

Chapter 1

Main conclusions

Competition in publicly provided services is an important factor in a strong and efficient public sector. By contracting out publicly provided services, that are suitable for procurement, authorities ensure that society gets the most out of public sector resources.

Public-private cooperation sets a scene for achieving synergy between the public and the private sector. The effects can be efficient results, high quality and innovative solutions.

Cooperation between public and private can also lead to growth, for instance through the creation of new welfare solutions, which can be exported.

The Danish Competition and Consumer Authority's *Account of competition in publicly provided services 2012* shows that there is a remarkably potential for more competition – and more efficient procurements – in publicly provided services in Denmark.

About a quarter of the public services, that are suitable for procurement, are contracted out, which amounts to a total of 92.5 billion DKK. However, there is potential to open up competition to far more public services. The value of the public services that are suitable for procurement was in 2011 totalling 377 billion DKK.

Both in the central and local government there is a potential to open up additional public services to competition. The potential can be found within specific areas in which it is possible to contract out additional public services, and within specific public authorities, as there is a great variation in the extent of public services that local governments contract out.

There are several reasons why public authorities are not contracting out public services. Among the reasons is the uncertainty about public procurement law rules felt by public procurers. Many public procurers consider the rules in the procurement directive and the complaints system as a barrier when contracting out. This is documented in a survey conducted by the Danish Public Procurement Council in 2012.

It is a risk, that if these tendencies dominate the procurement culture it will move the public sectors focus away from doing good business. The purpose of procurement law is to secure an efficient competition for services contracted out by public authorities. The rules must be complied with, but procurement should also create efficient competition and ultimately ensure an efficient use of the taxpayers' money. That is why it is also important to have focus on how to achieve competition in an effective and suitable way whenever a public service is procured.

If the private contractors are not given enough room in the procurement process to develop new solutions, or the boundaries for dialogue are limited excessively it can have the effect that a task is not solved in an efficient manner. The same might be the result, if the market is characterized by cartels maintaining prices at a high level and restricting competition.

The Government has launched a set of new initiatives with the purpose of strengthening the efficient competition in publicly provided services. Hence the Danish public sector can reap additional efficiency and quality gains through co-operation between the public and the private sector.

The Competition and Consumer Authority and the Danish Public Procurement Council have made a series of analyses, which i.e. document that competition regarding publicly provided services is beneficial in a number of areas. This is elaborated in the main conclusions summarized in Box 1.1

The account of competition in publicly provided services 2012 is based on analyses and surveys about competition in public services, which are carried out, by The Competition and Consumer Authority, The Danish Procurement Council and The Ministry of Finance as well as 2011 indicators for public services that are open for competition.

Box 1.1
Main conclusions

- » There is an increase in the amount of publicly provided services that are procured from private contractors. The number of services that are put to competition has risen since 2008 in both central and local government. In the administrative regions there have been a minor decline since 2009.
- » Despite the increase there is potential for more competition in public services in all parts of the public sector.
 - » In the central government public services worth of 77 billion DKK could potentially have been contracted out. The total value of the services that were contracted out public services was 21 billion DKK or equal to 27.5 pct.
 - » In the regional administrations the value of public services contracted out was 17 billion DKK while the total amount of public services suitable for competition summed to 82 billion DKK. The area in the regions with most potential for further competition is health care.
 - » In the local governments public services suitable for competition amounted to 218 billion DKK, of these 54 billion DKK were contracted out equaling 25 pct. The area with the largest potential for further competition is the social services area.
- » There is a big variance between the local governments. The ten local governments that procure the least are on average creating competition for 20 pct. of the public services suitable for competition. The number is 32 pct. in the ten local governments procuring the most. This indicates that in certain local governments there is an underutilized potential for competition.
- » Procurement leads to efficient solutions. In most cases lower costs are achieved without a reduction in quality. This is shown by the Public Procurement Councils analyses from 2011 and 2012
- » Cartels and monopolies can cost public authorities the potential gains achieved through competition. The Competition and Consumer Authority has launched an advice and information initiative to create focus on cartels and monopolies in relation to public procurement.
- » PPP is a way to foster effective cooperation. 13 Danish PPP projects have been established, nine within the last three years. All the public authorities that have established PPP projects consider their projects successful. This is documented by a survey by the Competition and Consumer Authority from 2012.
- » Most public procurers consider the legislation as a barrier to public procurement. The public procurement law is difficult to utilize and complaints are associated with high costs. A survey on Public Private Cooperation in Denmark and Sweden from 2012 carried out by the Danish Public Procurement Council documents this.
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 - » The Government has launched initiatives to secure the best possible conditions for public procurement. A new national procurement law is in the pipeline. The complaints system will be simplified and a targeted advice and information effort will implement knowledge on how to contract out in an effective manner.
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