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NEW PERSPECTIVES FOR CONSUMER COOPERATIVES IN PUBLIC SERVICES

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INTRODUCTION

The process of liberalization and deregulation of public services has brought to our attention the debate on the organizational form of companies operating in these sectors. Usually, this debate has focused on the dichotomy of public-private for-profit businesses. Another possible alternative is represented by cooperatives and non-profit organizations. This paper deals with consumer cooperatives and those organizational forms that are characterized by the involvement of consumers in the supply of services through their participation in the management of these same services. In other words, the main aim of this paper is to spark a debate on this form of organization. Consumer cooperatives can be defined as users of a service that join together in order to meet their needs mutually. They are an alternative model to the private and public provision of local public services. So, the process of liberalization and deregulation could be a new field of development for the cooperative movement, and at the same time an opportunity for consumers themselves.

First, the paper will demonstrate how the concept of consumer cooperatives in public services could be similar to the one of social enterprise, also through the concept of community cooperative. Second, a review of the economic literature on the involvement of consumers in the provision of public utilities will be presented with the aim of outlining advantages and disadvantages of this form. In particular, Hansmann's work will be examined as well as the work of economists who came after him and contributed to a better understanding of consumer cooperatives. Third, the paper will give a general overview of consumer cooperatives in public services in Italy in order to understand this phenomenon. This overview will also include some general remarks drawn from case studies. Finally, some general data are provided on consumer cooperatives in public services in the United Kingdom, Spain, Germany, France and the USA.

1. SOCIAL ENTERPRISE AND CONSUMER COOPERATIVES IN PUBLIC UTILITIES

In many ways, consumer cooperatives are similar to social enterprises. Therefore, the first step is to see how the two concepts are connected to each other. However, there is no single definition of social enterprise. According to Kerlin (2006), in Western Europe it is possible to identify two trends in trying to define social enterprise: one that seeks to underline the attempts by firms to improve their social impact in their production activities (this refers to both non-profit and for-profit organizations), the other definition includes in its analysis only organizations belonging to the third sector. The latter comprises the contribution of the EMES network. In the following paragraphs, the ideal-type designed by EMES is considered first and then how this ideal-type is related to some definitions in the literature is shown.

The EMES network has designed an "ideal-type" that can summarize the main features of new entities created over the years within the third sector. However, at the same time this can also be used to analyze existing organizations (Defourny and Mertens, 2009). In order to consider an organization as a social enterprise, it is not necessary that all of the following elements should be present, but these elements can be used to determine whether the analyzed entities can be treated as a social enterprise or not. This "ideal-type" developed by the EMES Network, consists of two dimensions: the economic-entrepreneurial and the social dimension.

The first dimension concerns the presence of the following criteria:

- a continuous and professional production of goods and/or sell of services,
- a high degree of autonomy (with regards to establishment and management),
- risk bearing,
- a minimum amount of paid work (besides volunteers and users).

In order to identify the social dimension, five criteria have been proposed:

- the goal pursued is to produce benefits for the community as a whole or for disadvantaged groups,
- be a collective initiative,
- a decision-making power not based on capital ownership,
- ensure wide participation in decision-making,
- a limited profit distribution.

These two dimensions proposed by EMES can be found also in many contributions in literature. The social enterprise is considered as an entity that blurs the boundaries between private for profit and non-profit sector (Bull, 2008). According to Allan (2005), the term social enterprise is an umbrella term that encompasses various forms of organization (development trusts, credit unions, social firms, cooperatives, etc....) that, despite these differences in the legal form, have three common characteristics: they are enterprise-oriented (in the sense that these organizations produce goods and services for a market, focusing on sustainability from the economic point of view and seek to achieve positive economic results), social aims (pursuit of social objectives such as creating job opportunities or supplying public services), social ownership (in the sense that they are autonomous organizations in which governance and ownership structures appear to be characterized by the participation of stakeholders, such as consumers/users). When comparing these characteristics of social enterprise to the two dimensions proposed by EMES, the first feature can be categorized in the economic and entrepreneurial dimension, while the last two in the social one. Often the concept of social enterprise is related to stakeholder democracy: they are autonomous organizations whose aim is to bring benefits to the community, they carry on shared goals and are characterized by the fact that the right to participate in decision making is not based on capital ownership (Bull, 2008). This could be comparable to the social dimension proposed by EMES. Haugh (2006) defines social enterprise as a collective term within which are covered by a number of organizations (in the sense that they can take different legal structures) operating in order to achieve social goals. These organizations seek commercial solutions in order to achieve social aims and reinvest the results for the benefit of the community. Haugh (2006) considers community enterprises as a specific category of social enterprises. These are characterized by the fact that they involve local people in management, bringing local knowledge to the creation and management of non-profit organizations that are directly accountable to their local community. The concept of community enterprise is close to the concept of community cooperative. This could be considered the element that unites the concept of social enterprise and consumer/user cooperatives. The contribution of Mori (2010) shows the link between cooperation and general interest that goes beyond the traditional idea of cooperation designed to satisfy particular interests of vulnerable segments of society and shows how the concept of "traditional" cooperation could be considered under a different perspective that leads to social cooperation and social enterprise. In this sense two key definitions are provided: community cooperative and general interest. The first is defined as "democratic self-organization of citizens that aims to provide themselves with goods and services of general interest for the community" (Mori, 2010:159) (translation by the author). It is part of the broader category of users cooperative. The public interest is defined as an interest that goes beyond the interest of the individuals or single groups. This is realized through the involvement (at least potential) of the community and providing community goods and/or service. These can have both a private and a public nature, but must represent a widespread interest across the community.

A frequently cited definition that combines the aforementioned elements is the one provided by the Department of Trade and Industry. In fact, in order to define social enterprises the following

characteristics are considered: pursuing social aims and not profit maximization and reinvesting any surplus in the activity or in the community where they operate (Bull, 2008).

Basically the two previously mentioned dimensions of social enterprise can be found in consumer cooperatives in local public services, especially in the case of community cooperatives. They provide services in the market, carrying out this task in a continuous and professional way. The social dimension can be identified in the activities performed (local public services), management is entrusted to members/users and there is an involvement of local people¹.

2. SOME CONTRIBUTIONS FROM ECONOMIC LITERATURE

This section briefly presents some contributions of the economic literature which analyze consumer cooperatives in local public services and provide an overview about the advantages and disadvantages, strengths and weaknesses of this organizational form. This is not an attempt to cover all the existing literature on the subject, but the goal is simply to provide some ideas regarding this form of organization, starting from some particularly important contributions. All non-economic factors are ignored, such as direct state intervention in various ways designed to facilitate or hinder the formation of cooperatives. Consumer cooperatives operating in local public services can be considered from two perspectives: the origin (in other words the reasons that these cooperatives were created), but also the implications that this organizational form may have on the management of local public services.

Before examining these issues it is necessary, however, to give a brief general introduction of the public services market from both the supply and the demand side. From the supply side perspective, usually public services are natural monopolies (although this is not necessarily true for some stages of some sectors, such as electricity generation). From the demand side perspective, public services are also characterized by low elasticity to price changes. This can be due to the fact that local public services have a low degree of substitution and their aim consists of meeting basic needs². The coexistence of these two features makes the presence of independent regulators very necessary. In turn this implies two categories of costs: those related to the structure of these institutions and necessary to carry out their tasks, but also those connected to the difficulty of implementing an efficient regulatory process due to the presence of information asymmetries between the regulator and the regulated entities.

Due to the characteristics of the local public services market (both on the demand and supply side) and peculiar features of consumer cooperatives, this organizational form seems to be able to seize the opportunity provided by the deregulation of public services. To understand the key factors that affect the role of consumer cooperatives in local public services, it is useful to analyze the contribution of Hansmann (2005). His analysis of consumer cooperatives in local public services is based on the situation in the U.S. Although he focuses on sectors with a significant presence of consumer cooperatives (electricity and telephone services), many findings can be generalized. The consumer cooperatives have advantages in terms of costs of contracting (market power, ex-post market power/lock-in, asymmetric information) and of cost of ownership (costs of controlling management, costs of collective decision-making, costs of risk bearing) compared to investor-owned utilities. With the regard to costs of contracting, public

¹ Not all the cooperatives present these features. For example in cooperatives that operate at national level is not possible to find the link with the community. Another special case are consumer cooperatives where members are industrial and commercial users.

² Coco G., "Public Utilities", <http://www.dse.uniba.it/Corsi/docenti/Longobardi/public%20utilities.pdf>

utilities are usually natural monopolies (although now, thanks to technological progress, not all stages of production of these services are natural monopolies). If the company providing the services is in a position of market power, users could then be in a situation of price exploitation by investor owned utilities. According to Hansmann (2005) assigning ownership to consumers themselves can avoid two categories of costs: the private cost due to the higher price charged by the monopolist and the social costs linked to less consumption due to high prices. Therefore the regulatory activity performed by public authorities is necessary. However, this activity implies costs that could be avoided creating utility cooperatives. In this case, consumers' interests are aligned with those of the supplier of service. According to Hansmann (2005) if the tariffs are set too low, companies might have incentives to under invest (or vice versa), or there may be a situation of little incentives to control costs when regulation is not rigid enough. According to Morse (2000) (his contribution is based on consumer-managed water cooperatives), costs of regulation can be avoided if the companies that provide public services are cooperatives: this would be a case of self-regulation. This turns out to be both efficient (it removes all the costs of regulation) and effective (the directors are elected by the users/members who do not exploit themselves through monopoly pricing). Costs due to asymmetric information should be considered from two perspectives: price regulation and quality of service. In regards the former, there is a situation of asymmetric information between the regulatory authorities and regulated firms that tend to overestimate costs. This does not happen in the case of consumer cooperatives. With regard to quality, utility cooperatives are likely to set high quality standards, rather than the minimum established by law as the owner and the consumer are the same person. With respect to costs of contracting, Morse (2000) completes Hansmann's analysis introducing externalities. Morse's contribution is based on water services (since they are related to health), but his findings may be generalized to other sectors. According to Morse (2000) many steps in the provision of water services can have an environmental impact: there are therefore externalities, social costs and benefits related to investments and management decisions. In consumer-owned utilities it is likely that long-term investments are made and that decisions affecting the maximization of social welfare are taken. In investor-owned utilities it is likely instead that decisions are taken in a short-term horizon and that the main goal is profit maximization. According to Müller and Rommel (2010), a review of Hansmann's contribution is required in the light of changes occurred in the electricity sector in recent years. In fact, the contribution of Hansmann is based on electricity companies that were fully integrated along the electricity value chain. The contribution of Hansmann is valid for those stages that are a natural monopoly.

According to Hansmann (2005) with regards to cost of ownership, major problems could arise in the divergence of interests between the various types of users (residential, commercial and industrial). According to Morse (2000), problems may arise with regard to collective decision-making. The main interest of investor is profit maximization, while the main interest of consumers/members is the service itself. About this, however, users may have different ideas; so it is necessary that the users have a long-term perspective. According to Birchall (2002), Hansmann's approach is incomplete for a number of reasons: monitoring on the part of consumers does not necessarily imply high costs (this is due to modern methods of communication and the relative degree of homogeneity of users), the presence of costs due to the lack of control by consumers, and the benefits of the monitoring carried out by consumers (in other words, participation can create a climate characterized by trust and sharing of information). Birchall (2002) analyzes the costs and benefits of consumer ownership and in particular costs and benefits of the participation of members building upon the contribution of Hansmann. The creation of a consumer cooperative minimizes costs of contracting in the presence of a natural monopoly. However, this only applies if you do not have to incur costs of governance that are too high. Participation is regarded as the greatest strength of the cooperative type organizations,

but also as the main element of weakness because it is costly. A key element is thus the participation of members. This aspect is analyzed by Birchall (2002). It is assumed that the decision to participate or not is influenced by: personal resources (the level of participation is directly proportional to the level of education and income and this could cause distortions) opportunities (for example, an element that can negatively affect the number of people taking an active part in governance could be the merger of small local organizations in regional or national organizations, the lack of publicity of annual meetings and the lack of communication between members), and organizational strategy (e.g. when there are no longer small local cooperatives of the past, this requires an active participation by managers).

In order to complete the analysis, Birchall (2002) examines the theory of incentives for participation in mutual organizations. Individuals are influenced by a combination of both individual and collective incentives. At the individual level, individuals assess the costs and benefits of participation. The first element is the opportunity cost of time and energy necessary to participate. Those who decide to participate must also deal with two types of problems: the possibility of free-riding in the participation of others and the fact that the participation of the individual has no effect on the final result. The benefits can be both material and non-material. As for the former, they are immediate from taking part. The latter, instead, deals with maximizing the return from the business. With regard to collective incentives, they can be broken down into: shared objectives (this can lead people to engage themselves in the management), shared ideas (for example in the case of water services companies this could be environmental issues); a sense of community (this may be an incentive where people care about the situation of the people living in the same community or the people in similar situations).

Also according to Mikami (2003), the presence of market power, is one of the main reasons for the creation of non investor-owned enterprises. In fact it is the intensity of market power, which in turn depends upon how sensitive the input supply and output demand are to their prices, which determines the efficiency of the organizational form. Where there is a monopoly, there are two elements which determine the degree of distortion of the price in equilibrium: the responsiveness of demand to price changes and the incentive of the monopolist to raise prices. In other words, if demand does not appear to be very sensitive to price changes, the monopolist has an incentive to raise the price above marginal cost since it does not undergo substantial changes in the quantity sold. The distortion in the market will be greater the lower the sensitivity of demand to price changes is. To avoid this, one possible solution would be to not use the product market, and then entrust the property to the consumers themselves.

A further aspect underlined by Hansmann (2005) as a possible obstacle to the creation of consumer cooperatives is the initial investment. In the USA in order to overcome this problem, electric cooperatives generally own distribution infrastructures and purchase all the other services (generation and transmission) from other firms (also cooperatives). Hansmann (2005) also says that the situation of natural monopoly and the stability of demand constitute a sort of collateral for borrowing and lead to a low risk to the users. Hansmann has dwelled on the absence of cooperative utilities in urban centres. This absence is due to the higher costs of ownership related to the high mobility of people (the greater mobility of urban residents, which means that the owner of the property can benefit of the capitalization of investments made in infrastructure, while the costs are a burden on tenants) as well as conflicts of interest in decision-making due to lower homogeneity in the distribution of industrial, residential and commercial users. Another element can be the presence of municipal utilities that have dealt with the provision of local public services.

3. THE SITUATION IN ITALY

This section summarizes the result of a research project carried out with the aim to map consumer cooperatives in public services in Italy.³ The research project focuses mainly on cooperatives whose members are the users of the services, but takes into account also other organizational forms that are not juridical cooperatives. These organizational forms are characterized by features that make them comparable to consumer cooperatives, particularly consumer involvement in governance. The sectors examined are: energy (electricity, gas, district heating), water and sewage services, telecommunications, waste disposal, and transport. Some elements have emerged from the research. Although consumer cooperatives in public services are not very widespread, they are a heterogeneous phenomenon. In Italy consumer cooperatives can be identified according to three main criteria: economic nature, origins and operational structure. Regarding the economic nature criterion, consumer cooperatives in public services can be classified according to the two following categories: self-production cooperatives and purchasing cooperatives (these are created in order to exploit the advantages related to market power). With respect to origins, consumer cooperatives can be divided into two categories: the ones created before the deregulation of public services of the two last decades ("the historical ones") and the ones created after this process ("the new ones"). Each time period is characterized by different reasons: the former represented the only chance to ensure the services in some areas that were not covered by for profit firms; the latter have been created in order to guarantee better conditions. In regards the third criterion, it is possible to distinguish between co-operatives that have a real enterprise structure and cooperatives managed "voluntarily" by some users, such as the president or members of the board.

This paragraph presents some data about consumer cooperatives in public services in Italy. The sectors where consumer cooperatives have been identified are those of energy (electricity, gas, and district heating), water services and telecommunications. No consumer cooperatives have been identified in the two following sectors: transport and waste disposal. Regarding the latter, the absence of forms of self-organization of users could be related to some inherent features: it is a service considered as impure local public good, it is subject to congestion and it also has an almost complete degree of non-excludability (Petretto, 2009). In addition it is characterized by the presence of positive externalities. Another possible explanation could be the presence of municipalities for waste collection and disposal. The local public transport sector has particular characteristics that may have influenced the lack of consumers cooperatives: the fact that it is both capital-intensive (this is especially for those types of transport that need infrastructures) and labour-intensive; presence of economies of scale (related to the extension of the network and also to its exploitation) that tend to promote geographical grouping (Caron, 2009); there is no coincidence between the community and users.

In the following paragraph, some data are presented that seek to provide an overview of consumer cooperatives in public services in Italy. These data are taken from the research report "La cooperazione di utenza in Italia e in Europa" and have been collected via questionnaires (although the response rate was high, data are not covering the whole phenomenon in Italy).

The largest presence of cooperatives is in the energy sector, especially in the electricity sector. Thirty-two electric cooperatives have been identified with the following distribution across the country: two in Valle d'Aosta, one in Piedmont, three in Lombardy, three in Trentino, two in Friuli,

³ All data presented in this section are taken from the first report of the research "La cooperazione di utenza nei servizi pubblici locali: un'indagine comparativa" titled "Le cooperative di utenza in Italia e in Europa", <http://www.euricse.eu/it/node/1615>. All data refer to 2009.

and twenty-one in Alto-Adige. The first classification criterion could be the period in which they were founded: 71% of these cooperatives were established before the nationalization of electricity industry (before 1962). In 2009 they produced about 340 million kWh (according to statistics published by Terna gross national production for 2009 amounted to 292,641.7 GWh, while the net production 281,107.3 GWh) and have distributed about 250 million kWh. 40% of cooperatives produced less than 5 million kWh and the electricity was produced from hydroelectric sources. They had about 24,000 members and 40,000 users. 80% of cooperatives served mostly residential users and more than half have fewer than 500 members. An interesting aspect is that 88% of cooperatives owned the distribution lines, with a total length equal to 1459.5 km. From the survey by questionnaire, some interesting data emerged on management. According to what is stated in the questionnaires, the benefits related to this organizational form are: lower tariffs 84% of cases, better quality of service 16% of cases, better timing in the fault management 32%; patronage refunds 8% of cases, and free services provided to members 4% of cases.

A useful aspect to help one understand this phenomenon is the date of establishment. The range is very varied, ranging from the late 800's to the early twenty-first century. But two dates can be considered the boundary lines: 1962 (the nationalization of the electricity industry) and the end of the nineties (the liberalization of electricity industry). These dates correspond to different reasons: the lack of alternatives before the nationalization, and the search for better service conditions (both in terms of quality and costs) in subsequent periods, especially after the liberalization.

There are several types of consumer cooperatives, which differ in several aspects. Two ratios could be used in order to understand these cooperatives: the members/non-members ratio and the production/distribution ratio. Concerning the former, there are situations in which there is perfect (or almost perfect) coincidence between the two groups (about 20% of the cooperatives on which it is possible to have data). But there are also cooperatives where the members/non-members ratio is less than 50%. According to these data, the presence of two different governance models can be assumed (including among the two extremes many intermediate cases): if there is coincidence we are dealing with a community cooperative, otherwise the management is carried out by a small number of subjects. In regards to the production/distribution ratio, there are cooperatives that produce more than what they distribute (about 63% of cooperatives identified) and vice versa. While the latter focus on the provision of the service, the former aim at creating a surplus in addition to the primary activity. Another element is that these two models have a geographical characterization: the first model is found mainly in the Alto-Adige, and the second elsewhere.

Another different type of cooperative in the electricity sector is that of cooperatives that join together the users in order to exploit increased market power. An example is Power Energia Società Cooperativa created after the process of liberalization (it was founded in 2007 from an idea of Confcooperative Modena). It is characterised by the fact that all its members have a VAT number.

With regard to district heating, in Alto-Adige many small cooperatives have been singled out, but it has been impossible to confirm whether they are consumer cooperatives, but it is probably true for the majority of cases. In the province of Bologna there are two consumer cooperatives operating in district heating⁴. The gas sector is marginal: only one consumer cooperative has

⁴ Consorzio Centrale Termica P.E.E.P. Barca- Società Cooperativa a r.l. e Consorzio Centrale Termica P.E.E.P. Fossolo

been identified, AEG Società Cooperativa of Ivrea. Its main activity is the sale of gas, but it also has secondary businesses: sale of electricity and district heating supply.

In the outline of consumer cooperatives in public service in Italy, an extra chapter is the water services sector, particularly the management of water systems. 9 cases have been identified. They are all located in northern Italy and the highest concentration was again detected in Alto-Adige. The main activity carried out by the cooperatives is the distribution of drinking water and the users are mainly households (as in the case of electric cooperatives). In 2009, they distributed about 1,800,000 cubic meters of water through about 360 km of networks. In almost all cases these networks are owned by the cooperatives. The members are about 4,200 and the users about 5,400. Also in this case the main advantage due to this organizational form consists of lower rates (as stated by interviewees). As well as in the case of the electricity sector, there is again the presence of cooperatives whose members are industrial users. Other entities comparable to consumer cooperatives have been identified, although they are not juridically incorporated as cooperatives. These are called "water consortia" (*consorzi idrici*). They are controlled by members-users; usually all the members live in a given portion of a territory, and have the same goals of consumer cooperatives: providing water service with lower charges to users. They are small entities that have survived the Galli Law and the reorganization of the national water system. Estimating exactly the extent of this phenomenon in Italy is not easy, since this term includes different organizational structures that often are not even incorporated as companies.

A peculiar case is the province of Biella, where there is an association (*Associazione di tutela dei consorzi delle acque libere*) for the safeguard of this kind of consortia. This association brings together 29 private consortia, for a total of more than 1400 members, about 65 km of networks and about one hundred spring sources. These are a form of self-organization born from the need to provide drinking water to villages and hamlets scattered throughout the territory. Their objective is to provide quality water service while at the same time trying to control costs. They are generally run on a voluntary basis by local people, and the rationale behind pricing is to cover operational and maintenance costs and also extraordinary maintenance. Due to the structure of the territory, the strength of this type of management is the proximity between provider and user.

With regard to the telecommunications sector, there are two consumer cooperatives: Cutnord Cooperativa (based in Imola) and CUT Cooperativa Utenti Telefonici, based in Prato. Both are active in mobile telephone services and are interlinked. CUT was established in 1997 after the liberalization of the telecommunications market. The mechanism put in place by the cooperative is very simple: combine purchasing volumes in order to increase the bargaining power and thus obtain more favourable terms.

In order to better understand the phenomenon of consumer cooperatives in public services in Italy, some significant cases have been analyzed. In the following paragraphs, the whole analysis of these case studies is not presented, but only a few findings that can be drawn from it and which relate to what has been said so far. Cooperatives have been chosen trying to grasp all the facets of a phenomenon that, even the modest numbers in terms of quantity, appears to be characterized by a high inner variability. So different types of cooperatives have been considered: cooperatives that provide the service, but also cooperatives that bring together users in order to obtain better terms or conditions, cooperatives operating in rural or mountain areas and cooperatives operating urban areas, small and big cooperatives, cooperatives that have a long history (in some cases even a century-old) created to provide the service in areas where none had been interested to do that, but also newly established cooperatives related to

the liberalization of the utilities market (created in order to offer better conditions of service and the control of tariffs).

A widely varied picture has emerged: this may be an indicator that this organizational form can adapt to very different conditions. Reconnecting what has emerged from the analysis of case studies conducted by Hansmann, it seems unlikely that there is an incentive to under-invest since the members/consumers are concerned about the quality of service (there is also the case of a cooperative that for a long period set rates higher than the market in order to improve its infrastructures). It was also found that basically the interests of members are homogeneous: obtaining a quality service at the lowest possible cost. Some of the cooperatives studied were born in the first half of the last century in order to bring services in areas left out by other companies. These cooperatives have survived several challenges that have occurred, but at the same time are dynamic realities that have been able to seize opportunities offered by both changes due to technological progress and by changes in regulatory environment. Whether in the energy sector or in that of water services, examples of collaboration between cooperatives and local governments have been identified.

It has also emerged, however, that the involvement of members in the management process does not appear to be high. This could be a factor leading to undermining the survival of this organizational form, especially if it is an index of lack of interest among members. In other words, these cooperatives would be destined to disappear when people who are entrusted with the operation will be no longer able to do so. But this aspect also could be related to the fact that very often these cooperatives operate in small territories and this could work as an element of indirect control. Management is generally composed of members. This can have two kinds of implications: it is composed of users of the service, but at the same time it can be difficult to find people with appropriate skills, especially in the case of narrow membership. A critical point for some of these organizations is that they sometimes rely on voluntary commitment of some members. This combined with other elements (such as the fact that they are located in rural areas which are often subject to a gradual depopulation) could harm their survival. Another challenge facing cooperatives operating in the energy sector is the fact that they have to deal with a changing regulatory environment and often not cut on the particular characteristics of this organizational form (with regard to the electricity market, there has been a recent change with the Authority resolution ARG/elt 113/10).

4. THE SITUATION IN EUROPE AND IN THE USA⁵

This section presents some cases of consumer cooperatives in public services in four European countries (UK, France, Spain and Germany) and in the USA. The identification of consumer cooperatives is not easy given the differences from the institutional point of view. So the legal forms that are not properly consumer cooperatives but in some respects can be considered comparable to them were taken into consideration also. The relevant factor is the involvement of the users in the delivery of services. It was not possible to have complete data for all countries; so in this case an idea of the phenomenon is given through a short presentation of some significant cases.

In the United Kingdom there are consumer cooperatives in the energy sector. These are mainly related to Energy4all cooperative, a cooperative founded to promote the production of energy

⁵ All data about Europe presented in this section are taken from the first report of the research "La cooperazione di utenza nei servizi pubblici locali: un'indagine comparativa" titled "Le cooperative di utenza in Italia e in Europa", <http://www.euricse.eu/it/node/1615>. All data refer to 2009.

from renewable sources. There are also two consumer cooperatives in the telecommunications sector: Cybermoor LTD (this is a community cooperative in which the organization responsible for the implementation of a project promoted by the government to provide Internet access to disadvantaged communities across the country in order to create new opportunities through internet connections was transformed) and The Phone Coop (a cooperative that operates at national level and has experienced high growth rates in recent years). With regards to the water services sector, there is a very interesting case: Glas Cymru. This is a non-profit organization that owns Welsh Water and has the legal form of company limited by guarantee. It does not have shareholders, reinvests all profits in the company and, if it is possible, pays an annual dividend (the so called customer dividend) directly in bills. The members are like shareholders of a public limited company, but unlike the latter have no economic interest in the company and do not receive dividends. They have an important role in the governance: ensuring that the company achieves the objective of providing a quality drinking water supply and sewage services at the lowest possible cost. The members are chosen in such a way as to represent a variety of users, but it should not represent a particular category of these at the same time. Members cannot hold this position for more than ten years. In the United Kingdom there is another organization: Community Interest Company. These companies are defined as "a particular type of company designed for social enterprises that want to use their profits and their assets for the public good."⁶ These are not real consumer cooperatives, but if the coincidence occurs between members of the CIC and the community in which these companies operate, in a certain sense it could be considered as a consumer cooperative. There are 11 CICs operating in the electricity sector (working in the trade and distribution, transmission and production) and 36 CICs operating in the transport sector.

Also in Germany, we can find cooperatives in the energy sector. As in other countries, the establishment of electric cooperatives is related to the early stages of the process of electrification and self-organization of users in areas left out of the business for economic reasons. Some of these cooperatives did not survive because of the inability to adapt to the changes in electricity demand. Today we are witnessing a new boost, especially with regard to renewable energy. One possible way to classify cooperatives operating in the energy sector is the following⁷:

- *Energieverbraucher-genossenschaften* (they were created by the initiative of users; these have a long tradition in Germany, mostly dating from the 1920s to bring electrification to rural areas; their main activities are sale and distribution of electricity and gas to final consumers; some examples are: Teutoburger Netzwerk Energie eG whose origins date back to the '20s, but also newly established cooperatives as Greenpeace Energy, founded in 1999);
- *Energieproduktionsgenossenschaften* (members produce and distribute energy and revenue from this activity that are distributed among the members, the main difference with the classic Produktionsgenossenschaften is that in this case the members are mostly individuals, an example is Solar-Bürger-Genossenschaft eG in Bürstadt)
- *Energie-Erzeuger-Verbraucher-Genossenschaften* (these are integrated organizations; through these entities a community seeks autonomy in energy supply;

⁶ Department for Business, Innovation & Skills, "Community Interest Companies-Frequently Asked Question"

⁷ Volz R. (2010), "Stand und Entwicklungsmöglichkeiten von Bürgerenergiegenossenschaften in Deutschland", http://www.agi-genoforschung.de/files/volz_nwt_paper_2010.pdf; Klemisch H., Maron H., (2010), "Genossenschaftliche Lösungsansätze zu Sicherung der kommunalen Daseinsvorsorge", Zeitschrift für gesamte Genossenschaftswesen 1/2010

within this category are the so-called Bioenergiedörfer, in other words bioenergy villages/towns, trying to satisfy their own need for electricity or heat using biomass; the first in Bioenergiedorf Germany was Jühnde)⁸;

- *Energiedienstleistungsgenossenschaften* (this category covers various types of cooperatives operating in energy services that may include counselling, but also functions of purchase and sale).

Zentralverband deutscher Konsumgenossenschaften eV joins together a number of new cooperatives operating in the field of electricity distribution, created as a result of the liberalization process. They do not own distribution lines and therefore must enter into contracts with companies who own them.

With regard to France, there are two legal forms that are not properly consumer cooperatives, but they could have common features: *Sociétés d'Intérêt Collectif Agricole d'Electricité* (SICAE) and *Sociétés Coopératives d'Intérêt Collectif* (SCIC). The SICAE is considered as a cooperative. The *Sociétés d'Intérêt Collectif Agricole* (SICA) is defined as "a society composed of two boards and that whose aim is to create or maintain the plant and equipment, or provide services both in the interest of farmers and inhabitants of rural areas without professional distinction". They were designed to provide a framework for electric cooperatives created by farmers to bring electricity to the countryside. The *Sociétés d'Intérêt Collectif Agricole d'Electricité* adhere to the *Fédération Nationale des Sociétés d'Intérêt Collectif Agricole d'Electricité*, numbering more than 520 employees, 250,000 customers (businesses and residential customers), more than 500,000 residents served by 14600 km of lines (high, medium, low voltage) with 2800 GWh of energy distributed. They serve more than 1,000 municipalities in 18 departments. SCIC are multistakeholder companies. Among the various types of possible members, there should be at least the employees and beneficiaries of the activity, who also could be the users. In order to understand if SCIC could be considered comparable with consumer cooperatives, it would be necessary to investigate each case. SCIC are present in the energy sector (e.g. Enercoop whose activity is the distribution of green energy at national level), transport and waste disposal.

Even for the case of Spain, the most important sector is energy supply: 17 cooperatives with more than 46,573 members in 2009, a turnover of over € 26.34 million and 77 employees.

With regard to the USA, there are utility cooperatives in the following sectors: electricity, water and telecommunications. As in other countries, electric cooperatives were created in order to extend the electrification process to rural areas that did not attract investor-owned utilities. According to Deller et al. (2009) there are about 920 rural electric cooperatives: 854 distribution cooperatives (these include rural electric cooperatives (RECs), public power districts (PPDs), and mutual electric distribution companies) and 66 generation and transmission cooperatives. Rural electric cooperatives are defined as "consumer-owned utilities that were established to provide reliable and affordable electricity by purchasing electric power at wholesale and delivering it directly to consumers" (Deller et al., 2009: 46). Generation and transmission cooperative were created in order to pool purchasing power. There are also 255 telephone cooperatives created to provide quality services at reasonable costs. They are mainly located in rural areas. According to Deller et al. (2009), there are also 3,350 not-for-profit water systems: 2,228 cooperatives and mutuals, and 1,112 associations.

⁸ http://www.bioenergiedorf.de/con/cms/front_content.php?idcat=3

CONCLUSIONS

According to the contributions of the literature surveyed, due to intrinsic characteristics a consumer cooperative is the organizational form best suited to operate in markets characterized by the presence of particular features from both the demand side (low elasticity to price) and from the supply side (the presence of a natural monopoly). To understand if the cooperation of users may or may not represent a valid alternative for the provision of local public services and then provide an opportunity for both users and a new field of expansion for the cooperative movement, some considerations must be taken into account. Many of the cooperatives studied were created in the past in the presence of particular conditions (e.g. absence of competition and lack of regulation, whose costs mainly affect small scale organizations). At the same time, now you can present new opportunities thanks to technological progress and deregulation of utilities. The modest presence of consumer cooperatives in local public services does not necessarily lead to consider the existing cooperatives only as exceptions. Over the years, electricity and water services have experienced reorganization processes imposed from the outside: on the one hand, the nationalization of electricity with the consequent creation of ENEL and on the other hand the creation of the ATO Authority. Therefore, the low rate of incidence of these organizational forms cannot be considered as a sign of the presence of elements that make consumer cooperatives unsuitable to operate in these sectors. Anyway, this is an organizational form that has elements of weakness, but also of strength. The key elements that should be analyzed in order to understand the development prospects of consumer cooperatives are the following: the ability to deliver services in a safe and reliable way, while containing costs at the same time, and the ability to adapt to future requirements (adapting to the evolving regulatory framework, capacity to keep pace with the users' needs). In determining whether consumer cooperatives can actually be a viable alternative in the provision of local public services, a key element could be the presence of obstacles in the legal environment where they operate (e.g. certain law provisions or regulatory requirements that do not take into account the peculiar characteristics of this organizational form and therefore appear to be onerous).

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