

ASSESSMENT OF THE IMPACT OF ADVOCACY INTERVENTIONS IN THE LOCAL PUBLIC SERVICES SECTORS

Study on the Local Public Transport and Municipal Waste Management Sectors

Document prepared for the Italian Competition Authority

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INTRODUCTION AND SUMMARY OF THE MAIN RESULTS

1. The Italian Competition Authority (“AGCM” or the “Authority”) intends to assess the economic impact of its advocacy interventions, starting with those carried out in the local public services sector. By a communication dated 15 July 2025, Lear was commissioned to prepare a study aimed at developing a methodology for the *ex ante* impact assessment of the Authority’s advocacy interventions in the local public services sector.
2. In line with the relevant legal framework, which was recently revised following the adoption of Legislative Decree 201/2022, the Authority’s interventions generally seek to identify situations in which the awarding authority fails to provide adequate justification for not resorting to a competitive tendering procedure to select the concession holder.
3. The purpose of the study is to estimate, from an *ex ante* perspective, the potential benefits attributable to such interventions, measured in terms of lower costs for society and improvements in service quality. The sectors under examination are municipal waste management and local public transport (“LPT”).
4. The proposed methodology is based on the premise that, by adopting efficient awarding models – whether through public tenders or adequately justified in-house awards (articles 14 and 17 of Legislative Decree 201/2022) – awarding authorities can improve service performance. A comparison between

authorities that adopted awarding models conducive to service efficiency (so-called “virtuous” authorities) and authorities that received an advocacy report or warning letter from the Authority, where failure to resort to a competitive tender is linked to a lack of justification (so-called “non-virtuous” authorities), provides an *ex ante* indication of the benefits that may result from the Authority’s intervention. The results set out in this report always refer to an *ex ante* assessment of the potential impact of the interventions, including where this is not expressly stated.

5. The granularity, breadth and standardisation of the available data are among the key factors in enabling a quantitative analysis, which is preferable – where feasible – to qualitative methods (such as case studies) when seeking to draw more general conclusions.
6. In the waste management sector, ISPRA’s waste registry offers a comprehensive municipal-level database on the separate waste collection rates and on the costs for the collection and transportation of separately collected municipal waste, which can be used as performance variables. It was therefore possible to carry out an econometric analysis.
7. To enable such an analysis, data were collected at municipal level on the models used to award waste management services. This made it possible to classify municipalities according to the type of award model they adopted, based on whether it involved a market-based procedure, and whether the municipality had been subject to an advocacy intervention by the Authority.
8. More specifically, the analysis drew on the annual periodic review reports published on the ANAC website by authorities covering populations of more than 50,000. These reports were used to identify the award models in place in 2023 and 2024 for waste collection and transport services in each municipality falling within the territorial remit of the relevant authority. The dataset was then supplemented with the Authority’s advocacy reports and warning letters addressed to public administrations in the waste sector over the same period.
9. The quantitative assessment carried out for the municipal waste management sector is based on a linear regression model comparing the performance of “virtuous” and “non-virtuous” awards. Non-virtuous awards only include in-house awards in respect of which the Authority identified potential unlawfulness or serious competition concerns through an advocacy report, as well as those that were merely the subject of a warning letter. Virtuous awards, by contrast, include both awards made through a competitive procedure (i.e. following a tender) and awards to in-house companies that did not raise concerns in the Authority’s assessment of their lawfulness (i.e. justified non-

competitive awards). Econometric analysis makes it possible to remove the influence of other factors unrelated to the phenomenon of interest that could otherwise distort the estimates. For this purpose, the dataset was supplemented with control variables drawn from Istat and the Ministry of Economy and Finance (including surface area, population and population density, per capita income, and data on incoming tourist flows) and additional variables which, according to the literature, may help reduce the risk of bias arising from characteristics of the relevant authorities that persist over time and may be correlated both with service performance and with the lawfulness of an in-house award or the use of competitive tendering. The results of this comparison can be interpreted as an estimate of the potential *ex ante* impact¹ of the AGCM's advocacy interventions in the municipal waste sector on selected indicators of service performance.

10. In the waste management sector, the analysis suggests that the potential *ex ante* impact of the Authority's intervention on the quality of municipal waste management services is positive, amounting to an increase of between 7.4 and 8.8 percentage points in the separate waste collection rate (this corresponds to an average improvement of approximately 16% in the overall separate waste collection rate of the authorities concerned). Estimates of the potential *ex ante* impact of the Authority's intervention on service costs suggest a reduction of between 4.9 and 5.6 euro cents (corresponding to average savings of approximately 20% in the aggregate cost of collecting and transporting separately collected waste for the authorities concerned).
11. In the case of local public transport, the limited availability of data means that the potential *ex ante* impact of the Authority's advocacy interventions cannot be assessed on the basis of a large-scale analysis of granular and systematically comparable data across authorities.
12. In light of these limitations, the analysis of the LPT sector was conducted through two case studies. The main sources used were the periodic review reports published by the relevant authorities on the ANAC website in relation to LPT services, supplemented by information drawn from service charters and the financial statements of the service operators, as well as from the financial statements of the awarding authorities themselves.
13. The two case studies for the LPT sector are based on a comparison between authorities that received an advocacy report from the AGCM and virtuous

¹ Throughout the report, the term "potential impact" refers to the improvement in an authority's performance that may result from an advocacy report (or warning letter) received from the AGCM, assuming that the authority acts on the recommendations made. By contrast, an estimate that also takes into account the likelihood that the authority will follow those recommendations is referred to as the "expected impact".

authorities, in particular those that awarded services through a public tender. The authorities were selected on the basis of the availability of a relatively broad set of indicators and their comparability in terms of socioeconomic and territorial characteristics.

14. The case studies focus on three main service dimensions – quantity, cost and quality – measured using indicators such as the number of passengers carried, vehicle-kilometres operated, average price per passenger, contractual payments, the authority's expenditure commitments for LPT, user satisfaction and service regularity.
15. In the LPT sector, the results of the two case studies provide useful evidence for estimating the potential benefits of the AGCM's intervention, on the assumption that the authorities under examination are sufficiently comparable. Unlike in the waste management sector, however, these findings do not lend themselves to a uniform interpretation and therefore cannot be generalised beyond the specific contexts from which they are drawn.
16. In any event, to provide an overview of the findings, the potential *ex ante* benefits of the Authority's intervention following the two advocacy reports under examination can be summarised as follows:
 - Volumes. In the regional-level case study², the virtuous authority attracts a markedly higher level of demand per capita (more than three times as high) for the same per capita supply volumes. This points to shortcomings in service uptake in the area served by the non-virtuous authority and suggests potential inefficiencies in the configuration of service provision (in the second case study, at the metropolitan-area level, by contrast, given the differences in the level of service supply it is not possible to draw conclusions as to the scope for increasing service use among users in the area served by the non-virtuous authority).
 - Economic indicators. In the metropolitan-area case study³, the virtuous authority appears to be more efficient, both in terms of costs net of fare revenues and in terms of total costs, with both being lower once account is taken of the volume of services provided (measured in vehicle-kilometres). This is the case whether costs are calculated on the basis of contractual payments and revenues, or on the basis of the authorities' current expenditure commitments. In the regional-level case study, by contrast, costs calculated solely on the basis of contractual payments

² Calabria vs. Tuscany case study.

³ ATAC-Rome vs. ATM-Milan case study.

appear to suggest that the virtuous authority incurs higher costs. This finding is reversed, however, when current expenditure commitments are considered: these are around 15-16% lower for the virtuous authority. In a regional comparison, given the number of service awards involved and the different territories they cover, current expenditure commitments may plausibly provide a more comprehensive measure of the overall cost of the service. On this basis, the regional-level case study also points to lower efficiency in the overall management of expenditure by the non-virtuous authority, consistent with the findings of the other case study.

- Quality indicators. Finally, the analysis of quality indicators – including user satisfaction, service regularity and punctuality, cleanliness and comfort – yields mixed findings across the two case studies. In the first comparison, where both authorities award the service to a concession holder, service quality is higher under the virtuous award model. This is consistent with the stronger performance observed in terms of both volumes and costs, which appears to be associated with generally more efficient organisational arrangements. By contrast, in the regional-level case study, the non-virtuous authority records, on average, better quality indicators than the virtuous authority. However, differences in demand conditions – most notably the substantially lower level of demand observed in the Calabria Region (the non-virtuous authority) – may limit the significance of this comparison. In particular, lower demand reduces pressure on the system and is therefore likely to improve operating conditions and users’ perceptions of service quality. Accordingly, if these indicators are considered in isolation from levels of service use, they may provide only a partial picture of the system’s overall performance.

17. The remainder of the report is structured as follows:

- Section 2 summarises the relevant legal framework;
- Section 3 describes the Authority’s advocacy activity and the interventions carried out over the past two years in the municipal waste management and local public transport sectors;
- Section 4 reviews the relevant literature;
- Section 5 sets out guidelines and practical considerations for the *ex ante* assessment of advocacy interventions;
- Section 6 applies the principles described in Section 5 to the municipal waste management sector;
- Section 7 applies the principles described in Section 5 to the urban transport sector.