Big and Open Data: a New Era for Public Procurement?

Some Thoughts

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BIG AND OPEN DATA:
AT FIRST GLANCE MANY OPPORTUNITIES!

Big and open data = more transparency. Transparency is good!

More transparency in order:

- To know more about public procurement
- To reduce corruption and favoritism making public authorities more accountable (OECD principle 2009; European Directives 2014)
- To reduce information asymmetries between public authorities and private firms
- To detect aggressive biddings
- To Increase stakeholder’s participation and information
- To foster reputational effects (Decarolis & al 2016)
- To detect collusive agreements
- …
BUT TRANSPARENCY DOES NOT COME WITHOUT POTENTIAL DRAWBACKS

Collusive agreement might be easier to enforce with more information

• Collusive firms might be interested in more transparency in order to check easily if their partners are respecting the collusive agreement or in order to split the market in more effective and complex (undetectable) way.

*More information does not automatically translate in more competition and lower prices*
BUT TRANSPARENCY DOES NOT COME WITHOUT POTENTIAL DRAWBACKS

Stakeholders are not all interested in the process of more transparency and sometimes for good reasons

- E.g. Water prices & Right2Water: what is the point putting on line information relative to water service’s prices? Example of France:
  - **Expected results 1**: private management leads to +20% average prices - *Everybody will see that*
  - **Expected results 2**: no price differences as soon as you control for characteristics of the public services (Chong & al 2015) – *Nobody will see that at first glance, or may be with a two years delay!*

*More information does not result automatically in better informed stakeholders*
BUT TRANSPARENCY DOES NOT COME WITHOUT POTENTIAL DRAWBACKS

Stakeholders are not all interested in the process of more transparency and sometimes for good reasons

Because data has value

- Eg. Private providers of data on Public procurement
  - What follows the Saussier-Tirole 2015 report…

Open (public) data vs. private (costly) data
BUT TRANSPARENCY DOES NOT COME WITHOUT POTENTIAL DRAWBACKS

Stakeholders are not all interested in the process of more transparency and sometimes for good reasons.

What is the incentive for public authorities to provide data?

- Eg. The French Observatory for water services in France: 17 000 water services / very few data since 2009!
- Eg. Swedish data within the TED data base (20%)

Open (public) data needs incentive schemes
Third party opportunism might be an issue (Spiller 2008, 2009, 2012)

Public procurement contracts are characterized by the fact that a substantial amount of supervision and control is done by third parties (such as political contesters and interest groups) … not necessarily interested in the success of the contractual relationship
May 2016: the initial contract is cancelled

“The Council of State criticized the City for not having integrated in its decision the amount of the grant of € 17 million it paid and the amount of taxes [€ 2.6 million] … “This is obviously a political attack” by Mr. Rouveyre [PS councilor behind the appeal]. What interested him was to hang Alain Juppe on the subject (…)”

Source: PPP cancellation in Bordeaux, “it will not change anything” – The Équipe.fr, May 11th, 2016

Will more information increase or decrease the risk of third party opportunism? Will it lead to more “rigid”, “formal” and “standard” agreements (Spiller 2008)?
THE FRENCH PPP EXAMPLE

PFIs contracts launched in 2004

Plenty of information and plenty of contestations, attacks, … that made PPPs disappear

Number and amount (in thousands of €) of PFIs in France between 2004 and 2014
AND ON THE OTHER HAND...

The Philharmonie de Paris is a cultural institution in Paris which combine spaces all dedicated to music. It opened January 2015.

This is a traditional public procurement contract

2 years late
Budget rises from 175M€ to 385M€
TO CONCLUDE

• More information ≠ more competition and lower prices
• More information ≠ stakeholders are better informed
• Open (public) data needs incentive schemes and will be develop at the disadvantage of private data.
• Open (public) data needs incentive schemes
• Will more information increase or decrease the risk of third party opportunism? Will it lead to more “rigid”, “formal” and “standard” agreements (Spiller 2008)?

We still need to define which precise (big and open) data do we need → is there a consensus on this issue between economists?
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