tender negotiation (where the value of contract justifies the expenditure of further staff time). This technique is much more common in the private sector, and is promoted strongly by the Institute for Purchasing and Supply (which provides training and awards professional qualifications to purchasing officers). Post-tender negotiation provides the opportunity for the buyer and supplier to negotiate the finer points of contract and to examine ways to reduce costs for mutual benefit. The report recommends that this approach should be used <u>after</u> a decision has been made to use a particular supplier, and not as a means to play off one supplier against another.

* Contracts should be drawn up with clarity as a priority and should encourage suppliers (by using penalty clauses) to comply with the end-users requirements (e.g. delivery dates, finish dates).

* Administration of the procurement function is particularly weak in central government. The report identified inefficiencies arising from excessive paperwork, ineffective delegations and controls and inappropriate levels of service, and calculated potential administrative cost savings at 10%. The creation of a computer database to supply management and administrative staff with key information on orders, suppliers, products, delivery and quality performance and on prices, was isolated as an urgent requirement.

* The procurement function should be carried out by properly trained specialists rather than 'generalists'. In addition, private sector purchasing professionals should be recruited to support the civil service teams and to re-design departmental purchasing systems in line with commercial practice. The report also suggested converting purchasing units into accounting centres with a requirement to recover costs from end-users and meet budget by controlling on-costs and improving administrative efficiency.

In addition to the above, the report recommended that each department appoint a Director of Procurement, recruited preferably from the private sector. This recommendation has since been taken up. Tom Critchley, for example, formerly of EMI, now heads the procurement activities of the NHS. The report also proposed the creation of a central purchasing unit to develop and secure increased effectiveness in purchasing and supply throughout central government. As a result, the Central Unit on Purchasing (CUP) was set up in 1985, as a Joint Unit of the Treasury and Cabinet Office. Its key activities are to encourage and monitor progress in departments in response to the report recommendations, to provide advice on good buying practice, to set targets for cost savings, to examine the scope for aggregation of purchasing, and to advise on international and British standards.

The report further suggested that targets be set by departments to secure savings in administration costs, storage and distribution costs, and prices. These targets have subsequently been agreed between individual departments and CUP.

The central purchasing agencies also fell within the scope of the government review. The report concluded that the agencies are generally efficient and competitive, but should concentrate on those goods and services which are required in high volume by departments, as well as on those where either the product or the procurement requires a high level of expertise best concentrated at the centre. In order to implement this process, the report recommended that departments be freed to seek alternative suppliers. As a result, departments were formally 'untied' from the Crown Suppliers and CCTA on 1 April, 1987, with PSA to follow in due course.

Public Purchasing Initiative

PPI was launched in 1980 by the Department of Trade and Industry. It encourages departments to develop relationships with suppliers which will ensure that value for money is obtained by government and to galvanise industrial competitiveness and innovation. Guidelines on PPI were issued to departments in 1981 and revised in 1983, 1984 and 1987. These may be summarised as follows:

* Purchasers should base all procurement on 'value for money', i.e. quality and delivery against price. Value for money should be judged on life costs, not initial costs. However, there are circumstances where greater cost or risk can be justified if, for example, a particular order is vital for a firm's development of an innovatory product or process, or would help prevent the formation of a monopoly in the supply of particular goods or services.

* Goods and services should be procured by competition unless there are convincing reasons to the contrary. Advertising should be considered as a useful means of testing the market even where this is not obligatory under EC or GATT rules.

TABLE VI.1

IMPROVING VALUE FOR MONEY IN CENTRAL GOVERNMENT PURCHASING - CUP DEPARTMENTAL SUMMARIES

Department	Value for Money Improvements 1985/86 (%)	Target 1986/87 (%)	Stockholding Reduction 1985/86 (%)	Comment
MAFF	NR	1	5	Departmental review; centralised purchasing to be introduced
Cabinet office	0.5	1	NR	Management systems installed for budget and stock levels
CISCO	NR	NR	NR	Already run on commercial basis
Customs & Excise	2.5	4.5	5	Accounting systems to be installed; General Supplies Division to be set-up
MOD	NR	5	5	Better management and information systems need to be installed
Education & Science	6	2	NR	No centralised purchasing
Employment	1.5	2	NR	Set up small procurement co-ordinating unit
Energy	0.4	0.1	NR	Needs co-ordination of procurement
Environment	1	2	20	Undergoing review of organisation and management controls
Export & Credit Guarantee Department (DTI)	3	4	4.2	Considering de-linking from agencies
FCO	1	1	5	Not centrally organised : 11 separate groupings at present
Government Actuary	4	4.2	NR	NR
Health and Safety Executive	2	2	NR	15 dispersed purchasing points and no professional staff. Central purchasing advisory group to be set up
DHSS	1	1.5	NR	Very decentralised; few professional staff. Requires centralisation
Home office	1	1.5	8	Plans development of a comprehensive management information system
Inland Revenue	4	4	NR	Review conducted; require information systems and private sector appointments
Intervention Board for Agricultural Produce (MAFF)	NR	NR	0.5	Not centralised; does not accept government purchasing report, hence method is unique
Land Registry	0.5	0.5	NR	NR
Lord Chancellor's Department	2.5	4.5	11.5 target 86/87	Computerised system installed by end 1986; private sector appointments
Manpower Services Commission	NR	NR	NR	Has 2,000 to 3,000 cost centres; requires central organisation
Department of National Savings	4	6	7 target 86/87	Computerised system installed by end 1987, appointed purchasing co-ordinator
Northern Ireland Civil Service	NR	NR	25	Intends following different guidelines to those set by CUP
Office of Population Censuses & Surveys	0.5	1.5	-	Little progress achieved
Ordnance Survey	1	6	3	Has amalgamated purchasing and supply functions; recruited from private sector
ODA	NR	4 (for Crown Agents Activities)	N/A	Established a Procurement Advisory and Monitoring Unit

TABLE VI.1

IMPROVING VALUE FOR MONEY IN CENTRAL GOVERNMENT PURCHASING - CUP DEPARTMENTAL SUMMARIES (CONTINUED)

Department	Value for Money Improvements 1985/86 (%)	Target 1986/87 (%)	Stockholding Reduction 1985/86 (%)	Comment
Paymaster - General's Office	3	3	34	Revised levels of authority; undertaken review of management systems
Royal Mint	2	3	NR	Already operates on commercial basis
Scottish Office	0.5	1	7.9	Revising organisation and practices; management and information systems being developed
DTI	0.7	3.5	8.3	16 cost centres and HQ Divisions at present; requires co-ordination and management systems
Transport	1	1.5	-4	Establishing departmental procurement organisation and recruiting from private sector
Treasury	0.5	1	NR	Already reasonably efficient
Welsh Office	0.5	1.5	NR	Effecting some centralisation and computerisation
Crown Suppliers	3	3	4	Aiming for better communication with customers; and installing new computer package
CCTA	NR	NR	NR	Professional at moment; enthusiastic application of PPI
COI	NR	NR	NR	Requires centralisation
HMSO	3.5	5	8.7	Already professional; new computer system to be installed; undertook full review in 1984/85 and number of items reduced by 27% from 1483 to 1078. Pricing policy reviewed; discounts are provided to major customers; and lower on-costs are applied to individual orders of large value
PSA	0.5	1	NR	Organisational review

Source: Central Unit on Purchasing, **Government Purchasing : Interim Progress Report to the Prime Minister, July 1986.**

TABLE VI.2

PROCUREMENT AND SUPPLY: COST REDUCTION STRATEGIES

QUALITY

SPECIFICATION	SOURCE	PACKAGING ETC.
1. Question end-user specification, materials, tolerance, delivery 2. Generic vs trade names 3. Standards rather than specials 4. Alternatives within TCS, HMSO catalogues 5. Compatible equipment eg. IBM clones 6. Consider supplier suggestions 7. Performance specification	1. Quality assessed suppliers - reduced rejections on time deliveries 2. Quality control - source inspections reduce internal costs 3. Introduce newly launched products 4. Used, secondhand or repair	1. Question need and quality 2. Changes in packaging ie. bulk vs boxed which result in price decrease 3. Mode of transport 4. Arrange own transport

SOURCING

NUMBER AND TYPE	MAINTENANCE	ALTERNATIVES
1. New source for better price, quality, delivery 2. Eliminate single source 3. Reduce number of sources used 4. Place more with lowest price supplier 5. International sourcing 6. Use small firms - breakout major contracts 7. Use distributor in lieu of manufacturer or vice versa	1. Buy standard commercial parts from manufacturer in lieu of original supplier 2. Designate spares - consumable, insurance and treat separately 3. Consider warranty buy out or conversely extended warranty 4. Maintenance contracts vs time and material 5. Third party maintenance 6. Buy consumables from other than original supplier	1. Lease or rental versus buy 2. Lease from third party rather than from vendor 3. Purchase manufacturer's surplus stock at lower price 4. Distressed sales opportunities

NEGOTIATIONS

LOWER PRICES	CASH MANAGEMENT	OTHERS
1. Negotiate lower prices than quoted 2. Ask for cost breakdown 3. Group purchases for increased quantity leverage 4. Increase quantity to obtain next quantity discount 5. Preferred pricing over extended periods of time 6. Sell future potential 7. Retrospective adjustment for higher quantity than expected	1. Increased cash discounts 2. Delaying billing or extended payment terms 3. Elimination of progress payments	1. Freight, packaging costs absorbed by supplier 2. Extended warranties at not extra cost 3. Question import and customs charges

COST AVOIDANCE

PRICE	NEED
1. Increase size of order prior to a price increase 2. Decrease size of order prior to a price increase 3. Canvas requisitions prior to increase 4. Move up/delay order if there is a price increase/decrease 5. Firm price contracts 6. Price protection or precommitment, limit future increases	1. Transfer of excess equipment & supplies intradepartmental in lieu of buying new 2. Renegotiate internal deadlines allowing more time for negotiation etc

STOCKHOLDINGS

STOCKLESS PURCHASING	STOCK LEVELS
1. Call off contracts 2. Consignment stocks 3. "Just in time" deliveries 4. Vendor "make and hold" 5. Premium transportation vs stockholding costs 6. Guaranteed transit time 7. Plan ahead	1. Order only what is required 2. Downgrate stock material for general applications 3. Substitute stock materials - variety reduction 4. Rework/use surplus or obsolete stocks 5. Return obsolete and surplus stocks to vendor for credit or sell to others

ADMINISTRATION

AUTOMATION	CONCENTRATION	ORGANISATION
1. Paperwork processing 2. Electronic communication	1. Negotiation/ strategy for 20% of items representing 80% value 2. Simpliofied order systems 3. Petty cash	1. Local purchasing 2. Call-off contracts

* Purchasers should use their commercial influence to help improve the competitiveness of their suppliers by ensuring that the products, processes and services that they buy reflect, as far as possible, the requirements of world markets. This can be realised by:

  - entering into early dialogues with potential suppliers about possible requirements

  - encouraging both product and process innovation

  - specifying requirements in performance terms rather than detailed designs which may stifle innovative solutions and wider saleability

  - framing specifications around appropriate standards to assist exporters and reap the benefits of scale economies

  - encouraging suppliers to be assessed to BS5750 or equivalent and, where appropriate, insisting on independently certified goods to reduce in-house inspection and failure costs

  - maintaining an even ordering pattern to allow efficient production planning

  - debriefing suppliers.

A checklist of factors which should be considered in assessing the 'value for money' of a purchase is provided in the following table. This shows clearly that initial price is only one of a large number of factors influencing the purchasing decision.

PPI has been criticised as, in part, a disguised buy British policy. However, the proposals are fully consistent with good buying practice and with EC and GATT rules. An improvement in the competitiveness of British suppliers is a by-product of PPI, but this is, of course, to the benefit of purchasers in both the UK and overseas. With regard to the question of international sourcing, it is significant that the PPI guidelines favour the use of published (rather than in-house) standards, particularly international or foreign (rather than BSI) standards where these dominate a particular market. Additionally, as part of PPI, guidance will be provided on new requirements concerning European and international standards included in changes in the EC Supplies Directive and the EC Decision on Standardisation in the Field of Information Technology and Telecommunications.

PPI PRINCIPALS FOR ENSURING VALUE FOR MONEY

STATUS OF FIRMS INVOLVED

- Financial viability
- Design capability
- Production capacity
- Quality assurance status and track record
- Cost management arrangements and track record
- Delivery record.

EQUIPMENT OFFERED

- Extent to which it meets minimum requirement
- Design/artistic qualities (where appropriate)
- Compatibility with equipment already in use
- 'Extras' above minimum requirement which offer cost-effectve advantage
- Scope for improvement or 'stretch' by later modifications or 'add ons' etc
- Conformity with standards (national, international, NATO etc)
- Scope for value engineering
- Reliability - proven record
- Maintainability
- Defect reporting and rectification arrangements
- Repair/servicing arrangements.

IMMEDIATE COST OF ACQUISITION

- Initial price
- Firmness of price (e.g. fixed, with or without variation of price, cost plus etc)
- Basis for agreeing prices on associated or follow-on orders
- Differences in cost-escalation formula
- Foreign exchange risk and costs
- Payment terms (on delivery or progress/stage payments etc)
- Cost of financing interim payments
- Financial guarantee requirements
- Duties and taxes
- Credit terms
- Transport costs
- Installation costs
- Cost of working capital for stocks
- Discounting factors
- Differences in administrative cost (including overheads) to purchaser
- Warranties and technical guarantees offered
- Product liability arrangements
- Scope for, and cost of, accelerating or delaying procurement.

DELIVERY

- Conformity with requirement
- Reliability of offer
- Operational and financial effects of earlier/later availability
- Cost and trade-offs with stockholding costs at various locations
- Liquidation of damages.

OPERATING COSTS

- Running costs
- Cost of spares - present and future
- Servicing and maintenance costs
- Storage and other support costs.

PRODUCT SUPPORT

- Quality of after-sales facilities
- Ease of legal recourse to supplier.

REPLACEMENT ARRANGEMENTS

- Receipts from eventual disposal
- Commitment to particular replacement equipment
- Replacement time frame.

STRATEGIC AND STRUCTURAL

- Safeguarding of vital sources of supply
- Length of the supply chain and its vulnerability to disruption
- Offset considerations
- Effect of procurement on price, availability and competition for future supplies (e.g. arising from dumping or artificially depressed quotations) including, as appropriate, supplies for other public purchasers
- Effect on competitiveness of suppliers
- Encouragement of innovation offering improved value for money.

Quality Assurance Initiative

The Quality Assurance Initiative is a component of PPI. The objective of the initiative is to have every UK manufacturing unit using a quality assurance procedure which at least meets the conditions set out in BS 5750 Quality Systems. This Standard sets out the requirements for three basic levels of systems for the assurance of quality of material and/or services:

- specification for design, manufacture and installation (where design has not been established)
- specification for manufacturer and installation (with an established design)
- specification for final inspection and testing.

The level of quality to be used in each of the foregoing has to be specified by the customer. This could involve a description of the quality levels in the contract, or acceptance of the quality described in the manufacturer's catalogue. On receipt of goods, there is certification to the effect that the appropriate quality has been maintained during the manufacture of the order.

To support this initiative, a National Accreditation Council has been set up with the task of monitoring quality assurance schemes. It does not do this directly but through its accredited agents who will certify individual companies and manufacturing units as having, at least, a procedure comparable to that set out in BS5750. There has been a need to qualify BS5750 to extend its coverage to products other than those of an engineering nature. However, in the course of the development of this initiative there has been objection by trade associations and also companies that the cost of installing and running a quality system will have to be passed on to the customer. On the other hand, government sector purchasers have indicated that there will be no recommendation to use the scheme unless manufacturers give assurances that the threatened increases will not materialise and unless the private sector uses the same scheme in their procurement procedures.

Although this initiative will improve value for money in government procurement (if it becomes widespread) it will pose problems for non-UK based manufacturers unless the National Accreditation Council accepts the credentials of non-UK quality assurance systems.

CENTRALISED PURCHASING IN UK LOCAL AUTHORITIES, 1986

	Authorities with Centralised Purchasing	
	No	%
London - Inner Boroughs	8	67
London - Outer Boroughs	14	70
England - County Councils	29	74
England - Metropolitan Districts	29	81
England - Non-Metropolitan Districts	163	55
Wales - County Councils	6	75
Wales - District Councils	16	43
Scotland - Regional & Island Authorities	7	58
Scotland - District Authorities	21	40
Average	293	57

Source: Municipal Year Book, 1986.

Note: GLC, ILEA and Metropolitan County Councils are excluded

Audit Commission Reports on Purchasing

The Audit Commission conducted a major review of local authority purchasing between December, 1983 and April, 1984. Four hundred and ninety authorities participated in the survey, providing information about the way in which purchasing is managed, as well as detailed information regarding the prices paid and quantities purchased, totalling around £500 million worth of purchases.

The survey indicated a wide range of prices paid for identical products (often wider than 2 to 1). A scattergram showing the prices paid for envelopes is reproduced at the end of this Appendix. Analysis revealed that, if each authority could match the prices paid by the most successful 25% of authorities in their class, cost savings of 10% could be achieved for non-fuel purchases and 2% for fuel purchases (representing an overall saving of 7%). Another observation was that annual purchasing volume appeared to have relatively little impact on the level of prices. On the other hand, the observed spread of prices was generally narrower among authorities buying in bulk, indicating that the key to successful purchasing is not simply high volume but rather the level of professional attention devoted to this function. The review demonstrated clearly that there is considerable scope for improvement in the procurement function. In the Commission's first report[+], a series of recommendations were made with the aim of reducing the cost of purchasing. These can be summarised under the following headings:

* Adjusting Specifications

  The recommendation here was that purchasers should : (a) rationalise specifications, reducing the level of variety and specifying items that suppliers can manufacture more economically and (b) alter quality specifications where products are clearly over-specified.

* Assuring Effective Competition

  All local authorities have strict rules governing tendering procedures. These are designed to avoid irregularity and to ensure that suppliers compete aggressively for a council's custom. However, the Commission recommended that greater attention be directed to:

  - ensuring that standing orders are complied with
  - reviewing tender lists regularly, adding new bidders and removing those that regularly bid high
  - examining price variations following award of the contract

+ Audit Commission, <u>Reducing the Cost of Local Government Purhcases: A Progress Review</u> (HMSO : 1984)

- installing an exception system to allow tenders other than the lowest price to be accepted where quality and service considerations warrant.

* Taking Advantage of Scale

  There are important scale advantages in purchasing. Better terms can be negotiated by expert buyers able to offer larger annual volumes or drop sizes, whereby distribution costs per unit are lower. The introduction of IT for processing customers' orders, placing requisitions on suppliers and arranging distribution, invoicing, payment and stock control, becomes an economic possibility. The Commission urged the further development of centralised purchasing and better monitoring to ensure that end-users make use of negotiated contracts. The review also supported the use of consortia, provided alternative arrangements have been investigated thoroughly by the authority considering membership.

* Central Storage and Distribution

  Where supplies are not delivered direct to end-users, local authorities should ensure that the cost of storage and distribution is justified by the lower price and that this function would not be best contracted-out. The Commission found that warehouse stock levels were generally too high, vehicle fleets were underutilised, delivery lead times were too long and inventory control poor.

* Monitoring Suppliers' Performance

  The Commission recommended that authorities make a greater effort to check that deliveries conform to the requested weight/volume and quality.

* Controlling Staff Levels

  Since purchasing organisations should be treated as 'cost centres', it is important to minimise overhead costs. An important component of the overhead on-cost is staff salaries. The Commission found that staffing levels were generally too high.

The Commission's final report[+], published in 1987, followed discussion of the progress review with the local authorities and their associations, LAMSAC and the Institute for Purchasing and Supply. The report made a number of firm recommendations on procurement methods which established a blueprint for the future. Several of these could have important implications for foreign

+ Audit Commission, Improving Supply Management in Local Authorities (HMSO : 1987) suppliers. Hence, it is appropriate to summarise the Commission's findings in some detail. It is important to remember, however, that the report deals exclusively with the supply of goods and materials, not services or works.

Setting-up Appropriate Supply Management Arrangements

Specific recommendations included:

* Co-ordinate the supply of common-use items. Avoid fragmented purchasing and arrange centralised storage and distribution or contract-out.

* Share supply operations between authorities. It is still uncommon for district councils to make use of a county council purchasing organisation, although the latter can generally command more competitive prices and conditions.

* Make appropriate use of a consortium. Although consortia do not always offer the lowest prices they absorb the administrative on-cost of purchasing, and thereby offer a purchasing service at lower cost. The Commission recommends, however, that authorities continue to monitor their consortium's performance and investigate alternative arrangements periodically.

* Appoint officers with professional purchasing qualifications

* Monitor own performance by:

  - identifying savings and improvements in service
  - comparing prices with other authorities or organisations like HMSO and The Crown Suppliers
  - undertaking price trend analyses using official publications
  - testing user reaction
  - monitoring operational efficiency (e.g. cost of purchasing per £ of spend and number of orders placed per buyer)
  - monitoring stores operation
  - identifying instances of non-compliance with standing orders
  - canvassing suppliers.

Improving Buying Arrangements

Specific recommendations in this category included:

* Aggregate similar items to increase volumes. One-off purchases are generally expensive whilst contracts covering a range of similar items are the most effective means for achieving best prices.

* Deal directly with manufacturers where justified by the volume of business.

* Ensure adequate competition by:

  - inviting sufficient firms to tender. The exact number depends on the contract size and the nature of the market place. The Commission recommends 1-3 for contracts up to £5,000; 4-6 (£5,000 to £25,000); 6-8 (£25,000 to £100,000); and 8+ (over £100,000).
  - encouraging new suppliers. Most authorities use selective tendering, so it is essential that approved lists are reviewed regularly.
  - varying contract periods and starting dates (for example, annual contracts generally trigger automatic annual price increases, while the prices obtainable from suppliers are influenced by the state of the market which varies throughout the year).
  - evaluating tenders properly.

* Control price variations. Initial prices stated in purchase contracts are seldom fixed for the full life of the contracts. Thus, to ensure that the price advantage of using contracts is maintained, it is essential to monitor price changes during the currency of contracts.

* Negotiating better contract conditions. Negotiations can cover warranty terms, delivery arrangements, payment terms and feedback information (specifically, how much is spent on a particular contract).

* Talking to potential suppliers and recognising that:

  - Pre-tender discussion is useful in appraising the market place and establishing a benchmark price
  - Post-tender discussion is useful in seeking improvements to received tenders (e.g. where a tender contains the lowest quoted prices for most, but not all, of a range of goods).

* Reviewing standing orders and financial obligations. In many cases, authorities' standing orders are inconsistent with good buying practice.

Better Specification

Recommendations here include:

* Specification should involve end-users, Purchasing Officers and technical specialists

* Use whole-life costing to evaluate bids

* Limit the use of 'brand names' or brand characteristics which limit competition

* Further the use of performance specifications

* Use BSI or equivalent international standards.

Effective Quality Control/Assurance

Recommendations in this category include:

* Monitor deliveries and product quality.

* Make further use of the National Accreditation Council for quality management systems.

Reducing Supply Costs

In this section of the report, the Commission focused on stockholding, stores management and distribution. The costs which authorities incur in supplying goods often add significantly to the purchase price and the survey found that the on-cost varied from 16% to 65%. The Commission's recommendations include:

* Making sound decisions on what to store. The costs of storage and delivery can easily add 30% to the purchase price of goods. Hence, all authorities should consider carefully whether particular items are best delivered through stores, or through a direct delivery service or via call-off contracts.

* Reduced Stockholding. The Commission considers that a halving of the total local authority holding of stock is quite feasible. This can be achieved through the disposal of redundant stock, the reduction of stock levels generally and a reduction in the range of stock items held.

* Identification of full costs of storage and distribution.

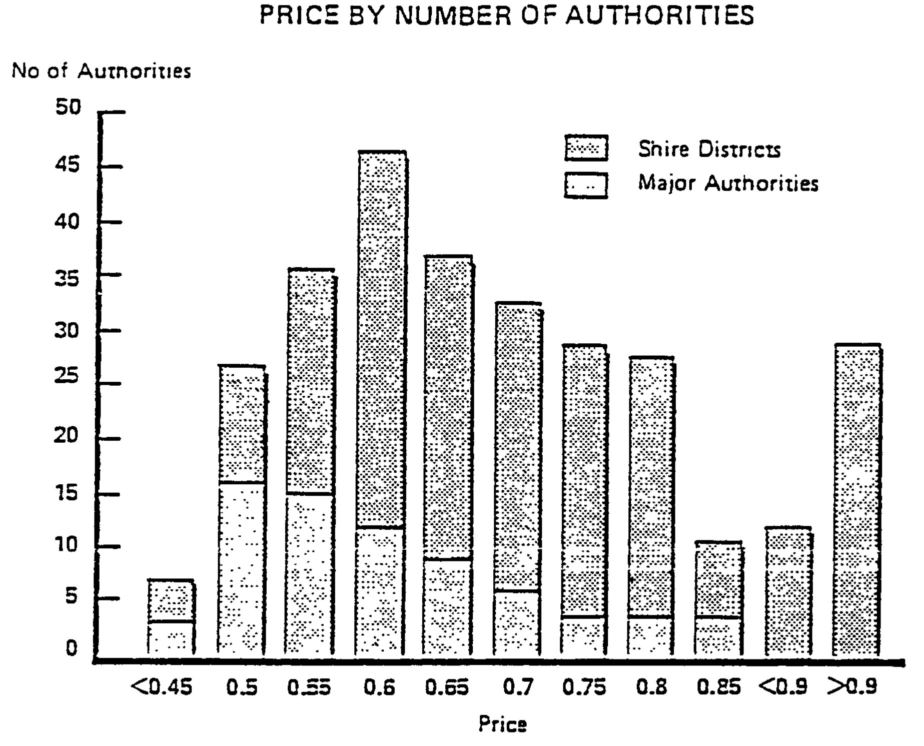
* Improving Stores Management. Visits to local authority stores revealed disturbing standards of general housekeeping, loose control of staff costs and poor use of space. The Commission also identified a general need for improved stores information systems and accountability. With regard to the last point, the Commission noted that stores functions are rarely allocated a realistic on-cost. An efficient organisation should achieve an on-cost of around 20% of the value of goods supplied (11% storage; 3-4% distribution; 5-6% administration).

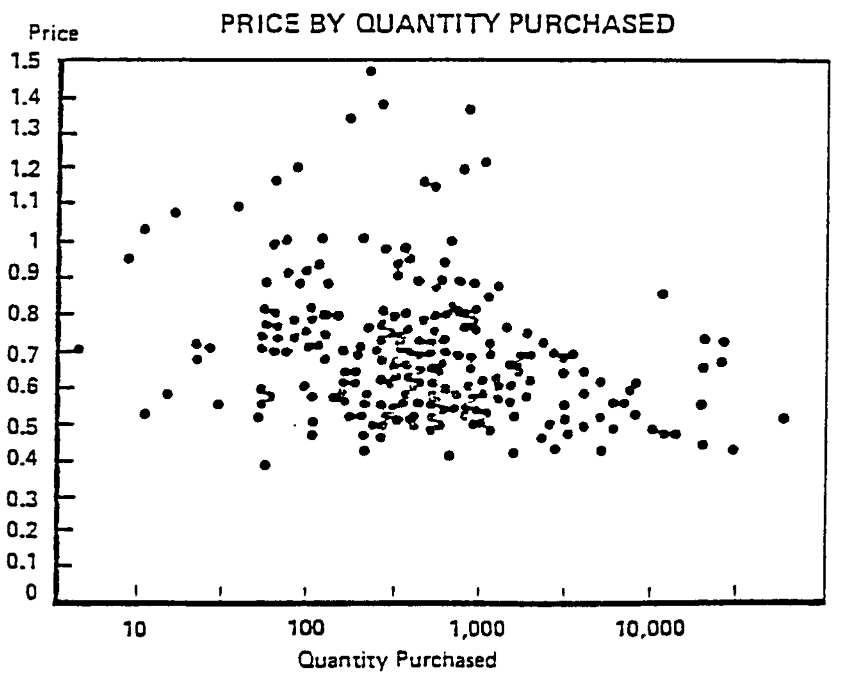
* Reduction of the number of stores. The use of direct delivery or call-off contracts, and of a neighbouring authority's or consortium's stores, can lead to a considerable saving on the current cost of maintaining inefficient stores premises.

TABLE VI.4
VARIATION IN THE PRICES PAID BY AUTHORITIES FOR ENVELOPES

EXAMPLE:
ENVELOPES

Information obtained in purchasing survey .....



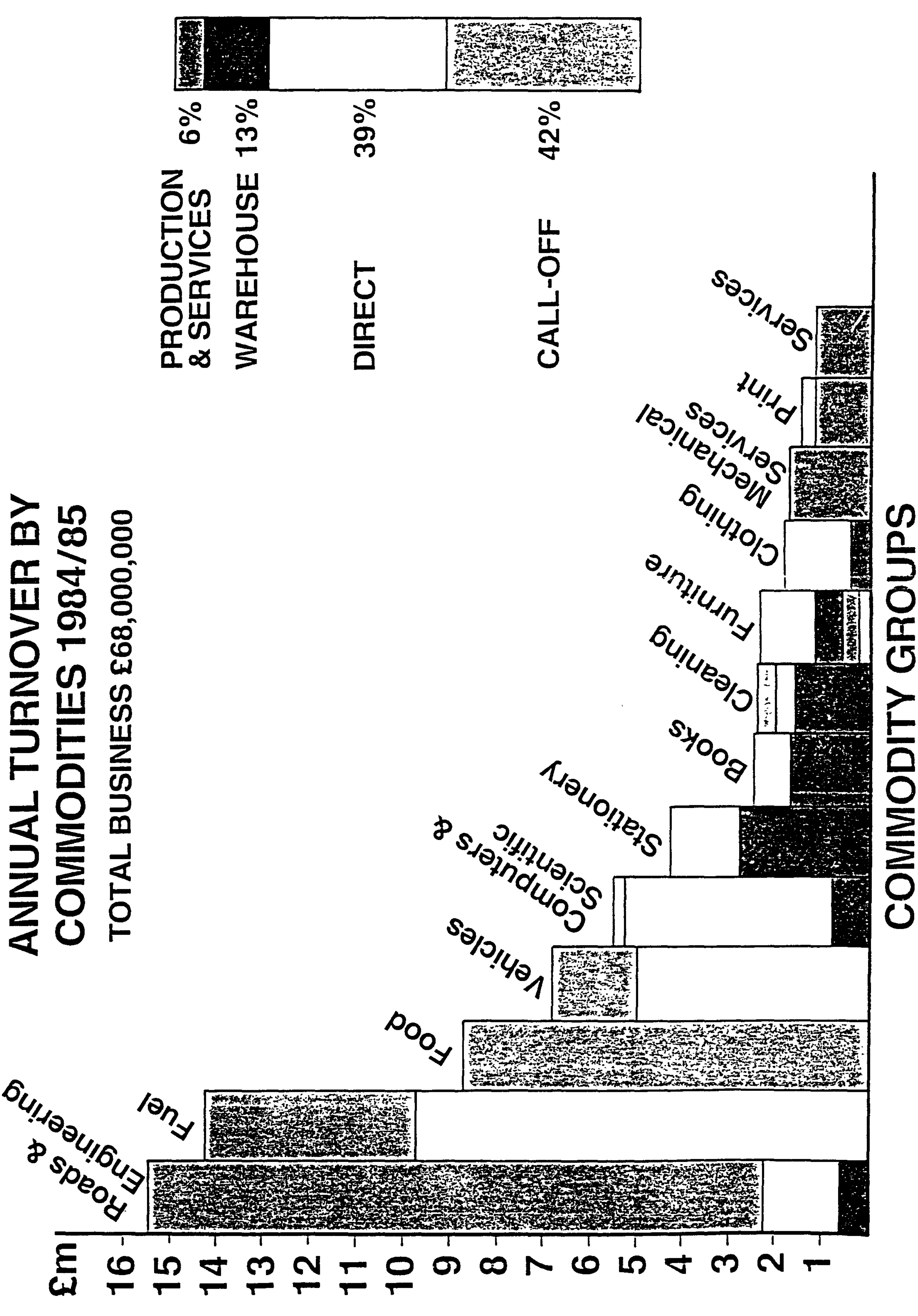


Packets of 100 pocket style DL (100 mm x 230 mm) Buff 90 g/m2. Average bursting strength 1/5 k.p.a. Gummed across flap.

Source: Audit Commission Survey, March 1984.

TABLE VI.5

STORAGE/DELIVERY ARRANGEMENTS IN A MAJOR LOCAL AUTHORITY SUPPLIES DEPARTMENT



APPENDIX VII

THE FRENCH CODE AND ITS APPLICATION

A: Classification and List of Etablissements Publics

B: List of Public Enterprises

C: Administrative Clauses of the Code: Commentaries

Classement et inventaire des établissements publics nationaux

Il n'existe aucun inventaire officiel totalement à jour de l'ensemble des établissements publics nationaux.

Néanmoins, il est possible de procéder à un recensement systématique, sans bien sûr que la liste obtenue puisse être assurée d'être exempte de toute lacune.

C'est cette liste que l'on s'est efforcé de dresser ici en partant de deux documents :

— d'une part, le rapport consacré par le Conseil d'Etat, en 1971, à la réforme des établissements publics (1) qui présente en annexe un tableau des établissements publics nationaux, mais sans distinguer entre les EPA et les EPIC, ni pouvoir se référer aux catégories apparues postérieurement à 1971, et en retenant un principe de classification en grands domaines d'activité dénué de portée juridique ;

— d'autre part, le recueil d'informations sur les établissements publics nationaux dotés d'un agent comptable, établi en 1983 par la direction de la comptabilité publique qui énumère, en différenciant les EPA des EPIC, tous les établissements publics nationaux dotés d'un comptable public. Cet inventaire ne comprend donc ni les EPA non dotés d'un comptable public, tels que les chambres de commerce et d'industrie ou les chambres des métiers, ni toutes les entreprises publiques en forme d'établissement public.

Le classement effectué ici est fondé sur la répartition des établissements publics nationaux en EPA, établissements publics scientifiques, culturels et professionnels, établissements publics scientifiques et technologiques et EPIC.

Ces derniers sont subdivisés en deux types selon qu'ils sont ou non dotés d'un comptable public.

Les ordres de grandeur, pour les catégories retenues sont les suivants.

On dénombre environ 7 940 EPA. Mais ce chiffre ne correspond qu'à 200 sortes d'EPA car un certain nombre de ceux-ci se répètent à plusieurs exemplaires, tels les 27 CROUS, les 17 centres régionaux de la propriété forestière, les 27 chancelleries d'université. En outre, il faut rappeler que près de 7 000 lycées et collèges sont destinés à être transférés dans la compétence des départements à compter du 1er janvier 1986.

De même, les établissements publics scientifiques, culturels et professionnels sont au nombre d'une centaine correspondant à une vingtaine de sortes d'organismes, dont les 71 universités.

On ne trouve à l'heure actuelle que 4 établissements publics scientifiques et technologiques.

Enfin, on compte 81 EPIC répartis en 64 EPIC dotés d'un comptable public et 17 non dotés d'un comptable public.

(1) Publié par la Documentation française.

Au total, c'est donc un peu plus de 8 100 établissements publics nationaux environ qu'on peut recenser au 1er février 1985, dont près de 7 000 sont appelés à devenir à la fin de cette année des établissements publics locaux.

En définitive, on peut donc retenir que les établissements publics sont au nombre d'environ un millier, dont moins d'une centaine ont le caractère d'établissements publics industriels et commerciaux.

En ce qui concerne le détail des textes institutifs et modificatifs régissant chacun des établissements mentionnés, le lecteur pourra utilement se reporter, d'une part, au recueil d'informations sur les établissements publics nationaux dotés d'un agent comptable établi en 1983 par la direction de la comptabilité publique, d'autre part, à la banque de données constituée par ladite direction.

Établissements publics administratifs nationaux

Académie de France à Rome
Académie de marine
Académie des sciences d'outre-mer
Agence centrale des organismes de sécurité sociale
Agence centrale des organismes d'intervention dans le secteur agricole
Agences financières de bassin (6) : Adour-Garonne, Artois-Picardie, Rhin-Meuse, Rhône-Méditerranée-Corse, Loire-Bretagne, Seine-Normandie
Agence nationale pour l'amélioration des conditions de travail
Agence nationale pour l'amélioration de l'habitat
Agence nationale pour l'emploi
Agence nationale pour l'indemnisation des Français d'outre-mer
Agence nationale pour l'information touristique
Assemblée permanente des chambres d'agriculture
Assemblée permanente des chambres de commerce et d'industrie (*)
Assemblée permanente des chambres des métiers (*)
Autoroutes de France
Bibliothèque nationale : Paris
Bibliothèque nationale et universitaire : Strasbourg
Bibliothèque publique d'information : Paris
Bureau d'études des postes et télécommunications d'outre-mer
Caisse d'aide à l'équipement des collectivités locales
Caisse des dépôts et consignations (*)
Caisse de prêt aux organismes HLM
Caisse française des matières premières
Caisse nationale d'assurance maladie des travailleurs salariés

(*) EPA non doté d'un comptable public.

Caisse nationale d'assurance vieillesse des travailleurs salariés
Caisse nationale des allocations familiales
Caisse nationale des autoroutes
Caisse nationale des banques
Caisse nationale de l'industrie
Caisse nationale des monuments historiques et des sites
Caisse nationale des télécommunications
Caisse nationale militaire de sécurité sociale
Centre d'enseignement zootechnique de Rambouillet
Centre d'études du milieu et de pédagogie appliquée du ministère de l'Agriculture
Centre d'études des systèmes d'information des administrations
Centre d'expérimentations pédagogiques de Florac
Centre de formation professionnelle agricole des jeunes : Beauvais
Centre national d'art et de culture Georges-Pompidou
Centre national des arts plastiques
Centre national de la cinématographie française
Centre national de documentation pédagogique
Centre national d'enseignement technique de Cachan
Centre national d'enseignement par correspondance
Centre national d'études agronomiques des régions chaudes
Centre national d'études et de formation pour l'adaptation scolaire et l'éducation spécialisée
Centre national d'études et de formation pour l'enfance inadaptée
Centre national d'études supérieures de la sécurité sociale

Centre national de formation des techniciens des services vétérinaires : Lyon

Centre national de formation et de perfectionnement des professeurs d'enseignement ménager agricole de Montlignon

Centre national de préparation au professorat de travaux manuels, éducatifs et d'enseignement ménager

Centre national de la promotion rurale de Marmilhat

Centre national des lettres

Centre national du machinisme agricole, du génie rural, des eaux et forêts

Centre national des œuvres universitaires et scolaires

Centre national d'ophtalmologie des Quinze-Vingt

Centre national de sécurité sociale des travailleurs migrants

Centre régional d'éducation populaire d'Ile-de-France

Centres régionaux d'éducation physique et sportive (20)

Centres régionaux des œuvres universitaires et scolaires (27)

Centres régionaux de la propriété forestière (17)

Chambres départementales d'agriculture (93)

Chambres départementales de commerce (103) (*)

Chambres départementales des métiers (102) (*)

Chambre interdépartementale d'agriculture d'Ile-de-France

Chambre nationale de la batellerie artisanale

Chambres régionales d'agriculture (22)

Chambres régionales de commerce (23) (*)

Chancelleries d'université (27)

Collèges et lycées d'enseignement public (7 000)

Collèges et lycées d'enseignement professionnel agricole (179)

Conseil supérieur de la pêche

Conservatoire de l'espace littoral et des rivages lacustres

Conservatoire national supérieur d'art dramatique

Conservatoire national supérieur de musique (2) : Lyon, Paris

Domaine de Pompadour

Ecoles d'architecture (10)

Ecole de sylviculture

Ecole de viticulture et d'œnologie de la Tour-Blanche

Ecole forestière de Meymac

Ecole nationale d'administration

(*) EPA non doté d'un comptable public.

Ecole nationale de l'aviation civile

Ecole nationale d'équitation

Ecoles nationales d'industrie laitière (5) : La Roche-sur-Foron, Mamirolle, Poligny, Surgères, Aurillac

Ecole nationale des chartes

Ecole nationale d'ingénieurs (5) : Belfort, Brest, Metz, Tarbes, Saint-Etienne

Ecole nationale d'ingénieurs des travaux agricoles (3) : Angers, Bordeaux, Dijon

Ecole nationale de la magistrature

Ecoles nationales de la marine marchande (5) : Le Havre, Marseille, Nantes, Paimpol, Saint-Malo

Ecole nationale de la santé publique : Rennes

Ecole nationale de ski et d'alpinisme

Ecole nationale de voile

Ecole nationale des ingénieurs des travaux des eaux et des forêts

Ecole nationale des ingénieurs des techniques des industries agricoles et alimentaires : Nantes

Ecole nationale des ingénieurs des travaux ruraux et des techniques sanitaires

Ecoles nationales de perfectionnement (pour jeunes infirmes)

Ecole nationale du génie rural, des eaux et forêts

Ecoles nationales supérieures d'agronomie (2) : Montpellier, Rennes

Ecole nationale de formation agronomique de Toulouse

Ecole nationale supérieure féminine d'agronomie de Rennes

Ecole nationale supérieure d'arts et métiers de Paris et six centres régionaux : Aix, Angers, Bordeaux, Châlons-sur-Marne, Cluny, Lille

Ecole nationale supérieure de céramique industrielle de Limoges

Ecole nationale supérieure des arts décoratifs

Ecole nationale supérieure des arts et industries de Strasbourg

Ecole nationale supérieure des arts et industries textiles de Roubaix

Ecole nationale supérieure des Beaux-Arts

Ecole nationale supérieure des bibliothécaires

Ecoles nationales supérieures d'enseignement technique

Ecole nationale supérieure de l'électronique et de ses applications

Ecole nationale supérieure d'horticulture de Versailles

Ecole nationale supérieure des industries agricoles et alimentaires de Massy

Ecole nationale supérieure des postes et télécommunications

Ecole nationale supérieure de la métallurgie et de l'industrie des mines de Nancy
Ecole nationale supérieure des sciences agronomiques appliquées
Ecole nationale supérieure des télécommunications
Ecoles nationales vétérinaires (4) : Alfort, Lyon, Nantes, Toulouse
Ecoles normales d'instituteurs (120)
Ecoles normales nationales d'apprentissage (6)
Ecole normale supérieure (rue d'Ulm)
Ecoles normales supérieures de Paris jeunes filles de Saint-Cloud et de Fontenay-aux-Roses
Ecole polytechnique
Etablissement national de bienfaisance Antoine-Koenigswarter
Etablissement national des convalescents de Saint-Maurice
Etablissement national des invalides de la marine
Etablissement public du Grand Louvre
Etablissement public du musee d'Orsay
Fondation Carnegie
Fondation Singer-Polignac
Fonds d'action sociale pour les travailleurs immigrés et leurs familles
Fonds d'intervention sidérurgique
Fonds de répartition des ressources affectées aux fonds d'assurance-formation nationaux des organismes professionnels
Fonds de solidarité
Fonds spécial des grands travaux
Institut de France
Institut de l'enfance et de la famille
Institut de recherche des transports
Institut géographique national
Institut industriel du Nord
Institut international d'administration publique
Institut national agricole et rural de la montagne
Institut national agronomique de Paris-Grignon
Institut national de la consommation
Institut national de l'éducation populaire
Institut national de la propriété industrielle
Institut national de promotion supérieure agricole
Institut national de recherche chimique appliquée
Institut national de recherches et d'applications pédagogiques
Institut national de recherche en informatique et en automatique
Institut national de recherche pédagogique
Institut national des appellations d'origine des vins et eaux-de-vie
Institut national des jeunes aveugles : Paris
Institut national des jeunes sourds (4) : Bordeaux, Chambéry, Metz, Paris
Institut national des sports et de l'éducation physique
Institut national d'études démographiques
Institut national supérieur de chimie industrielle : Rouen
Instituts régionaux d'administration (5) : Bastia, Lille, Lyon, Metz, Nantes
Institut supérieur des matériaux et de la construction mécanique de Saint-Ouen
Musée Auguste-Rodin
Musée de la Marine
Musée de la Poste
Musée de l'Armée
Musée Gustave-Moreau
Musée Jean-Jacques-Henner
Musée national de la Légion d'honneur
Office de coopération et d'accueil universitaire
Office culturel, scientifique et technique canaque : Nouvelle-Calédonie
Office national d'action sociale, éducative et culturelle pour les rapatriés
Office français de protection des réfugiés et apatrides
Office national des anciens combattants et victimes de guerre
Office national de la chasse
Office national d'immigration
Office national d'information sur les enseignements et les professions
Office universitaire et culturel français pour l'Algérie
Opéra de la Bastille (établissement public de)
Parc de la Villette (établissement public du)
Parcs nationaux (6) : Cévennes, Ecrins, Pyrénées-Occidentales, Mercantour, Port-Cros, la Vanoise
Réunion des musées nationaux
Syndicat des transports parisiens
Thermes nationaux d'Aix-les-Bains
Union centrale des caisses de crédit municipal

Établissements publics à caractère scientifique, culturel et professionnel

Casa de Vélásquez
Centres universitaires (2) : Antilles-Guyane, Avignon
Collège de France
Conservatoire national des arts et métiers
Ecole centrale de Lyon
Ecole centrale des arts et manufactures
Ecole des hautes études en sciences sociales
Ecole française d'archéologie d'Athènes
Ecole française de Rome
Ecole française d'Extrême-Orient
Ecole pratique des hautes études
Institut de physique du Globe de Paris
Institut d'études politiques de Paris (*)
Instituts d'études politiques (6) (*)
Institut français d'archéologie orientale du Caire
Institut national de sciences appliquées (3) : Lyon, Rennes, Toulouse
Institut national des langues et civilisations orientales
Instituts nationaux polytechniques (3) : Grenoble, Nancy, Toulouse
Muséum national d'histoire naturelle
Observatoire de Paris
Palais de la découverte
Université de technologie de Compiègne (**)
Universités (71)

(*) EP non doté d'un comptable public.

(**) N'est pas une université, mais une école extérieure aux universités, au sens du décret n° 84-723 du 17 juillet 1984 fixant la classification d'EPSCP.

Établissements publics scientifiques et technologiques issus de la loi du 15 juillet 1982 sur la recherche

Centre national de la recherche scientifique
Institut national de la recherche agronomique
Institut national de la santé et de la recherche médicale
Office de la recherche scientifique et technique outre-mer

Établissements publics nationaux à caractère industriel et commercial dotés d'un comptable public

Aéroport de Bâle-Mulhouse
Aéroport de Paris
Agence de l'informatique
Agence française pour la maîtrise de l'énergie
Agence nationale de valorisation de la recherche
Agence nationale pour la récupération et l'élimination des déchets
Agence nationale pour le développement de l'éducation permanente
Agence nationale pour les chèques-vacances
Agence pour la qualité de l'air
Bureau de recherches géologiques et minières
Caisse nationale du crédit agricole
Caisse nationale de l'énergie
Carrefour international de la communication
Centre d'études des systèmes et technologies avancées
Centre français du commerce extérieur
Centre national d'études spatiales
Centre national pour l'aménagement des structures des exploitations agricoles
Centre scientifique et technique du bâtiment
Ecole nationale supérieure de création industrielle
Economat de l'armée
Etablissement public « Télédiffusion de France »
Fonds d'intervention et d'organisation des marchés des produits de la pêche maritime et des cultures marines
Fonds d'intervention et de régularisation du marché du sucre
Fonds d'orientation et de régularisation des marchés agricoles
Institut français de recherche pour l'exploitation de la mer
Institut national de la communication audiovisuelle (INA)

Institut national de recherche chimique appliquée

Laboratoire national d'essais

Office de développement agricole et rural de la Corse

Office de développement de l'économie agricole dans les départements d'outre-mer

Office de développement de l'intérieur et des îles

Office d'équipement hydraulique de la Corse

Office des postes et télécommunications de la Polynésie française

Office des transports de la région Corse

Office français de coopération pour les chemins de fer et les matériels d'équipement

Office foncier de la Nouvelle-Calédonie et dépendances

Office national de la navigation

Office national d'études et de recherches aérospatiales

Office national des forêts

Office national interprofessionnel des céréales

Office national interprofessionnel des fruits, des légumes et de l'horticulture

Office national interprofessionnel du lait et des produits laitiers

Office national interprofessionnel des plantes à parfum, aromatiques et médicinales

Office national interprofessionnel des viandes, de l'élevage et de l'aviculture

Office national interprofessionnel des vins

Office national interprofessionnel des vins de table

Office national interprofessionnel du bétail et des viandes

Ports autonomes (9) : Bordeaux, Dunkerque, la Guadeloupe, Le Havre, Marseille, Nantes-Saint-Nazaire, Paris, Rouen, Strasbourg

Société nationale des entreprises de presse

Théâtre de l'Est parisien

Théâtre national de Chaillot

Théâtre national de l'Odéon

Théâtre national de l'Opéra de Paris

Théâtre national de Strasbourg

Établissements publics nationaux à caractère industriel et commercial non dotés d'un comptable public

Caisse centrale de coopération économique

Caisse centrale de réassurance

Caisse de compensation des prix des combustibles minéraux solides

Centre de coopération internationale en recherche agronomique pour le développement

Charbonnages de France

Comité national de la pomme de terre

Commissariat à l'énergie atomique

EDF

Entreprise de recherches et d'activités pétrolières

Entreprise minière et chimique

GDF

Houillères de bassin

Institut d'émission des Comores

Institut d'émission des DOM

Institut d'émission d'outre-mer

RATP

SNCF

● = dénationalisation prévue.

INDEX ALPHABETIQUE DES ENTREPRISES PUBLIQUES ET FILIALES D'ENTREPRISES PUBLIQUES FIGURANT DANS LES COMMENTAIRES DE L'EDITION FRANÇAISE OU DANS LES TABLEAUX STATISTIQUES PAR ENTREPRISE

(Voir « Statistiques des entreprises publiques dans la C.E.E.: 1979-1982 » Edition multilingue)

Cet index donne pour chaque entreprise *la raison sociale*, *le groupe* auquel elle appartient — indiqué généralement par son sigle — et *le numéro* sous lequel elle figure dans les tableaux statistiques.

Raison sociale ou intitulé	Groupe de rattachement ou actionnaire principal	N° de référence dans les tableaux statistiques
Compagnie Financière de Suez	Etat	801
Compagnie Française du Méthane	G.d.F.	103
Compagnie Générale d'Armements Maritimes C.G.A.M.	C.G.M.F.	227
Compagnie Générale de Communication Téléphonique C.G.C.T.	Etat	450
● Compagnie Générale d'Electricité C.G.E. (Groupe)	Etat	400
Compagnie Générale de Tourisme et d'Hôtel C.G.R.H.	C.G.M.F.	225
Compagnie Génerale Maritime C.G.M.	C.G.M.F.	223
Compagnie Générale Maritime et Financière C.G.M.F.	C.G.M.F.	222
Compagnie Internationale de Services Informatiques C.I.S.I.	C.E.A.	130
Compagnie Normande de Mécanique de Précision C.N.M.P.	SNECMA	331
Compagnie Nationale du Rhône	C.N.R.	141
COMURHEX	Pechiney	402
Credit Chimique	Pechiney	838
Credit d'Equipement des P.M.E.	Etat	707
Credit du Nord	Etat	816
Crédit Industriel d Alsace et de Lorraine C.I.A.L.	Etat	812
Credit Industriel de l'Ouest	Etat	815
Credit Industriel de Normandie	Etat	814
Credit Industriel et Commercial C.I.C.	Etat	813
Credit Lyonnais	C.L.	702
Cuivre et Alliages	Pechiney	402
D		
Dassault-Aero-Services	Dassault	430
Dassault-Breguet (Groupe)	Etat	430
Dassault-International	Dassault	430
Dassault-International Incorporated (U.S.A.)	Dassault	430
Dassault Systèmes	Dassault	430
E		
Electricité de France	E.d.F.	100
Electricité de Strasbourg	E. de Strasbourg	101
Electronique Aérospatiale A.S.	SNIAS	325
Elf Aquitaine (groupe)	ERAP	120
Elf UK	ERAP	120
Entreprise de Recherche et d'Activité Pétrolière ERAP	ERAP	120-68
Entreprise Minière et Chimique	E.M.C.	301-302
Eurocom	Havas	501
Europe N° 1 - Images et Son	Sofirad	—
Européenne de Banque (ex-Banque Rothschild)	Etat	819
Eurotechnique	Thomson	401
F		
Falcon Jet Corporation	Dassault	430
F R. 3	Etat	—
Framatome et Cie	C.E.A.	130
Franco-Belge de Fabrication de Combustibles	Pechiney	402
G		
G.A.N. - Capitalisation	G.A.N.	604
G.A.N. - Incendie Accidents	G.A.N.	605
G.A.N. - Vie	G.A.N.	603
Gaz de France	G.d.F.	102
H		
Havas (Groupe)	Etat	501
Hervet (Banque)	Etat	817
Hispano-Suiza	SNECMA	331
Houillères du Bassin de Lorraine	Charb.	112
Houillères du Bassin du Centre et du Midi	Charb.	111
Houillères du Bassin du Nord et du Pas-de-Calais	Charb.	115

	Raison sociale ou intitulé	Groupe de rattachement ou actionnaire principal	N° de référence dans les tableaux statistiques
	I		
	Institut de Développement Industriel	I D I.	708
	Institut de la Communication Audiovisuelle	Etat	—
	Institut Merieux	Rhône-Poulenc	403
●	Intelautomatisme	Suez et C.G.E.	400
	J		
	Jeager	Matra	420
●	Joint Français	C.G.E.	400
	L		
	Laboratoire Central de Télécommunications L.C T.	C G.C.T.	450
	Laboratoires Roussel-Uclaf	Roussel	—
	La Célérité	A.G.F	608
	Laydernier (Banque)	Credit Lyonnais	839
	Le Carbone Lorraine	Pechiney	402
●	Les Câbles de Lyon	C G.E.	400
	Lorilleux Lefranc International	C.d.F Chimie	306
	M		
	Matra (Groupe)	Etat	420
	May et Baker (Grande-Bretagne)	Rhône-Poulenc	403
	Messier Hispano Bugatti	SNECMA	333
	Metagram	Pechiney	402
	Metallurgical et Chemical Products (Nigéria)	Pechiney	402
	Metaltemple	Renault	312
	Mines de Potasse d'Alsace M.D.P.A.	E.M C.	303
	Monod-Française de Banque	Suez	840
	Mutuelle Française Accidents	Mutuel.	610
	Mutuelle Générale France - Vie	Mutuel.	611
	O		
	Odier-Bungener-Courvoisier (Banque)	C C.F.	841
	Offices d'Habitation à Loyer Modéré H.L.M.	Coll. Locales	—
	Office National des Forêts	O N F	902
	P		
	Pechiney Asie-Pacifique	Pechiney	402
	Pechiney Corporation	Pechiney	402
	Pechiney Deutschland	Pechiney	402
	Pechiney Japon	Pechiney	402
	Pechiney Ugine Kuhlmann PUK (Groupe)	Etat	402
	Pharmuka	Rhône-Poulenc	403
	Postes et Télécommunications	Budget annexe d'Etat	—
	Produits Chimiques Ugine Kuhlmann (P.C.U.K.)	Pechiney	402
	R		
	Radio France	Etat	—
	Radio France Outre-Mer	Etat	—
	Radio Monte-Carlo	Sofirad	—
	Régie Autonome des Transports Parisiens	R.A.T.P.	205
	Régie Française de Publicité	R.F.P.	530
	Régie Nationale des Usines Renault	Renault	310
	Renault Engineering S.E.R.I.	Renault	314
	Renault Holding (Suisse)	Renault	310
	Renault Véhicules Industriels	Renault	316
	Rhodia AG (R.F.A.)	Rhône-Poulenc	403
	Rhodia S.A. (Brésil)	Rhône-Poulenc	403
	Rhône-Poulenc (Groupe)	Etat	403
	Rhône-Poulenc Agrochimie	Rhône-Poulenc	403
	Rhône-Poulenc Chimie de Base	Rhône-Poulenc	403
	Rhône-Poulenc Fibres	Rhône-Poulenc	403
	Rhône-Poulenc Films	Rhône-Poulenc	403
	Rhône-Poulenc Inc. (U.S.A.)	Rhône-Poulenc	403

Raison sociale ou intitulé	Groupe de rattachement ou actionnaire principal	N° de référence dans les tableaux statistiques
Rhône-Poulenc Santé	Rhône-Poulenc	403
Rhône-Poulenc Spécialités Chimiques	Rhône-Poulenc	403
Rhovyl S A.	Rhône-Poulenc	403
Roger Bellon	Rhône-Poulenc	403
S		
Sacilor (Aciéries et Laminoirs de Lorraine)	Etat	411
S A.F.A. (Espagne)	Rhône-Poulenc	403
● S.A.F T.	C.G.E.	400
SANDERS	E.M.C.	305
SANOFI	ERAP	120
Scalbert-Dupont (Banque)	Etat	818
S C E.T.A.	S.N.C.F.	202
SENCHIM (Senégal)	E.M.C.	301
S.E.R.S.	Pechiney	402
Servair	Air France	211
SFENA	SNIAS	320
SINTRA	Thomson	401
S.N E.I. Industrie	S.N.E.P.	523
S N E.P Chimie Expansion	S.N.E.P.	308
SOCADEV	Sacilor	411
SOCHATA - SNECMA	SNECMA	332
Societe Bordelaise de Crédit Industriel et Commercial	Etat	820
Societe Bretonne de Fonderie et de Mécanique S.B.F M.	Renault	313
Société Centrale de Banque	Etat	821
Société Charentaise d'Equipement Aéronautique SOCEA	SNIAS	324
Société CII-Honeywell-Bull	Etat	440
Société Commerciale des Potasses et de l'Azote S.C.P A.	E.M.C.	304
Société de Construction d'Avions de Tourisme et d'Affaires - SOCATA	SNIAS	322
Société des Aciers Fins de l'Est S.A.F E.	Sacilor	411
Société des Imprimeries Paul Dupont	S N E.P.	521
Société des Transports Pétroliers par Pipe-Line TRAPIL	Etat	—
Société d'Exploitation et de Constructions Aéronautiques - SECA	SNIAS	321
Société Financière et Maritime de Participation S.F.M.P.	C.G M.F.	224
Société Finisterienne de Cabotage	C.G.M.F.	229
Société Française de Production S.F.P.	Etat	—
Societé Française de Transports et Entrepôts Frigorifiques - S.T E.F.	S N.C.F.	203
Société Française d'Investissement	Etat	—
Société Française pour la Construction et l'Exploitation du Tunnel sous le Mont-Blanc	Etat	—
Société Française pour l'Assurance du Capital Risqué des P M.E. «SOFARIS»	Etat	—
Societé Générale	S.G.	703
● Société Générale d'Entreprises Sainrapt et Brice	C.G.E.	400
Société Girondine d Entretien et de Réparations de Materiels Aéronautiques SOGERMA	SNIAS	323
Société Industrielle de Développement de l'Energie-Charbon S.I.D E.C.	Charb.	110
Société Industrielle d'Electronique Aéronautique	SNIAS	320
Société Lyonnaise de Dépôts et de Crédit Industriel	Etat	823
Société Marseillaise de Crédit	Etat	824
Societé Nancéienne de Crédit Industriel et Varin-Barnier	Etat	825
Société Nationale des Chemins de Fer Français S.N.C.F.	S N C.F.	201
Société Nationale des Entreprises de Presses S.N.E.P.	Etat	520
Société Nationale des Gaz du Sud-Ouest	G.d.F	104
Société Nationale des Poudres et Explosifs S.N.P.E.	S.N.P E.	307
Societé Nationale d'Etude et de Construction de Moteurs d'Aviation SNECMA	SNECMA	330
Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes SEITA	SEITA	900
Société Nationale Immobilière pour les Armees et les Administrations Publiques	Etat	—

Raison sociale ou intitulé	Groupe de rattachement ou actionnaire principal	N° de référence dans les tableaux statistiques
Société Nationale Industrielle Aérospatiale SNIAS	SNIAS	320
Société Nationale Maritime Corse	C.G.M.F.	226
Société Nouvelle de Roulement S.N.R.	Renault	311
Société Nouvelle des Imprimeries Mont-Louis	S.N E.P.	522
Société Séquanaise de Banque	U.A.P.	826
SODICAR	Usinor	410
SODILOR	Usinor	410
SODINOR	Usinor	410
SOFERGIE Bail Charbon	Charb.	110
SOFEXI	Renault	310
SOFICAR	ERAP	120
SOFINCO La Henin	Etat	842
SOFIRAD	SOFIRAD	—
SOFREGAZ	G.d.F.	105
SOFREM	Pechiney	402
SOFRETU	R.A.T.P.	205
● SOGERLERG	C.G E.	400
SOLEX	Matra	420
SOLODEV	Sacilor	411
SOLORCHAR	Charb.	113
SOMIDEV	Sacilor	411
SOTAIR	Air France	212
SPECIA	Rhône-Poulenc	403
T		
Tarneaud (Banque)	Etat	843
Technicatome	C.E.A.	130
Télévision de France	Etat	—
Tessenderlo Chemie (Belgique)	E.M C.	301
Theraplix	Rhône-Poulenc	403
Thomson (Groupe)	Etat	401
Thomson - C.G.R.	Thomson	401
Thomson - C.S.F.	Thomson	401
Trefimetaux	Pechiney	402
U		
U.A.P. - Capitalisation	U.A.P.	600
U.A.P. - I.A.R.D.	U.A.P.	601
U.A.P. - Vie	U.A.P.	602
UGIMAG	Pechiney	402
Ugine - Aciers	Sacilor	411
Union de Banque à Paris	Etat	845
Unipectine	ERAP	120
US Alpha-Jet	Dassault	430
Usinor (Union Sidérurgique du Nord et de l'Est de la France)	Etat	410
V		
Vernes et Commerciale de Paris (Banque)	Etat	844
Visco-Suisse (Suisse)	Rhône-Poulenc	403
W		
Worms (Banque)	Etat	827
Z		
Zircotube	Pechiney	402

I

Les cahiers des clauses administratives générales et autres textes interministériels La nécessité de ce système de clauses-type

La réforme de la réglementation des marchés publics, entreprise depuis 1964, s'est traduite par un partage dans les normes applicables à ces contrats :

— d'une part les dispositions d'ordre législatif ou réglementaire qui ne sauraient s'imposer aux titulaires de marchés et qui sont regroupées dans le Code (cependant, les dispositions dites « d'ordre public » s'imposent aux deux contractants).

— d'autre part les stipulations des marchés dont certaines, de portée générale, sont regroupées dans les Cahiers des Clauses Administratives Générales (C.C.A.G.).

En effet, le Code des marchés publics traite peu des conditions dans lesquelles les marchés sont exécutés et renvoie en son article 112 à ces Cahiers que nous venons d'évoquer et qui sont, d'après l'article 39 du même Code, les éléments constitutifs de ces contrats écrits.

1) *Historique de ces C.C.A.G.*

C'est en 1956 que le Ministre de la Défense Nationale a pour la première fois, séparé la réglementation des « marchés de fournitures courantes » de celle des « marchés industriels ».

Avant 1965, il existait trois C.C.A.G. interministériels applicables :

— aux marchés de travaux (décret du 8 mai 1961) ;
— aux fournitures courantes (décret du 14 décembre 1962) ;
— aux marchés industriels (décret du 5 juillet 1965).

Il avait fallu attendre 1962 pour qu'un décret différencie et consacre, par un statut de « marchés d'étude », les contrats de recherche et de développement.

Cette prise de conscience devait aboutir à un décret du 3 novembre 1967 approuvant le titre VI du C.C.A.G. des marchés industriels et traitant des questions spécifiques à ces contrats de recherche et de développement.

A partir de 1968, la Commission Centrale des Marchés entreprenait un important travail de refonte qui aboutissait aux textes actuellement en vigueur :

a) C.C.A.G. des marchés de travaux, décret du 21 janvier 1976 (refondu)

b) C.C.A.G. des fournitures courantes, décret du 27 mai 1977 (refondu)

c) C.C.A.G. applicable aux prestations intellectuelles, décret du 26 décembre 1978 (création nouvelle)

d) C.C.A.G. des marchés industriels, décret du 14 octobre 1980 (refondu)

(Il est à noter que les stipulations du chapitre VII pour les marchés comportant une part d'étude sont identiques à celles de l'option C du C.C.A.G.-P.I. Ceci afin d'assurer une continuité dans les différents stades de développement d'un produit industriel et d'avoir les mêmes clauses d'utilisation des résultats).

2) *Pourquoi ces cahiers ?*

Toutes les circulaires relatives à l'approbation de ces cahiers rappellent qu'ils ont pour objet de définir avec le plus de précision possible les droits et obligations réciproques de la collectivité ou de l'établissement public et du titulaire du marché.

Il convient ici de citer un extrait du « Télégramme Marchés Publics » n° 79 d'octobre 1983 qui résume parfaitement le but à atteindre par ces cahiers, bien qu'il ne soit ici question que du C.C.A.G. Travaux de 1976 :

> « La politique générale des investissements tendant à optimiser le coût de ceux-ci, c'est-à-dire à améliorer le rapport qualité-prix, s'est accompagnée d'une nouvelle conception des rapports entre l'Administration et l'Entreprise, considérées comme des partenaires collaborant à la satisfaction de l'intérêt général.
>
> Le C.C.A.G. Travaux de 1976, tout en privilégiant l'intérêt public, protège au mieux les intérêts des entreprises. Il comporte des clauses équilibrées, tenant compte de la doctrine et de la jurisprudence mais aussi de la réalité des travaux ».

On peut dire, en effet, que la prise en considération plus attentive de l'importance économique des marchés et la recherche de rapports contractuels plus équilibrés entre Administration et fournisseurs ont bien sous-tendu les travaux de la Commission Centrale des Marchés dans la réforme de ces textes menée, depuis 1968.

Mais il s'agissait surtout de rationaliser et d'uniformiser, autant que faire se peut, l'ensemble de ces stipulations à portée générale. Ces efforts, s'ils ont conduit à des documents de structure assez proche les uns des autres ont aussi conduit à l'insertion de certaines stipulations pratiquement identiques d'un cahier à l'autre, à certaines redites et à la présence de clauses qui peuvent paraître relativement inadaptées à certaines catégories de prestations.

Quelles que soient les réserves qui puissent être formulées, les contractants sont maintenant en possession d'un ensemble de textes cohérents dont il faut rappeler qu'ils ne sont pas rendus obligatoires par les décrets qui les approuvent mais dont l'usage est fortement recommandé notamment aux collectivités locales et à leurs établissements publics.

En fait, ces C.C.A.G. sont bien des documents de base pour la conclusion des marchés publics.

A N N E X E S

3) *Comment sont-ils rédigés ?*

Il convient de noter ici le rôle important de la Section Administrative de la Commission Centrale des Marchés dans cet effort de modernisation de la réglementation des marchés publics qui lui est imparti par l'article 5 du Code.

En un premier temps, un projet de refonte est généralement élaboré par un fonctionnaire du Secrétariat Général de la Commission Centrale des Marchés, puis ce projet est soumis à l'examen de la Section administrative conformément à l'article 5 du Code. Le fonctionnaire évoqué ci-dessus sera, en principe, rapporteur pour la durée des travaux d'examen. La composition de la section permet de sauvegarder le caractère interministériel de ces textes tout en permettant aux représentants des grands Ministères dépensiers de faire entendre leur point de vue : Intérieur, Défense, Équipement, Industrie, P & T. Les professions sont représentées par trois représentants désignés l'un par le Ministre de l'Industrie, les deux autres par le Ministre de l'Équipement, sur un total de 18 membres.

Un conseiller d'Etat et un magistrat de la Cour des Comptes assument la Présidence et la Vice-Présidence de la section et illustrent la qualité et la neutralité de ses travaux. Ces C.C.A.G. sont ensuite examinés par le Conseil d'Etat.

Il est à noter que la rédaction du nouveau C.C.A.G.-P.I. a nécessité la réunion pendant près de deux ans d'un groupe de travail assez important comportant des représentants de toutes les administrations intéressées et des professions pour préparer un projet soumis ensuite à la section administrative. De même, la rédaction de la circulaire d'application a provoqué la réunion d'un groupe de travail plus restreint pendant un certain temps.

Le plan de travail de la section, qui a d'abord refondu le C.C.A.G. des Travaux, les efforts de rationalisation et d'uniformisation soulignés plus haut, ont amené certaines critiques selon lesquelles les C.C.A.G. suivants avaient été trop influencés par le premier, que l'on raisonnait trop en France à l'exemple des contrats de travaux et que, le mot a été prononcé à cette tribune au cours d'un précédent colloque, le cadre des C.C.A.G. pouvait être « frustant » pour certaines négociations. Ces critiques sont trop sévères et nous devons, quoi qu'il en soit, saluer le travail déjà réalisé par la Section Administrative en matière de C.C.A.G.

4) *Ces cahiers couvrent-ils toutes les catégories de prestations ou de fournitures que l'on peut rencontrer dans les marchés publics ?*

La rédaction du C.C.A.G. applicable aux marchés publics de prestations intellectuelles a clairement montré la difficulté d'encadrer par un seul texte des prestations aussi diverses qu'un marché de développement industriel ou une enquête sociologique.

Les rédacteurs ont résolu partiellement cette difficulté en imaginant trois « options » concernant les règles de propriété industrielle, qui ne résolvent pas tous les problèmes essentiellement variables suivant la nature de la prestation mais également suivant la nature du prestataire (industriel ou bureau d'études par exemple). De plus, ce mot d'option est malheureux car il prête à certaines interprétations discutables malgré les directives de choix de ces options clairement exposées dans la circulaire d'application.

On constate donc que ce système de cahier a des difficultés pour intégrer toutes les catégories de prestations à moins d'être en perpétuelle refonte.

L'exemple de la pénétration toujours plus importante du logiciel dans toutes les techniques modernes montre cette faiblesse de la réglementation.

Le développement impressionnant des logiciels dans les matériels informatiques ou autres, les caractéristiques de ces logiciels quant à la protection qu'ils nécessitent et aux lacunes des dispositions de propriété industrielle les concernant, provoquent certaines difficultés sur le terrain, car les C.C.A.G. n'ont pas été rédigés en vue d'un tel développement.

Toute solution normative paraît exclue avant que des difficultés juridiques fondamentales concernant cette propriété aient été résolues.

Le cas du cahier des prescriptions communes des marchés informatiques, rédigé au sein du « comité informatique », ancien groupe de travail créé par la C.C.M., illustre bien cette prudence de la réglementation devant une catégorie nouvelle de prestations.

Cet exemple n'est pas unique ; c'est parfois une mutation profonde du processus de fabrication industrielle qui n'est pas pris en compte par les textes-type généraux. Les négociations doivent alors combler les vides sur le terrain et l'on assiste alors à un éclatement de la réglementation qu'il sera bien difficile de réunifier ensuite (prise en compte du développement de l'assurance qualité par exemple).

Dans un tout autre domaine, on pourrait également citer le développement du financement partiel des études et développement alors qu'on ne répétera jamais assez que le C.C.A.G.-P.I. est rédigé pour des marchés totalement financés.

5) J'évoquerai enfin les cahiers des clauses comptables propres à certaines professions, qui sont bien des cahiers de clauses à portée générale mais sont adaptés à chaque entreprise par le biais d'un protocole comptable spécifique à chacune de celles-ci.

Ces cahiers, approuvés par arrêtés, sont obligatoirement appliqués par les administrations et établissements publics ainsi que les entreprises nationales et les sociétés d'économie mixte visées par l'ordonnance de décembre 1958. Ils traitent :

— des obligations comptables auxquelles sont astreintes les entreprises qui traitent avec le secteur public dans certaines conditions ;

— des conditions de détermination des prix de vente des prestations destinées au secteur public en cas de prix de revient prévisionnel ou de négociation sur constatations de prix de revient *a posteriori* ;

— des modalités d'établissement et de présentation des devis à fournir à l'Administration.

Ces textes de portée générale, peu évoqués dans les ouvrages généraux, sont très importants pour les entreprises, pour leur organisation et leur gestion.

II

Les cahiers des clauses administratives rédigés par les Ministères ou services Les limites du système

1) *Les cahiers des clauses administratives communes, C.C.A.C. (Sous-entendu à un Ministère ou un service)*

Nous allons maintenant quitter le domaine réglementaire pour nous avancer progressivement dans le domaine contractuel. Encore que l'on puisse se demander s'il ne s'agit pas souvent de contrats d'adhésion tellement ce que M. le Professeur Truchet appelle « les interstices de liberté et d'égalité laissés aux parties par les règles écrites ou jurisprudentielles applicables au marchés » sont minces !

Plusieurs causes ont amené certains Ministères ou services à pousser beaucoup plus loin l'effort de rationalisation évoqué au chapitre précédent :

— le caractère par trop général des C.C.A.G. interministériels et le besoin de développer certaines de leurs stipulations ;

— la spécificité et la complexité de nombreuses prestations ou fournitures de l'industrie moderne ;

— la spécificité ou parfois le particularisme de ces mêmes services.

Cet effort de rationalisation a pour résultat plusieurs types de documents :

a) les C.C.A.C. propres à un Ministère ou à un service qui sont des documents d'application pour les différents C.C.A.G. utilisés couramment par ces organismes. (Par exemple C.C.A.G.-P.I. et C.C.A.G.-M.I.).

Deux C.C.A.G. peuvent avoir un seul C.A.C. d'application, ces documents précisent certaines stipulations des C.C.A.G. ou les reprennent parfois *in extenso*, ils abordent des domaines non traités par les C.C.A.G., ils intègrent des réglementations ou instructions d'origine extérieure à ces C.C.A.G. (dispositions concernant le secret pour les marchés de défense par exemple).

b) Des « sous C.A.C. » rédigés pour regrouper les stipulations particulières à certains marchés de fournitures ou de prestations très spécifiques modernes :

— détachement de spécialistes ;

— marchés de rechanges ou de réparations ;

— marchés de documentation.

c) Derrière ces cahiers (et s'il reste encore quelque chose à préciser !) des marchés-type qui, pour la partie administrative, s'apparentent vraiment au cahier des clauses administratives particulières cité à l'article 112 du Code.

Ils se présentent parfois comme des documents à compléter par les négociateurs mais sous une forme qui facilite l'exploitation pour les services de gestion et de contrôle et qui permet de ne rien laisser au hasard au cours des négociations.

d) Des annexes à ces marchés-type et des règlements qui s'appliquent à certaines catégories de marchés et qui peuvent concerner des obligations vis-à-vis des services de surveillance et de contrôle, tel le règlement sur les obligations des fournisseurs de l'Armement envers le S.S.I.A.R. (Service de Surveillance Industrielle de l'Armement) de janvier 1980.

2) *Les limites du système des clauses-type*

a) *le foisonnement des textes-type*

A partir des deux C.C.A.G. couramment employés dans le domaine industriel, se développe une pyramide de textes qui sont des cahiers des clauses administratives communes (à notre connaissance : 14 pour un Ministère, 17 pour un autre !) puis des marchés-type et annexes qui traitent tous des particularités de certains types de prestations et des pratiques en vigueur dans les services acheteurs. Le phénomène des éditions successives vient encore compliquer la situation.

Pour un futur co-contractant, il est nécessaire de bien connaître ces textes car il existe souvent des divergences notables de l'un à l'autre. Sans espérer des textes communs aux différents services d'un même Ministère (cela serait possible pour certaines prestations) on aurait pu au moins attendre une numérotation commune pour les articles traitant de matières identiques, une commission créée au sein d'un grand Ministère acheteur à cet effet semble avoir abandonné ce projet.

De plus, ces textes sont parfois volumineux, car ils reprennent souvent *in extenso* des dispositions figurant dans des textes à portée générale auxquels ils se réfèrent. M. le Rapporteur Général des Commissions Spécialisées nous parle de « recopie dans des documents particuliers de clauses du C.C.A.G. ou d'articles du Code » ou même de clauses commerciales !

Le travers s'explique par le fait que le rédacteur oscille constamment entre un document contractuel-type qui devrait être précis, clair, non redondant et une instruction pour les négociateurs de son service afin que ceux-ci n'oublient ou ne négligent aucun aspect contractuel du futur marché.

On imagine sans peine l'embarras des petites ou moyennes entreprises qui peuvent avoir affaire simultanément avec ces services acheteurs pour des marchés de faible montant. D'autant que nous n'avons pas évoqué la multitude des règlements, circulaires, pièces de toutes sortes dont la nature juridique pose souvent un problème et que l'on rend contractuelles en les citant comme pièces jointes au marché.

Beaucoup de praticiens pensent que l'on a atteint un degré de complexité difficilement surmontable d'autant que ce foisonnement a d'autres conséquences.

b) *Les dérogations*

Ce problème est la parfaite illustration de la difficulté de maintenir une certaine cohérence dans une réglementation foisonnante.

Il est certain que l'on peut déroger à ce genre de textes et M. Moderne traitera très complètement tout à l'heure des aspects juridiques de cette question. Mais il s'agit de s'interroger sur la portée de ces dérogations.

Ce problème n'a pas échappé aux responsables de la C.C.M. et aux autorités de contrôle. Dans le numéro d'octobre 1983 de la revue « Télégrammes Marchés Publics » déjà cité, le rédacteur, après avoir évoqué l'équilibre des clauses contractuelles dans les cahiers, poursuivait :

> « Détruire cet équilibre global en dérogeant systématiquement dans le C.C.A.P. à certaines clauses du C.C.A.G. pour empêcher — ou limiter par exemple le droit à indemnisation de l'entrepreneur prévu par les articles 15, 16 et 17 du C.C.A.G. (modification dans la masse des travaux ou dans l'importance des diverses natures d'ouvrages) est tout à fait déconseillé.
>
> Tout d'abord, le maître d'ouvrage qui serait tenté d'agir ainsi doit être conscient que le prix offert par l'entreprise est fonction notamment des contraintes administratives qu'on lui impose. Si celles-ci sont inutilement sévères, le prix sera élevé.
>
> D'autre part, de telles clauses n'empêchent pas le juge administratif de condamner le maître d'ouvrage à indemniser l'entreprise en cas d'erreurs graves dans l'appréciation des volumes de travaux à effectuer, ces erreurs pouvant constituer des fautes de nature à engager sa responsabilité à l'égard de son co-contractant (Conseil d'État, section du contentieux, 3° et 5° sous-section, arrêt du 11 février 1983). »

De même le Rapporteur Général des Commissions spécialisées des marchés vous dira que celles-ci font souvent des observations sur les dérogations systématiques à un C.C.A.G.

En fait, le mot « déroger » a deux sens voisins, dont l'un ouvre la voie à toutes sortes de possibilités :

— Établir une disposition contraire à une loi, à un acte antérieur.

— S'écarter de ce qui est établi par une loi, une convention.

La liste des dérogations figurant à la fin des cahiers d'application des textes généraux (C.A.C. ou autres) est en général fort courte et ne couvre que le premier sens du mot.

On voit plus fréquemment des locutions telles que « en complément à l'article X », ou « par notification à l'article Y » dans les textes d'application. Les dispositions ainsi introduites sont parfois de véritables dérogations à l'esprit et à la lettre des textes généraux.

Ces dispositions peuvent prendre plusieurs formes :

— dérogations clairement indiquées parfois systématiques et importantes ;

— amalgame entre différents C.C.A.G., ce qui a pour effet de perturber l'équilibre précédemment évoqué ;

— rédaction au niveau du C.A.C. qui impose systématiquement une stipulation alors que le C.C.A.G. indique « si le marché le prévoit ».

Elles sont dictées par des préoccupations très diverses :

— nécessité de tenir compte de la spécificité d'une fourniture, d'une prestation ou même du caractère exceptionnel d'une convention ;

— volonté de redresser un équilibre jugé trop favorable pour le co-contractant dans le texte général ;

— souci louable de protéger au maximum les intérêts de l'Administration, plus rarement, volonté d'imposer des stipulations refusées par les organismes interministériels et qui réapparaissent alors dans les C.A.C., puis dans les marchés-type si elles ne sont pas acceptées par les organismes du contrôle du Ministère en question.

c) *Les limites de la concertation en ce qui concerne la mise au point des systèmes de textes*

Alors que la volonté de concertation est souvent exemplaire au niveau des textes généraux et interministériels, la situation est beaucoup plus contrastée au niveau des Ministères. La concertation est excellente avec certains services ; il en résulte des textes bien acceptés par tous et qui ne posent guère de problèmes.

De même, les autorités de contrôle de certains Ministères peuvent demander l'avis des Professions lorsqu'elles ont à viser un texte avant sa publication au Bulletin Officiel du Ministère considéré.

Pour d'autres Ministères ou services, la négociation d'une importante affaire, de nature exemplaire, avec un industriel pourra donner naissance à un texte qui aura au moins le mérite d'avoir été conçu au contact de la réalité. Certains services, enfin, ne consultent jamais les professions pour l'élaboration des cahiers ou marchés-type.

Conclusion

Lorsque l'on considère le problème de ces documents-type sous différents aspects, on est presque toujours partagé entre deux impressions contraires :

— La recherche d'une bonne couverture de tous les types de prestations et de fournitures est certes souhaitable, mais la prolifération de ces textes est redoutable pour de multiples raisons évoquées ci-dessus.

— Le particularisme trop prononcé n'est pas souhaitable ; par contre il faut chercher le montage contractuel qui convient le mieux à la satisfaction de chaque service.

— Une certaine rigidité pour préserver l'équilibre du contrat est souhaitable mais cette rigidité ne doit pas être un frein à l'évolution des marchés modernes.

En fait, on ressent partout la nécessité d'un équilibre entre des exigences souvent contradictoires. La recherche de cet équilibre n'est-elle pas la vraie négociation entre deux partenaires qui devraient s'entendre ?

Ils trouvent cet équilibre si, de part et d'autre, ils ont une formation et une volonté suffisante pour ne pas ignorer les impératifs de l'autre.

APPENDIX VIII - BIBLIOGRAPHY

BIBLIOGRAPHY

A. Previous Studies and Key Documents

The 1972 Commission Study (COM(75)285 and SEC(72)2601):

These Communications on the state of openness of purchasing in the public sector and in enterprises providing a public service drew attention to the importance of, and lack of free trade in, high technology equipment supplied to the public sector. They picked out the following sectors for particular emphasis:

* X-ray and electro-medical equipment
* computers
* civil aircraft
* power station equipment
* railway equipment
* telecommunications equipment
* airport equipment.

The Clark-Charpentier Report ("Les Achats Publics dans le Marche Commun" 1975):

This study underlined the importance of taking action on public procurement, and identified tendencies for competition to diminish rather than increase in high tech supplies to the public sector. It proposed actions which should be flexible and pragmatic, and take account of special problems of these sectors and the potential costs of opening up the market in terms of unemployment, industrial development, security of supply, compatibility and maintenance of existing equipment, and lack of incentive to innovate.

The report stated that opening up public markets would lead to reducing the direct cost of public procurement and hence reduce taxes or increase the volume of public procurement, increase markets for the more dynamic firms and for small and medium enterprises, reduce inequalities, and improve the position of producers in small countries. (The latter points are not self evident, and opening up public procurement could well increase inequalities).

It cautioned against imposing a bureaucracy of control, given the great diversity of purchasers, suppliers and products, but urged that a momentum towards opening up should be set in motion, commencing with government procurement. This momentum was to be started off with a White Paper, which would set out the objectives and a gradual programme of implementation. This programme would include public services, whether privately or publicly owned, but treated in a more flexible manner than government procurement.

The Albert-Ball Report ("Towards Economic Recovery in the 1980s" European Parliament Working Documents 1983):

This is the report which coined the phrase "The cost of Non-Europe". It covered a wide range of economic issues, but raised the issue of public procurement in a section entitled "The railways of the year 2000", which is actually about the absence of common standards in new technologies. It argues that railways were an engine of growth in the 19th century and Europeans adopted common standards, whereas now, in television, telecommunications, and high speed trains, member States pursue different standards and support "national champions" among the suppliers of these and other high technology products. The report then goes on to say:

> "This aspect of Non-Europe is one of the most costly. Firstly in financial terms. Public contracts account for approximately 15% of Community GDP, including purchases of military and space equipment of about 400,000 million ecu. Let us assume that the average additional cost is around 10%. This seems a modest estimate given the amount of technical and economic progress

which might well have been achieved over the last 15 years if all public contracts had been deregulated when intra-Community customs duties were abolished in 1968. At least 40,000 million ecu are thus levied pointlessly from the taxpayer and wasted each year.

"To enable taxpayers to appreciate the extent to which they are exploited by their national administrations, we should add the cost of the queues of lorries waiting at customs posts! The total cost of passing intra-Community frontiers can be estimated at around 12,000 million ecu a year. This makes a total of around 50,000 million ecu, ie. 2% of GNP".

It goes on to say that we all therefore work one week a year to pay for maintaining the "purveyors to the Royal Court". This is all couched in very emotive language, and the estimate of cost, which is apparently the first attempt to put an order of magnitude on the Cost of Non-Europe, is superficial. This figure has been repeated in many subsequent documents and speeches in order to justify priority to public procurement initiatives in the internal market programme. It appears to make public procurement barriers much more important than all other barriers to trade.

The estimate is suspect for a number of reasons:

* 400 billion ecus is approximately the total volume of all purchasing by government and public enterprises. Only a small portion of this is high technology goods, to which the argument refers

* the report appears to be talking about real costs as a result of increased efficiency and technical progress which has been foregone over a longish period. 10 percent may be realistic for some products, but there are many for which public purchasing barriers have not really been a brake on innovation, investment or restructuring - the three means by which real cost reductions can be achieved.

The Padoa-Schioppa Report ("Efficiency, Stability and Equity; a strategy for the evolution of the economic system of the European Community" April 1987):

This report looks at the wider political-economic impact of opening up the internal market. In a section on Government procurement it quotes a quite different basis for measuring the cost of Non-Europe in public procurement from the Albert-Ball argument, but ending up with the same estimate of 1-2 percent of GDP. Although the source is not quoted, it is taken from a study carried out by Commission staff, based on French data on the breakdown of public contracts by product category along with purchasing power parity (PPP) statistics. These are used to estimate the static price saving which could be achieved if France purchased all goods from the lowest price country as indicated by the PPP statistics. The result is, on the face of it, startling. It appeared that France could save 25 percent of the cost of its public contracts by buying from abroad at the exchange rates of the date of the study. Applying this figure to a total Community estimate for government purchasing (excluding public enterprises) of 200 billion ecus, or 6 percent of GDP, leads the report to its figure for the potential saving of 1-2 percent of GDP.

This figure needs to be qualified in a number of ways:

* it is based on PPP statistics which compare the prices of mainly private sector and consumer goods. The Eurostat price database includes some, but few, products bought by the public sector, so the price comparisons are not valid

* if large price differences exist between countries for goods bought by both the private and public sectors, then there must be significant trading costs or other barriers to trade. If the private sector cannot benefit from arbitrage, then it is unlikely that the public sector can

* at the exchange rates at the time of the study, France may have been a generally high price country. The low price country cannot save by buying from a high price country, so the conclusions cannot be generalised to the whole Community

* a significant change in trade patterns would be expected to lead to a change in relative prices and exchange rates over time. The static price difference would tend to disappear. Moreover, to the extent that present price differences are due to barriers to trade, the creation of the internal market would eliminate them, and remove the short-term benefit from opening up public procurement.

The Padoa-Schioppa report concludes:

> "The scene is therefore set for the Community to make significant progress in opening up competition in the public procurement area. ... The restructuring of several industries, like energy generation equipment, railway equipment and office machinery, could be quite drastic as a result. This also has implications for strategic industrial policies and policy towards state enterprises and privatisation ....".

This draws out the distinction between a short term, possibly transient, price benefit, and the longer term restructuring effects on economies of scale and on distribution.

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