



KONKURRENCE- OG FORBRUGERSTYRELSEN

**Executive summary of the 2014 review of
competition in publicly provided services**

2014

Executive summary of the 2024 review of competition in publicly provided services

Danish Competition and Consumer Authority

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Chapter 1

Introduction and main conclusions

Competition in the delivery of publicly provided services is a key driver in ensuring continuous improvements in efficiency, quality and innovation in the public sector. Competition can contribute to increases in the productivity by optimising workflows and equipment through enhanced oversight and management as well as by strengthening the focus on achieving a predefined level of quality and service. The 2014 review of competition in publicly provided services shows that over the course of the past five years there has been a tendency to increases in the share of publicly provided services that are subject to competition. It is also pointed out that there still is a non-exhausted potential for further increases in competition in publicly provided services.

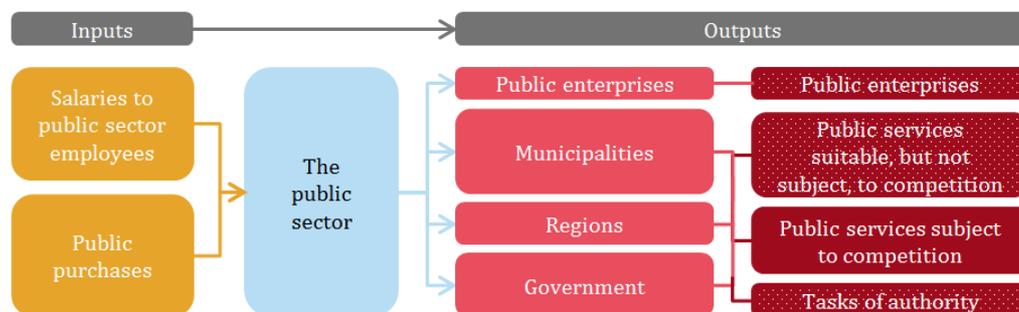
This year the review of competition in publicly provided services also contains a dedicated chapter on the Complaints Board on Public Procurement (Klagenævnet for Udbud), which issued significantly fewer rulings in 2013 compared to 2012 after new legislation on the area entered into force in 2013.

It is not crucial whether the competition results in delivery of the public services by public authorities or private companies. But the competition can contribute to the fulfilment of potentials in terms of efficiency, quality and innovative thinking in the public sector.

The 2014 review of competition in publicly provided services also provides an overview of the public services that can be subjected to competition as well as those that are subject to competition. Competition in publicly provided services is seen in relation to the inputs that flow into the public sector, and which technically can be subject to competition. These inputs are salaries to the employees of the public sector and public purchases from private companies. A proportion of these inputs are used by the public sector to exercise tasks of authority (myndighedsopgaver), which may not be subjected to competition and performed by private companies. The remaining tasks or publicly provided services can be described as suitable for competition (udbudsegnede opgaver) and a proportion of these are also subject to competition (konkurrenceudsatte opgaver). This publication sheds light on the relation between the services that are subject to competition and the services that are suitable for competition at the national, regional and municipal administrative levels.

An overview of the scope for competition in publicly provided services, and how they are distributed among various cost items as well as administrative levels, is outlined in chart 1.1 below.

Chart 1.1 Potential for competition in publicly provided services in overview



Remark: The relative sizes of boxes in the chart are not exact.

The 2014 review of competition in publicly provided services outlines the status and development in the number of rulings by the Complaints Board on Public Procurement (Klagenævnet for Udbud). Fear of complaints is one of the factors which make public authorities reluctant to expose more services to competition. It is therefore encouraging that there has been observed a decrease in the number of rulings from 2012 to 2013. While there were 109 rulings in 2012, the corresponding figure for 2013 was 80. The decline may be related to new legislation introduced by the Danish government in 2013, which increased the cost of filing a complaint with the Complaints Board on Public Procurement.

Since 2013 the Danish Competition and Consumer Authority has given greater priority to its guidance on public private collaboration, which aims to underpin competition in the provision of publicly provided services and to support collaboration between the public and private sectors. Throughout 2014 a number of practical guidance notes have been published, which inter alia focus on life-cycle cost of public procurement and on output specifications. In December 2014 the government initiated a consultation on a new Danish public procurement act. The act is expected to be presented to parliament in February 2015 and the Danish Competition and Consumer Authority will follow up with tailored guidance notes to ensure clarity among stakeholders vis-à-vis the new legislation.

Box 1.1

Main conclusions

- » The public services which are suitable for competition at the national, regional and municipal levels represent a total value of 52 billion EUR. Of these, services representing a value of 13 billion EUR were subject to competition. This implies that 25.4 percent of the publicly provided services at the national, regional and municipal levels, which are suitable for competition, were subject to competition in 2013.
 - » Publicly provided services at the government or national level, representing a value of 3 billion EUR, equivalent to 28.7 percent of the services suitable for competition, were also subject to competition. This is an increase of almost 3 percentage points since 2009.
 - » On the regional level in 2013 publicly provided services amounting to 2.5 billion EUR were subject to competition. This corresponds to 21.2 percent of the publicly provided services suitable for competition, which is at the same level as in previous years.
 - » The municipalities subjected publicly provided services representing a value of almost 8 billion EUR to competition in 2013, corresponding to 26.0 percent of the publicly provided services suitable for competition. This is an increase of almost 2 percentage points since 2009.
- » Additionally, the public sector exercised tasks of authority etc. at a value of 17.5 billion EUR and provided services through public enterprises which represented a value of 15.5 billion

EUR. The fraction of this value that is subject to competition is not measured and therefore neither reported.

- » Among the public authorities there are significant differences regarding the shares of publicly provided services suitable for competition which are also subject to competition. The various ministries have different portfolios and can therefore not be compared in a meaningful way. However, such differences are not present to the same extent across municipalities and across regions.
- » Among the regions the shares of publicly provided services suitable for competition, which are also subject to competition, vary from 18.3 percent in the Central Denmark Region (Region Midtjylland) to 23.4 percent in the Region of Southern Denmark (Region Syddanmark).
- » The ten municipalities that subjected the most services to competition in 2013 did so at an average of 33.0 percent, while the average of the ten lowest shares was at 20.2 percent.
- » The expenditure on public purchases from private companies and salaries to public sector employees amounted to 39 and 46 billion EUR in 2013, respectively. These inputs are spent to produce and provide public services and to exercise tasks of authority,
- » The Complaints Board on public Procurement (Klagenævnet for Udbud) announced 109 rulings in 2012 and 80 rulings in 2013. The rulings relate in particular to open procedure tenders subject to the EU directive on public procurement. In about one out of three rulings the complaint is partially upheld whereas a bit less than one in ten complaints are fully upheld.