

COURT OF ACCOUNTS

Annual Public Report 2013

Summaries

Part I

Observations

Public Finances

Public Policies

Public Management

Disclaimer:

Summaries are intended to facilitate the understanding and use of the report produced by the Court of Accounts.

Solely the original report is legally binding on the Court of Accounts.

The responses of the administrations and other bodies concerned are included in the report.

The 2013 annual public report produced by the Court of Accounts comprises three parts, only the first two of which have corresponding summaries :

- **Part I** which comprises two volumes (I-1 and I-2), outlines the observations and recommendations drawn from a selection of audits, surveys and evaluations carried out in 2012 by the Court, regional and territorial courts of accounts, or the Court in conjunction with regional and territorial courts of accounts;

- **Part II** focuses exclusively on the action taken by authorities, administrations and other audited bodies following the observations and recommendations made in previous years;

- **Part III** provides an overview of the activities of the Court and the regional and territorial courts of accounts over the course of 2012.

The annual report produced by the Court *de Discipline Budgétaire et Financière* (French 'Budget and Finance Disciplinary Court') is attached as an appendix to these three parts of the report.

The present instalment comprises a series of summaries of the 27 texts that make up Part I, 'Observations'.

These 27 texts are divided into three parts:

- **first part: public finances (2):**
 - . *the overall situation of public finances at the end of January 2013*
 - . *financial situation and prospects of departments*
- **second part: public policies (12):**
 - . chapter I: *health and social cohesion (4)*
 - . chapter II: *research and higher education (2)*
 - . chapter III: *transport and land planning (4)*
 - . chapter IV: *two sectorial assistance plans (2)*
- **third part: public management (13):**
 - . chapter I : *State administrations (3);*
 - . chapter II : *local authorities (4);*
 - . chapter III : *State operators (1);*
 - . chapter IV: *state-owned companies (4);*
 - . chapter V: *a para-governmental foundation (1).*

Table of Contents

Summaries of Part I Observations

I - Public Finances

- 1 The overall situation of public finances7
- 2 The financial situation and prospects of departments10

II - Public Policy

- 3 The combat against Alzheimer's disease: a public health policy to be consolidated13
- 4 Hospital restructuring: three illustrations of difficulties encountered16
- 5 The attending physician and the coordinated care pathway: an unfulfilled reform18
- 6 The “in activity” RSA : a seldom solicited benefit, limited impact21
- 7 Inserm and the life sciences: new challenges in a strategic sector24
- 8 Graduate business and management schools: a development to be regulated26
- 9 The Joint Transport union of the Toulouse Agglomeration: a necessary adaptation of network growth28
- 10 The Artois-Gohelle (Pas de Calais) tramway: an inadequately thought out project30
- 11 Participation of local authorities in financing of the Ligne à Grande Vitesse Est (LGV Est): costly counterparts, one station too many33
- 12 Fishing ports in Brittany: regional management to be strengthened35

Table of Contents

13	State support of tobaccoists: unjustified aid	37
14	The 2009-2011 printed press assistance plan: a missed opportunity for reform	40

III - Public Management

15	Maintenance purchases for the Ministry of Defense: high potential for savings	43
16	Visa issuance and residence permits: modernization to be accelerated and simplification to continue	46
17	General administration of civil aviation: generous and costly social action	49
18	Electricity distribution concessions: organization to be simplified, investments to be financed	51
19	Wastewater treatment for the Corbeil-Essones and Évry region : for- getting the general interest	54
20	Reestablishment of the maritime character of Mont-Saint-Michel: a poorly managed project	56
21	Property of local authorities: towards more dynamic management	59
22	The National Water and Aquatic Environment Agency: poorly planned transformation, failing management	62
23	Payments to EDF SA: rapid growth, accumulation of benefits, little link with performance	65
24	SNCF communication expenses: expensive operations, irregular markets	68
25	SONACOTRA at Adoma: drift corrected late	71
26	Monnaie de Paris: change moving forward, challenges to overcome	74
27	Heritage Foundation: a unique model	77

1 The overall situation of public finances (at end of January 2013)

The situation in 2012

The public deficit, after reaching an exceptionally high level in 2009 and 2010 (7.5% and 7.1% of GDP respectively) fell to 5.2% of GDP in 2011 and the Government expect a further decline in 2012 to 4.5% of GDP.

The Court's report in July 2012 on the situation and outlook for public finances had pointed up the risk of deviating from this goal, but remedial measures were taken during the summer.

By including measures taken from previous finance laws, the structural effort to reduce the deficit in 2012 was very significant (1.4 percentage points of GDP). It was particularly based on an increase in compulsory levies (1.1 percent of GDP), much less on controlling expenses (0.3 percent of GDP).

The information available in January 2013 does not lead to questioning the deficit target of 4.5% of GDP for 2012, but the risk of a higher deficit is not negligible, especially since the deterioration of conditions may have led to a lower revenue growth than expected. The public debt may have exceeded 90% of GDP by the end of December 2012.

Other European countries have made similar efforts and the situation in France in 2012 would remain lower than that of the average for the European Union or the Eurozone. Germany in particular would have been close to balancing its public accounts.

Outlook for 2013

The Government's revenue projections for 2013 are probably too favourable, especially since they are based on a fragile macroeconomic scenario and a growth of compulsory levies which, with an unchanged legislation, is too high relative to economic activity. In addition, the cost of community tax disputes is still uncertain and the difficulties in estimating numerous new tax measures introduce a significant hazard.

The Government's goal for 2013 is stabilizing the State's expenses, excluding interest and pensions (scope of the standard value), relative to the *Loi de finances initiale* (LFI - *Initial Budget Act*) for 2012.

Compliance assumes that savings will be generated to offset the new measures (€1 billion) and the growth trend for expenses. Due to differing estimates for this, for which measurement is partly conventional, the savings required are

The overall situation of public finances (at end of January 2013)

estimated at €10 billion by the Government and €7 billion by the Court. A significant proportion of these savings will result from the delayed effect of measures taken under the previous legislature, including the impact of workforce reductions included in the Initial Budget Act for 2012 on the 2013 payroll. The new measures identified in the LFI for 2013 are quite limited and compliance with the standard for expenses, if possible, will be difficult.

Even if the Government's objective for 2013 is met, given that the supplementary budget acts for 2012 reduced credits by €1.2 billion compared to the LFI 2012, the State's expenses within the scope of the standard value would increase by €1.2 billion over in 2013 while they fell in 2012. Health insurance and pension expenses would increase as well, faster in 2013 than in 2012.

The total growth of primary public expenses would nonetheless be almost equal in 2012 and 2013, according to the Government. This continued restraint of expenses incurred in 2011 is the result of assumptions made by the Ministry of Finance in regards to the changes of expenses least directly under the State's control (unemployment insurance, local authorities, various central administration bodies, etc.). Some of these assumptions, including those relating to unemployment benefits, are fragile.

Subject to these reservations, the structural effort planned for 2013 is significant, nearly 2 percent of GDP, and the reduction of the structural deficit, which is at the heart of the new European treaty, will comply with the commitments of France.

However, achieving the actual deficit objective (3% of GDP) could be compromised, both in France and other European countries, if the economic situation does not improve quickly enough. This view, if confirmed, is likely to call for a review at the European level of the respective weights given to the actual deficit criteria, very hard to achieve in a deteriorating situation, and to the structural deficit and effort criteria, more easily controllable by a government.

The need to control expenses

The absolute priority is now to intensify the effort to control expenses in all government bodies. Indeed, the structural effort planned for 2013 is unbalanced: it relies less than 25% on controlling expenses and over 75% on increases in compulsory levies. In addition, the expected savings are partly due to low interest rates, which cannot be regarded as durable, and the impact of measures taken under the previous legislature.

The overall situation of public finances (at end of January 2013)

A rebalancing is provided for in the Budget Planning Act, beyond 2013, between the efforts for revenues and expenditures, mainly from financing of the tax credit for competitiveness and employment through additional savings.

The necessary measures for the entire government, to move closer to stabilisation in the level of expenditures

from 2014 as it is planned in the Planning Act, must be taken quickly. Modernisation of public action announced by the Government must explicitly aim for both restraining expenses and improving the quality of public services.

2 The financial situation and prospects of departments

Over the last decade, the financial organization of departments has been profoundly changed. In parallel, the adjustment of revenues to the growth trend of expenses has become more difficult.

The growing weight of social and personnel expenses

Since the 2000s, the departments have provided payment of the RMI/RSA, the personal autonomy allowance (APA) and the disability compensation benefit (PCH). The share of these social expenses in department budgets rose significantly between 2003 and 2011. Intervention expenses, consisting mainly of social benefits, thus rose from 58.7% to 65% of operating expenses.

Over the same period, the payroll increased 115%. This growth is largely explained by the transfer of State staff (about 80,000 jobs), in connection with the decentralisation of powers following the Decentralisation Act II (2004). These transfers do not alone explain the increase in staff. Excluding the effect of decentralisation, workforces increased by 12% in the period.

A change in revenue structure

The structure of department revenues has changed significantly. Transfers of powers to the departments have essentially been financed through indirect tax transfers. Local tax reform has reversed the relationship between direct and indirect taxation in their resources and reduced the ability of departments to adjust tax rates.

A more difficult to achieve balance between revenue and expenses

In light of jurisprudence of the Constitutional Council, compensation for transfers and the extension of powers, which is assessed at the time when the transfer or extension takes place, was not done in contravention of the provisions of Article 72.2 of the Constitution. However, financially a lag occurs between the revenues allocated and the increasing costs borne by the departments, especially for the APA, RMI/RSA and PCH. For these three benefits, the gap between the cost borne and the funding received from the State rose to €5 billion in 2011.

The pinch effect noted in 2009 due to the growth in expenses and the fall in transfer duties on real property

Financial situation and prospects of departments

(DMTO) has highlighted the fragility of departments' financial balance equilibrium. In 2011, the departments were able to rebuild room to manoeuvre, largely due to high DMTO levels. They nonetheless severely limited their investments and borrowings.

However, this improvement is cyclical while the growth in social expenses continues in a less favourable economic and social context. Departments' social expenses have risen sharply in recent years. They increased by an annual average of 7.1% over the 2005/2011 period.

Taking the variety of situations into account

Although the infrastructure situation of departments has deteriorated, the response cannot be comprehensive and uniform. Transfer of a new resource benefits a community in financial difficulty the same as one in relative ease. Similarly, any undifferentiated increase in the rates of existing resources only amplifies existing inequalities.

In addition, wide disparities exist between communities. If we compare departments that combine both higher social expenses and lower transfer duties, it is possible to identify 11 communities that have a potentially fragile budget structure. Of these, five are also marked by a high debt ratio.

Avoiding inappropriate solutions

The use of an emergency fund does not constitute a sustainable solution to eliminate imbalances of structural origin. A strictly cyclical intervention should be targeted in its purpose and follow precise and objective criteria.

Transfer of the RMI/RSA, APA and PCH to the departments made sense given their other powers. Transfer to another public administration hardly seems feasible. It also would not resolve the question of balance between resources allocated and expenses.

In the current context of public finance crisis, any reallocation of resources to the departments would lead *de facto* to an effect of removing resources available for the other public administrations. Under these conditions, transfer by the State of new tax resources to the local authorities would not be preferable.

Generating financial and fiscal leeway

Leeway could be generated through management efforts. Strengthening of department responsibility in management of various solidarity mechanisms which have been entrusted to them could promote seeking of management savings. Independently of these efforts, incentives at refocusing investments on department priorities could be adopted.

Financial situation and prospects of departments

A greater ability to adjust revenues to expenses could be given to departments by transferring a share of taxes on developed land in return for a share of DMTO. This rearrangement should be complemented by the strengthening of equalisation and establishment of a perennial “smoothing” mechanism over five years of DMTO proceeds.

Recommendations

For better control of expenses:

- ↳ consider strengthening responsibilities of departments in managing various mechanisms of social intervention;

- ↳ avoid co-financing of regional department investments and introduce a subsidy ceiling for investment projects undertaken by other communities ;

- ↳ limit the ability of departments to intervene in addition to the State in financing of public investments;

For security and better allocation of resources:

- ↳ establish a more ambitious equalisation by volume (DMTO and CVAE) and with criteria that should be redefined (including by taking the weight of social expenses into account) with the goal of gradually

reducing gaps by 30% compared to the current situation ;

- ↳ for the DMTO, establish a perennial mechanism for “smoothing” fluctuations, whose criteria could be modelled on the “set aside” mechanism decided in 2012. A smoothing on the last five years should avoid economic uncertainties;

- ↳ consider reallocation of taxation, neutral for the State, between the departments and communal block, in order to give the departments greater leeway; to this end, reallocate a portion of the tax on developed land to the departments and a portion of DMTO to the communal block, thus allowing in particular increasing the flexible share of department taxation and stabilising a greater portion of their resources.

3 The fight against Alzheimer's disease: a public health policy to be consolidated

INSERM estimates that 860,000 people are currently afflicted with Alzheimer's disease or a related disease. This condition, which develops over several years and for which there is no cure, affects 13% of men and 20.5% of women beyond 75 years of age. It is a major public health issue which has been the subject of three successive plans prepared and implemented between 2001 and 2012. the Court has examined contributions in terms of medical management of this pathology.

Continuity in the implemented policy and increasingly strengthened direction

Since 2001, the first Alzheimer's plan defined the main objectives of this fight against the disease which then was taken up and deepened in a consistent manner in the subsequent plans. The second plan (2004-2007) especially enabled 100% support by health insurance. The third (2008-2012 plan) has focused in particular on research and on organisation of the continuity of medical care through innovative mechanisms intended to strengthen involvement of municipal doctors and strengthen the possibilities of specialised care facilities.

The first two plans were very poorly structured in terms of management and tracking. However, for the third, the direct management mission placed directly under the President of the Republic allows all players to be mobilised and avoided any disintegration of the plan's implementation.

A hard to measure financial effort

This is especially true for the first two plans, for lack of budget estimates and accurate assessment. The projected budget for the third plan (€1.6 billion over five years including €226 million for the health component), presented as financed by medical deductions then created, proved to be approximate and a close monitoring of expenses actually disbursed was not possible. The estimate made shows however an underperformance of the forecast financial envelope, with the rate of overall achievement only being 31.54% by the end of 2011. This result is explained by the slow deployment of new mechanisms, delays in their design and underestimated implementation: in September 2012 the various measures of the plan were on average implemented at 83% of the final objective.

Gradual organisation of a care pathway that is still unfinished

A diagnosis offer that is now accessible throughout the territory. It is based on 469 local memory consultations articulated with 28 memory resource and research centres, with practices that are very heterogeneous, however. A national Alzheimer's Bank was created in 2009 to enable epidemiological monitoring of the disease, but all the memory consultations do not supply it.

Home medical monitoring is still in the process of being organized. Specific consultations by the GP for the patient and the caregiver, experiments with new methods of remunerations of health professionals and creation of Alzheimer specialist staff grouping several health professions have however begun to reposition the treating physician to the centre of patient care for the disease. However, only 273 Alzheimer places out of 500 planned were operational by June 2012.

Deployment of dedicated hospitals created by the third plan has had delays: only 55 reinforced accommodation units (out of 109 planned) and 77 cognitive-behavioural units (out of 120 planned) were actually opened by December 2012.

An essential assessment of drug management and the research strategy

Initiatives have been undertaken to best monitor the undesirable effects of drugs used by Alzheimer's patients and to reduce the inappropriate use of neuroleptics. However, the downward reassessment by the High Health Authority in October 2011 of the medical service rendered by four drugs used calls for a quick performance of a strict medico-economic assessment of the contribution of these products in terms of their costs for the community (about €380 million in 2012).

The third plan has driven a real dynamic for research by devoting €192 million and by creating a specialist operator: the Alzheimer's Scientific Cooperation Foundation. The results, especially in terms of developing new tools for diagnosis as well as preventive and curative treatments should be carefully assessed according to a calendar to be determined.

Recommendations

➤ proceed with methodical assessment of new mechanisms for care before planning their renewal and sustainability;

➤ make a rigorous medico-economic assessment of drugs used for treating Alzheimer's disease;

➤ strictly enforce for all memory consultations the obligation to document the national Alzheimer's Bank;

➤ if a new Alzheimer's plan is launched, organise accurate financial monitoring using a methodology that is common to all the various administrations concerned.

4 Hospital restructuring: three illustrations of difficulties encountered

The reconstruction of the hospital landscape undertaken over fifteen years remains unfinished today and only imperfectly meets the needs of the population, as already noted by the Court in its annual report on application of the laws for financing social security for 2008.

the Court and Regional Chambers of Accounts examined, in 2012, three examples of restructuring: the Perpignan hospitals in the Eastern Pyrenees (1,151 beds), the Nord-Deux-Sèvres in Deux-Sèvres (316 beds) and the Albertville-Moutiers in Savoie (544 beds).

Long project lead times

In spite of uneven financial challenges, the three projects have each had a lot of trouble to get underway: it took between ten and twenty years to make the necessary decisions.

In Perpignan, reconstruction of the old hospital, the decision of which was made in 1993, was completed in 2012, but with completion of only two sections out of the originally planned four.

The Nord-Deux-Sèvres hospital has not yet seen concrete completion, despite three successive projects.

In the Tarentaise Valley, after the difficult agreement on merging only two

entities (Albertville and Moutiers) out of the originally planned three (with Bourg-Saint-Maurice), and after five successive projects, the new health care facility is still not built.

Ambiguous roles of administrative supervision

At Perpignan, several projects for reconstruction of the old hospital were successively rejected by the regional hospital board then by the regional health board without a global reflection being carried out on the new hospital's activity.

The Nord-Deux-Sèvres hospital, resulting from the merger of three hospitals, experienced a deteriorating situation, especially due to the lack of administrative supervision on the selection of the type of organisation to be established and the level of financing to plan for.

In Tarentaise, the Ministry of Health and the regional health board has long insisted on the urgency of a merger, but the various players, institution, medical community, elected representatives and ministry, have not succeeded in agreeing on an efficient and economical grouping.

Financially damaging delays

Successive projects for reconstruction of the Perpignan hospital have incurred, since 1993, numerous useless expenses and the financial scope of the project has increased by 63% in constant Euros, with the consequence of mortgaging the hospital's financial situation for a long time.

Similarly, for the Nord-Deux-Sèvres hospital, the sustainability of the new project, valued at €106 million, remains uncertain.

The financing plan for the Albertville-Moutiers hospital (CHAM) also seems to be unrealistic in terms of its activity and ability to ensure the balance of the resulting operations.

A still inadequate health care offer

At Perpignan, the new hospital was built on its former site, which does not allow for an extension. The architectural choice is unsatisfactory and completion of two additional sections planned seems very hypothetical.

For the two other projects studied, but not yet finally decided or financed, these only very imperfectly meet the needs of the population.

Consequently, the Court believes that there is still time to reconsider them and credibly define future activity of the institutions within the framework of a consistent and global approach to providing local health care.

Recommendations

The Court persists in its 2008 recommendations to revive and streamline the restructuring plans. It insists on the need for State services to define national hospital restructuring goals, strengthen the means for action by regional health boards to support their decisions, in an increasingly difficult context of fighting social deficits.

Regarding projects that do not currently appear satisfactory from the point of view of the medical organisation in the territory concerned, the Court and the regional court of

accounts make the following recommendations:

- ↳ redefine projects by integrating them in a rigorous and consistent approach taking into account the overall local supply and demand for care;

- ↳ ensure that hospital restructuring projects actually achieve all the operating savings for which they offer the opportunity.

5 The attending physician and coordinated care: an unachieved reform

Since the law of August 13, 2004, regarding health insurance, every socially insured person over 16 years old is encouraged to designate an attending physician. the Court sought to assess the actual contribution of this innovation, presented as a major structural reform of health organisation.

An ambitious mechanism, reduced to a complex rate pathway for insured persons

The 2004 reform systematized the practice of family physician by providing that any patient declares a doctor of their choice, called attending physicians, and then aside from exceptions (psychiatrists, gynaecologists, ophthalmologists), only consults other doctors, called corresponding physicians, upon referral by the attending physician. To preserve patient freedom of choice, designation of an attending physician, who could be a general practitioner or a specialist, is not compulsory. If the insured person abstains or directly consults another practitioner without referral from their attending physician and thereby does not respect the coordinated care pathway, they are penalised by a significant increase in the share not covered by health insurance (70% instead of 30%),

without the possibility of supplementary insurance covering the increase.

In this way, and despite various administrative obstacles, the proportion of insured persons who declared an attending physician (95% being a GP), already at 80% in May 2006, reached 90% by December 2011, the date on which medical consultations conducted under the care pathway represented 91% of the total (other than emergencies and other excluded actions).

The reform thus instituted a France-style *gatekeeper* loosely based on the British scheme where going through a general practitioner is compulsory. Unlike the British system where everyone is required to register with a general practitioner, who is paid on the basis of the number of his patients, who treats freely and directs patients if necessary to a specialist or a hospital, the French system preserves the fundamentals of liberal medicine such as free choice of doctor by the patient and fee-for-service.

Establishment of the attending physician primarily means for the insured person a rate pathway that is considerably complex, with its main objective limiting the costs of health insurance reimbursements. Indeed, concerns about this and of liberal physicians unions, to which operational implemen-

The attending physician and the coordinated care pathway

tation of the mechanism has been delegated, have largely taken over from the medical content.

A determining factor for diversification of physicians remuneration

In a context marked by the persistence of high deficits and a desire for financial recovery, health insurance was based on establishment of the attending physician to favour targeted increases, according to the different methods between general practitioners and specialists. The financial effort (€600 million per year) has been paradoxically more favourable to the specialists than generalists, who are supposed to be the keystone of the mechanism.

As a consequence of the legal relationship established between the attending physician and the insured person, by a reciprocal and formal designation, any general physician now sees himself attached to a clearly defined population of patients. Health insurance thus has found the necessary tool for establishment of progressive positive incentives to control medical health expenses, by complementing fee-for-service, which remains primary, with a modulated performance remuneration based on reaching quantified objectives and plans

intended to respond to certain particular missions.

In regard of these proven additional costs, the savings expected from optimisation of health care has never given rise to assessment.

Reform still unattained

Eight years after creating the attending physician, the aging population, development of chronic pathologies and changes in the medical demography makes the need to generalise the “medical pathway” even more acute. Experiments aimed at supporting patients being linked and coordinated between the various players of the care system have certainly increased but in the greatest disorder and doing little to call on the attending physician.

The lack of formal relations between attending and corresponding physicians, coupled with delays in personal health record, has contributed to removing any medical content from the coordinated care pathway idea, each player tending to want coordination to be exercised from their own sphere of responsibility. The result is a landscape blurred at the expense of efficient patient support.

The attending physician and the coordinated care pathway

Recommendations

↓ clearly reaffirm the attending physician as the care coordinator for his patients in relation to all other health system players;

↓ promptly make available to him the needed tools for his mission and relationship with other care system stakeholders, including:

- secure messaging;
- a personal health record for each patient, fully including their operational concerns and incorporating the annual summary component provided for by the Convention of July 26, 2011;

↓ putting in place a mechanism for rigorous assessment of additional compensation to be provided to physicians and make any new changes relying on documented evidence of efficiency gains for the care system and savings for health insurance;

↓ facilitate the administrative-tariff pathway for the insured person, including:

- by removing the obligation to again declare the attending physician if changing regime;
- by studying removal of “authorised overruns” billable by a specialist at conventional fees (sector 1) to a patient outside the coordinated care pathway;
- by ensuring that any patient can be offered a coordinated care pathway with binding tariffs.

6 The “in activity” RSA: a little sought benefit, limited impact

The “in activity” RSA is an integral part of a unique benefit, broader in scope, the Revenu de solidarité active (RSA - *earned income supplement*) whose main feature is to both ensure a guaranteed minimum income to unemployed persons and to provide an income supplement to those who work.

The “in activity” component of the RSA is an ambitious and innovative projects: to make, regardless of the duration of work, employment always more rewarding than inactivity and thereby to contribute to combating employment poverty.

Implemented despite the economic crisis upsetting the labour market, this benefit is struggling to meet the objectives set for it by law.

Two thirds of eligible households have not applied for the “in activity” RSA.

Non-use of the “in activity” RSA, considered too complex and stigmatising by the public likely to benefit, is two times higher than for other social benefits: although the eligible populations was estimated at about 1.7 million households, the number of beneficiaries has been stagnant for two years at about 500,000.

This situation is the source of overfunding of the measure and the use for other purposes of extrabudgetary funds allocated to the Fonds national des solidarités active (FNSA - *National earned income funds*).

The “in activity” RSA suffers from several major structural defects

The “in activity” RSA pursues several objectives that are hardly compatible with each other, resulting in an unsatisfactory compromise between an employment incentive measure, which should be more individual, and a highly family oriented measure aiming to supplement household earnings.

The uniformity of treatment reserved for different populations with regard to their level of integration in employment is a significant factor for non-use of the benefit.

Finally, the methods for calculating the benefit limit is impact on the revenue of poor workers:

- the scale and method of calculation do not always allow recipient households to get out of poverty;
- the rules for taking family allowances into account for calculation of the allowance leads to excluding couples with several children, for which the

The “in activity” RSA

employment premium (PPE) is more attractive and easier to collect.

The lack of coordination with other aid undermines its effectiveness.

The structure is still inadequate with certain social benefits (including housing benefits) and with the social aid mechanisms set up by local authorities, which can lead to significantly reducing gains from returning to work.

In addition, the maintaining of a measure of incentive allowing the combination during the first three months earnings revenue with the “base” RSA, resulting in a reduction in revenue for

the beneficiary upon payment of the “in activity” RSA.

Finally, coexistence with other incentive measures and specifically with the employment premium (PPE) whose automatic receipt is much easier, works against the “in activity” RSA.

With these faults, it seems that an upturn of the labour market and better information to the eligible public would not be sufficient to significantly improve the benefits performance if was not accompanied by a system of work incentives and organization around the “in activity” RSA and the PPE.

Recommendations

➤ immediately undertake a study on the structure between the “in activity” RSA and the PPE, with the objective of organizing the complementarity between a social benefit (the RSA) encouraging inactive persons to take up or retake an activity and tax measure (the PPE) benefiting low income workers with modest revenues to encourage them to continue employment;

➤ eliminate the period of full accumulation between the “base” RSA and activity revenues;

➤ make sure to avoid threshold effects and situations of revenue loss during the recovery of activity by structuring more social benefits and

incentive mechanisms and by continuing the reform of related rights;

➤ replace the social and professional support at the centre of the mechanism and for this undertake a reform of *aide personnalisée de retour à l'emploi* (APRE - *personalized return to work assistance*) on the basis of the evaluation that must be undertaken from 2013;

➤ complete the study required by the Law of December 1, 2008, on the possible replacement of the allocation de solidarité spécifique (ASS - *specific solidarity allowance*) by the RSA ;

➤ return to a more rigorous management of the Fonds national des solidarités active (FNSA - *National earned income funds*).

7 Inserm and the life sciences: new challenges in a strategic sector

Research in the life sciences, the primary research sector in France, is the first priority under the *stratégie nationale de recherche et d'innovation* (SNRI - *National Research and Innovation Strategy*) for the 2009-2012 period.

As a result of the Planning Act of April 18, 2006, for research, the historical role of players has evolved and new organizations dedicated to strategy, planning, financing and assessment have been created.

Declaration of Inserm's place

Thanks to its staff's success, Inserm has benefited from the growth in financing of research by calls for projects: its revenues have increased by 35% since 2006 and the share of external resources represents close to 32% in 2011, compared to 22% in 2006.

In parallel, the number of Inserm publications and their share in French publications has increased. The function of valuation, entrusted to the Transfert subsidiary of Inserm, has had encouraging results.

Faced with the complexity of the life sciences research organization (creation of new instruments for scientific cooperation and autonomous funding agencies), a role of steering and coordination was entrusted to Inserm in 2007.

The institute has played a major role in creation of the *Alliance pour les Sciences de la vie et la Santé* (AVIESAN - *Alliance for Life Sciences and Health*) in 2009. This constitutes a framework for coordination of the main public players.

Difficulties related to recent reforms

Inserm's dynamism in obtaining credits on projects has resulted in a significant increase in staff recruited under research contracts. These fixed term contracts (CDD) create a social, legal and financial risk, since 515 of these contractors would be eligible for tenure.

The valuation borne by Inserm Transfert risks being affected by the establishment of companies for acceleration of technology transfer (SATT), financed by the future investments program.

The division of roles between AVIESAN and the other players (State, research operators, National Research Agency (ANR)) is not sufficiently clear concerning the definition of strategic priorities, the consistency of financing granted with these priorities, the planning of calls for projects or the operational coordination of different players.

Structural problems persist despite reforms

Steering joint research units, associating several institutions, has not significantly progressed.

The diversity of public funding sources and the absence of a consolidated vision of credits always weigh down the sectors' abilities for strategic and budget direction.

Finally, the increase in the budget for the life sciences remains relative compared to the United States, the United Kingdom and Germany.

Recommendations

↳ clarify the procedures involving the different players for life science and health research (ministries, alliance, national research agency, research operators) to ensure:

- definition of strategic research priorities;
- planning calls for projects and the consistency of financing granted with the strategic priorities;
- operational coordination of different players in research;

↳ maintaining the positive dynamics of valuation of biomedical research supported by Inserm Transfert;

↳ providing the State with a global vision of public resources dedicated to research in the life sciences;

↳ defining and implementing the common administrative management processes and tools for joint units and creating the indicators that permit monitoring of human and financial resources of units;

↳ re-examining the rules attached to recruitment and management of staff financed by research contracts.

8 Graduate business and management schools: a development to be regulated

Graduate business and management schools (ESCG - *écoles supérieures de commerce et de gestion*), examined by the Court and the regional court of accounts, are training institutions dependent on a chamber of commerce and industry, recognized by the State and authorized to issue a master's degree under the Ministry of Higher Education and Research.

These schools play an important role alongside universities in the Francophone landscape of higher management education: numbering 29, in 2011 they trained over 135,000 students and represented one third of student bodies in management at bachelors levels +4 and +5.

A change made necessary by globalization

To confront international competition, recruitment of high-level professors in these schools and building foreign networks became necessary. However, this policy increases the burden on schools at a time when public financial resources are becoming scarce. The resulting pinch effect led the ESCGs to increase their student enrolments and tuition fees while reducing the cost of their investments.

An enviable international position

In a market for management training dominated by Anglo-Saxon institutions, French schools have been able to occupy an enviable international position that has emerged over the last 20 years. The international performance of the French model of leading business schools is confirmed by the 2012 *Financial Times* ranking of the best *Masters in Management* worldwide: out of the first one hundred training institutions, nineteen ESCG schools ranked in these including three among the first five.

Some schools at the crossroads

The critical size of schools and adaptation of their organizations remains a serious challenge for the future of each school and in addition for French consular higher education, since they determine access to the market for international education. The ESCGs must make strategic choices for closer ties with other schools if they wish to compete in the elite or refocus on their regional and national markets.

Necessary regulation

Unlike the universities placed under the sole authority of the Ministry of Higher Education and Research (MESR), the ESCGs are under the dual supervision of the Ministry of Industry, for financial aspects through the Chambers of Commerce and Industry and through the MESR for awarding of degrees.

The Court regrets that the Chambers of Commerce and Industry have not sought to analyse and have more control over the relevance of the fit between their schools, apparently leaving it to the market to arbitrate in the absence of regulatory mechanisms.

In 2012, to improve and consolidate the role of ESCGs in higher management education, some choices that are the State's responsibility must be made.

Recommendations

Undertake a reflection on the status of ESCGs and the place of the Chambers of Commerce and Industry and the State in the mechanism, to have the financial means to carry out suitable strategies, while giving more autonomy to the schools in their governance;

Ensure that the large increase in tuition fees is offset by systems of scholarships, loans or apprenticeship, allowing each student to follow these training programs based on their individual merits, regardless of their income or those of their family;

Have better control of costs and consistency of choices made regarding

making studies more academic and the internationalization of curricula with the size and positioning of schools in the supply of management training ;

Strengthen the audit activities of the commission d'évaluation des formations et diplômes de gestion [National Commission for the Evaluation of Training and Qualifications in Management] on the quality of ESCG degrees, whether issued in France or abroad, and on schools' obligations on informing students on the name of diplomas.

9 The joint transport syndicate of Greater Toulouse: a necessary adaptation to network growth

Greater Toulouse has seen population growth of over 20,000 inhabitants per year on average and has over 1.2 million inhabitants. Saturation of the road network and the constant increase in public transport ridership makes the issue of urban transport a major challenge.

The central player in urban transport policy is the Greater Toulouse Syndicat Mixte des Transports en Commun (SMTC - *Joint public Transport Commission*), controlled by the Midi-Pyrénées regional court of accounts.

An inadequate institutional organization

Institutional rules, including that of unanimity, which govern the Joint Commission sometimes cause blockages in the decision-making process. Adopting an urban mobility plan has required nearly ten years of negotiations. Finally, some structural projects are delayed and coordination of urban planning and transport policies remains very imperfect.

An operation more financed by taxpayers than users

The method of financing transport operation is now showing its limits. Although until now transport fares ensured a steady growth in revenues, this source of financing has tended to stabilize since 2009. However, financing of the Toulouse network is marked by pricing that leaves ample room for free travel since more than one third of travellers do not pay for their ticket. In 2010, free travel and the new “youth” fare have therefore resulted in a cost of close to €22 million per year for the operator.

Financing of operations therefore rests mainly on taxpayers, through payment for transport and participation of communities in the Joint Commission, including the Urban Community of Greater Toulouse.

Yet despite the increase in the contribution by Greater Toulouse, which doubled its participation to €80 million, financial equilibrium remains precarious. The Joint Commission even had to use an account-

The Greater Toulouse Joint Urban Transport Commission

ting device, by neutralizing its depreciation, to balance its operating section.

This budgetary practice constitutes a solution that is both precarious and unorthodox. It reveals the lack of overall financial strategy of the Joint Commission and member communities.

The issue of financing investment

Already heavily indebted by its previous investments, the Joint Commission today has limited financing

capacity. However, to meet growing demand, it has set investment objectives that are very ambitious but which, in view of its financial constraints, seem oversized, amounting to €30 million per year.

It is therefore imperative for the Joint Commission to redefine its financial pact and also to review the rule of unanimity, to envisage an urban transport policy which can be built over the long term.

Recommendations

For the Joint Commission and all local authorities concerned:

- ↳ formalize the partnerships between local urban planning participants, taking into account the development of potential demand for transport, including during the launch of the urban expansion project;

- ↳ re-examine the conditions for free access to the service which currently greatly hinders the growth of commercial revenues and does not generate sufficient self-financing;

- ↳ finance the investments, by preferring unhindered self-financing, par-

ticipation by member communities and third party subsidies, taking into account the current level of debt, which has reached a critical threshold;

- ↳ reconsider the rule of unanimity to improve efficiency of the Commission's internal decision-making process ;

- ↳ define a new financial pact between all the municipalities concerned and as applicable with the Departement de la Haute-Garonne, in view of providing the Commission with sustainable financial perspectives.

10 The Artois Gohelle (Pas-de-Calais) tramway project: an insufficiently thought out project

The Artois Gohelle Transport Joint Commission decided in 2008 to create public transport on dedicated corridor, at a cost estimated in 2009 at €657 million, excluding taxes. This project involves the simultaneous construction of two lines with no connection between them over 37 kilometres, along two axes: Liévin - Lens- Hénin-Beaumont for one, and Beuvry - Béthune- Bruay-la-Buissière - Houdain for the other.

An ambiguous project

The public transport project also includes a renovation and urban renewal component.

This dual ambition feeds ambiguity resulting from a lack of prior thought and the absence of consensus on the project's consistency. The Urban Mobility Plan adopted in 2006 only covers the territory of the founding communities, those of Lens-Liévin and Hénin-Carvin. It does not incorporate the Greater Artois community and the municipal communities of Noeux and Environs, which became members of the Joint Commission in 2006.

As for the urban development dimension, it is completely outside the

jurisdiction of the Commission, which is limited to transport.

Definition of the project is difficult. The need to choose a technical option, single track or double track, appeared late. The route Line N° 1 was only frozen in April 2011; but at the same time it was challenged by the possibility that the project would be abandoned due to lack of consensus.

Uncertain funding

Based on initial summary studies, the assessment of expenses appeared to be underestimated.

The accumulation of delays compromised the State subsidy of €57.6 million obtained under the "Grenelle Environment Forum". Financing of the project is also based on an increase in the transport contribution, which was increased in July 2010 to 1.80%. If the work does not begin before July 1, 2013, this rate will be reduced to 1.05%. This business tax is strictly reserved for urban passenger transport. It cannot finance, even partially, urban development. However, the project's financing plan does not distinguish between financing of these developments and does not provide for any participation of the communities concerned in this regard.

The Artois Gohelle Tramway Project (Pas-de-Calais)

Incompetent project management

Insufficiently staffed with personnel skilled in urban transport, the Commission delegated project management by entrusting project performance to an agent, under the conditions provided in the Law of July 12, 1985, relating to public project management.

At the end of a selection process, the methods of which appear to be questionable with regards to the principles of transparency and equality that govern public procurement, the choice was made for a regional Société d'Éco-

nomie Mixte (SEM - *Semi-Public Company*), a specialist in development and construction operations but incompetent in public transport.

Therefore, it has contracted a subcontractor specializing in this field, under irregular conditions under the law respecting public contracting. The imprecise definition of the subcontracted services had the effect of establish dual control of the operation, causing confusion.

To date, this operation seems to be at an impasse and could be totally or partially called into question.

The Artois Gohelle Tramway Project

(Pas-de-Calais)

Recommendations

↳ adapt the technical, administrative and financial powers of the Commission to the design and monitoring of a resulting project;

↳ prepare, as soon as possible, an urban transport plan covering the entire scope of urban transport relating to the Commission.

↳ insert the public transport project definition on dedicated corridor, including the route of tramway lines, in a common reflection that includes the various surrounding transport authorities including the region and department, so as to ensure consistency and complementarity of urban and interurban transport modes;

↳ ensure use of the transport payment product in accordance with its legal purpose which induces particularly the mobilization of community or intercommunity finances for the work in excess of the strict domain of urban transport.

↳ In addition, it would be desirable to set out the conditions for implementing the increase in the transport tax rate authorized by the provisions of Article L. 2333-67 of the CGCT, when the population of the municipality or public cooperation institution is greater than 100 000 inhabitants and the urban transport authority has decided to build a public transport infrastructure with a road or tracked mode.

Indeed, the insufficient maturity of the project could lead to premature or useless mobilization of this supplementary tax resource.

11 Participation of local authorities in financing of the Ligne à Grande Vitesse Est (LGV Est): costly counterparts, one station too many

The high speed line East (LGV Est), inaugurated in June 2007, will link Paris to Strasbourg over 406 km upon completion in March 2016, and will continue to Germany. Trains from the German company Deutsche Bahn are running already, as are those of the SNCF. Although passenger traffic is higher than expected - 13 million in 2011 - the economic impact for local authorities has yet to be measured.

A complex financing

Financing of the LGV Est construction work, divided into two phases so as to avoid delaying opening of the line, presents a novel character: the State, as the primary financier, is associated with the local authorities, the second source of funding, and with the Réseau Ferré de France (RFF - *French Rail Network*), as well as the European Union and the Grand Duchy of Luxembourg.

The financing plan has been slow to develop because of the significant number of communities concerned, sixteen in the Champagne-Ardenne, Lorraine and Alsace, plus the Île-de-France region.

The search for co-financing and competition between the communities for access to the TGV has weakened the project's direction.

Questionable choices of investment

The choice of location of the Lorraine TGV station has been the subject of difficult negotiations. Originally, it was planned to be located between Nancy and Metz. The Cheminot-Louvigny site has been selected. However the station located there has not interconnection with the Nancy-Metz TER line. Despite this choice, the project to locate another station at Vandières, better served, has not been abandoned; financing is however not yet defined. If the full project is completed, it would lead to construction of two TGV stations, located at least 20 km apart, for a total cost of €156 million.

Operating deficits at the communities' expense

The demand for regular direct service by the TGV, from stations not located on the high speed line has also led the communities involved to finance the

Participation of local authorities in financing the High Speed East line (LGV Est)

corresponding operating deficits, while the sustainability of some of them is still not assured.

Uncertainty about economic benefits

The economic benefits for the local authorities concerned still seem to be uncertain. Some communities have nonetheless proceeded, at stations served by the TGV, with major urban deve-

lopments, particularly by building office buildings or shops. Projects which they have co-financed, whether the high speed line or service lines, have not been the subject of a priori evaluations or retrospective assessments. These assessments are also hampered by the reticence of the SNCF to supply precise data on traffic, for reasons of commercial confidentiality.

Recommendations

For the State and RFF:

- ensure, by seeking co-financing from the local authorities for major transport infrastructures, to preserve the project's course, optimizing the high speed line's route and the equilibrium of its future operation;

- suspend performance of work on the Vandières station up to the time when traffic evolution ensures the project's socio-economic profitability;

For the local authorities:

- limit, in case of co-financing, the number of participating communities; promote and assign the role of leader to the region;

- inform the financial participation of communities by prior assessments of the choices of the lines

routes and service lines, complementing the overall assessments done by RFF;

For the State, RFF, and local authorities:

- exclude the location of TGV stations in open country without inter-connection to the regional transport network;

For the SNCF and RFF:

- provide better information to the local authorities on the results of traffic, possibly with a confidentiality clause.

12 Management of Brittany fishing ports: regional steering to be strengthened

Although it represents 46% of the value of seafood products marketed in the seafood markets in France in 2011, Breton fishing declined significantly including the disappearance of half the ships and fishermen in the last 20 years.

Operation of fishing ports adapted to a context of crisis

Faced with an acute crisis, the operators have developed new services such as online sales which expands the demand or transportation assistance to supply certain seafood markets with fish unloaded at other ports. Human and technical resources have sometimes been pooled. However, the port supply now seems excessive in some coastal areas.

The fishing port facilities fee (REPP - *redevance d'équipement des ports de pêche*) is the main operating revenue for concession holders. Regulation governing it is subject to interpretation, generating tensions between the ports. Thus, the REPP primarily benefits unloading ports and not those with seafood markets where the large part of services borne by operators are concentrated.

Investments financed largely by public aid

Some ports, particularly on the north coast of Brittany, have conducted extension work to improve the conditions for management of vessels and allow additional boats to be received. Other ports have conducted major health and environmental standardization work to sustain activity, especially in South Brittany.

Financing these investments is only provided through major subsidies, which can represent up to 80% of the cost of equipment.

Inadequate concession holder contracts

Concession holder contracts, often old, are neither suitable nor fully respected. Concession holders are responsible for the choice and project management of investments while they only partially finance them. When renewing existing contracts, the concession holders could retain responsibility for project management of infrastructure investments.

Management of Brittany fishing ports:

Relationships between local authorities to be reviewed

The powers of different levels of local authorities should be clarified. Three of the Breton fishing ports having a seafood market belong to the region (Saint-Malo, Lorient and Brest), the others are the property of depart-

ments. This sharing of powers between these two levels of authorities does not always favour consistency and relevancy of regional port investments.

Recommendations

For management of Brittany fishing ports:

- ↳ pursue the efforts to streamline the supply of ports, particularly in Cornouaille;

- ↳ sharing good practices for all ports;

- ↳ applying a uniform policy of royalties;

- ↳ better defining accounting procedures for closing concessions to secure current concession holder management;

- ↳ define the respective roles of delegators and delegates better, for carrying out investments, by favouring on tenancy for the next public service delegations;

- ↳ strengthening the role of the Brittany region in the choice of port

infrastructure by providing for establishment of a regional fishing port equipment plan contracted between the departments and the region, which would set the list and location of investments to be made;

For the State and the national fishing port management policy:

- ↳ review the regulations on the fishing port equipment fee to take into account new practices of ship-owners;

- ↳ harmonize taxation applicable to fishing ports;

- ↳ examine the possibility of modifying the division of powers relating to fishing port management between local authorities, by strengthening the steering role of the region;

13 The State's support of tobaccoists: unjustified aid

The State's financial support of tobaccoists is old. Establishment of future contracts beginning in 2004 significantly strengthened it. These grants, designed to support a profession which it was felt was weakened by the rise in tobacco prices, proved unjustified and costly. Under the guise of breaking, the current future contract (2012-2016) perpetuates this situation. A rapid and complete reconsideration of this mechanism is therefore imperative.

Assistance to the profession: "future contracts" were added to traditional assistance

The State's financial support of tobaccoists is old. It funds up to two thirds of their supplementary pension scheme established in 1963, and has particularly subsidised securing their premises since 1995.

Future contracts signed between the State and tobaccoists were added to these traditional assistances beginning in 2004. The first contract (2004-2007) was primarily intended to compensate for the losses in revenue that were presumed to have resulted from lower purchases on the regulated market, as a result of price increases decided by the government for public health purposes.

The total amount of support for the profession amounts to €2.6 billion between January 1, 2004, and the end of 2011 (€1.4 billion for the period corresponding to the first contract and €1.2 billion for the second), in average a little more than €300 million per year.

Unjustified aid, causing massive windfall effects

Contrary to the initially pessimistic expectations, the rise in tobacco prices between 2002 and 2003 contributed to increasing, for tobaccoists, the average sales turnover related to tobacco. Indeed, although the volume of sales dropped 30%, from 90,000 tons per year at the beginning of the 2000s to 65,000 tons per year from 2004, sales, including taxes, grew by more than 20% between 2002 and 2011, from €14.7 billion to €17.8 billion.

The average earnings of tobaccoists rose sharply, amplified by the decline, formerly, of the number of tobaccoists. Excluding direct State aid, earnings grew by 53.9% between 2002 and 2011, rising from €29,070 to €44,725. With this assistance, growth was 67.1% (€29,070 to €48,564).

The State's financial support of tobaccoists

Except for certain tobaccoists located in certain border areas who are confronted with tough competition due to tobacco prices in France, generally higher than foreign prices, most tobaccoists have received assistance although their sales turnover related to tobacco had not fallen.

This situation is explained by the lack of targeting mechanism established by the administration which has favoured universal assistance, that is, benefiting all tobaccoists regardless of changing circumstances rather than assistance granted temporarily only to tobaccoists with a sharp fall in their activity following the increase in tobacco prices.

The current contract: a more apparent than real failure

The current contract (2012-2016) provides for a better targeting of support and a considerable decrease in budgetary assistance, including the phasing out of the additional discount. However, alongside these measures, the

increase in the rate of net remittance, which grew from 6.5% to 6.9% and will generate a cumulative gain for tobaccoists of about €260 million, is expected to fully offset the decline in budget subsidies.

The failure seen is therefore more apparent than real. Indeed, if the effort made by the community in favour of tobaccoists spends less in the future in payment of budgetary assistance, it will remain overall in the same range as in the previous contracts. It will actually affect public finances since agreeing on an increase in net remittance, supported by the manufacturers, with a margin unchanged by them the State has deprived itself of the possibility to collect additional tax revenues. In addition, the mechanism is still less targeted than before: given the proportional character of the net remittance compared to the sales turnover, this measure will increasingly benefit wealthy tobaccoists.

Recommendations

↓ undertake a rapid and complete reconsideration of the measures chosen in early 2012 as “2012-2016 future contract”;

↓ leave only the structural supports (end of activity allowance, security subsidy, public service premium) intended to modernize the network and strengthen tobaccoists' safety;

↓ maintain, for the next four years, the net remittance rate at the level reached on January 1st, 2012;

↓ establish, after consultation with the profession, a declining balance mechanism for the net remittance, based on the sales turnover level.

14 The aid plan for the printed press 2009-2011: a missed opportunity for reform

Following the Estates-General on the Printed Press in 2008, the President of the Republic announced a very significant assistance plan for the 2009-2011 period: €450 million in supplementary budgetary expenses over three years, €5 billion taking into account the cumulative cost of direct budgetary assistance and fiscal measures over the same period.

The government has however launched this plan without a prior diagnosis which would have identified the most effective support.

The predominance of emergency measures to the detriment of structural measures

Adoption of a moratorium on postal rates, for which the budgetary cost is estimated at €32 million for 2013, has contributed to delaying the development of delivery of the daily press, supported by the State in respect of structural measures.

Furthermore, the high increase in assistance for distribution of the national daily press for political and general information (€74 million in assistance from 2009 to 2011) and the exceptional measures in favour of press distributors

(€62.6 million over the same period) has not improved the economic situation of the two main players in press distribution: the Presstalis press courier and the points of sale.

Modernization assistance has been provided to printers while development of the Internet should have been a preferred strategic component. Assistance with social modernization of the press has proved particularly costly, with an average cost of over €150,000 per beneficiary of the “Print” plan.

Ministerial direction strengthened too late

The procedures and structures that the Ministry of Culture and Communication has provided for more effectively leading its press assistance policy was only implemented after completion of the assistance plan. The measures provided by the decree of April 13, 2012, are going in the right direction but their methods of implementation are not yet set.

The approach of multi-year contracting undertaken with the media companies will depend on setting precise objectives for financial support

from the State as well as effective monitoring of agreements.

Regarding, budgetary information, progress has been made. But transparency now provides more complete information on the amount of assistance granted to publishers and press owners.

It has become urgent to finalize the methodological and operational framework of control and assessment mechanisms.

Too timid reduction in the cost of assistance

Credits open in 2012 in respect of press assistance have diminished by 10% compared to 2011, but inflexibility is delaying the return to the level of public expenditure found before the implementation of the 2009-2011 triennial plan.

The 2013-2015 triennial program provides for a reduction of about 13% of budgetary credits allocated to the printed press, without relying on a reform of mechanisms, the only way to generate real leeway.

A strategy for State intervention to be rebuilt

A more selective approach and a stronger concentration of resources on the key objectives of the assistance policy to the press are now imperative.

Development of distribution must lead to consistency among the many existing mechanisms and prepare tools for overall steering by 2015, the date when the agreements on postal assistance expire.

Preservation of pluralism involves a reflection on the scope of application of preferential postal rates and the VAT rate “super reduced” to 2.1%, in order to better take into account the specific situation of each press family in relation to this objective.

Finally, for modernization of the printed press sector, the intervention of the strategic funds created in 2012 must be oriented to innovative projects and the political and general information press.

Recommendations

Concerning governance and management of assistance:

- ↳ effectively implement contracting with companies receiving subsidies;

- ↳ publish the annual amount of assistance granted to each press title;

- ↳ systematize the procedures for assessment and control and improve consistency of the mechanism;

Concerning the State's intervention strategy:

- ↳ accompany the scheduled reduction of public assistance with an overall reflection aimed at:

- ensure consistency between the different assistances to be distributed by 2015;

- accentuate their targeting in favour of press families presenting challenges in terms of pluralism;

- refocus assistance with modernization on innovative projects.

15 Maintenance purchases by the Ministry of Defence: a high potential for savings

The Ministry of Defence is the primary buyer of the State. Every year it brings about €13 billion to merchant businesses to purchase everyday goods and services and especially military equipment and maintenance services for its military equipment.

Purchases relating to equipment maintenance, constantly increasing, represent about €3 billion in payment credits each year. Performance of services responsible for these purchases is therefore essential so that the armies have a good level of maintenance of their equipment at the best possible cost.

A buyer under constraints

Three joint army services purchase, on behalf of the armies, equipment maintenance services; the Aircraft Maintenance Services (SIMMAD), Fleet support service (SSF) and the ground equipment maintenance service (SIMMT). In 2011, they consumed €1.95 billion, €630 million and €460 million credits respectively.

In these services, the contracts with the greatest financial and technical stakes are granted to a limited number of companies without competitive bidding, these being exclusive suppliers or monopolies. In addition, the State's

position is sometimes ambiguous - often present in the capital of these companies as a minority or majority shareholder, it cannot ignore the impact in terms of industries or jobs of its purchasing decisions.

Insufficient professional buyers

Although the Ministry of Defence declares its willingness to obtain significant savings in this domain where costs vary while budgetary constraint is increasing, it does not draw on the consequences in terms of organization and procedures which would allow it to improve its performance.

The number and qualification of professional buyers are insufficient, in particular for aircraft maintenance service, the SIMMAD, where the very low number of professional buyers is inappropriate for the financial and operational procurement issues. The Ministry of Defence does not devote more buyers for these crucial purchases in terms of consumption of budgetary resources (over €2 billion per year) and of operational consequences, than for everyday purchases (security, maintenance, fluids) of a defence base, which only represents a few million Euros.

Maintenance purchases by the Ministry of Defence:

Limited implementation of investigative powers

The State makes insufficient use of the provisions of the Public Procurement Code which allows it, when there is little or no competition, to investigate the costs and margins of its suppliers.

This power is entrusted to a cost investigation division placed under the central purchasing authority of the Ministry of Defence general armament directorate. The role that it should play to improve negotiation conditions between the Ministry of Defence and its monopoly suppliers is altered by the fact that it does not decide its investigation program and that the maintenance services, which depend on the general staff, cannot use them directly.

In comparison to the United Kingdom and Germany, this investigation service has little staff. Its powers of investigation are limited to the phases of completed tenders and it is not always able to meet their obligations of transparency to supplier companies. Finally, the results of investigations are used at the discretion of purchasing services. Therefore, negotiations are not undertaken in good conditions.

Delayed negotiation for maintenance of new programs

When the Ministry of Defence acquires new military equipment it estimates the cost of ownership over its

entire life, including maintenance. Since 2010 this estimation has been automatic, which is a significant improvement over past practices. However, maintenance contracts remain shared between those under the initial commissioning phase negotiated by the DGA and the maintenance contracts negotiated by the maintenance services. This second negotiation comes when all components of the equipment contract have been already defined, frequently without competitive bidding. The supplier companies providing maintenance are then in a position of strength to obtain the highest prices possible.

The Ministry of Defence should involve the maintenance services well upstream with specifying equipment and with negotiations with the companies and seek to obtain commitments from the industry on the future cost of maintenance while providing some flexibility to take into account changes in these costs and effective use of equipment.

Recommendations

↓strengthen and professionalize buyer workforces for armed services responsible for priority service within aviation equipment maintenance (SIMMAD);

↓strengthen the powers of investigators of the cost investigation division of the DGA, by modifying the regulatory provisions that limit their powers of investigation a priori, so the State buyers can appreciate the reasonable character of margins of contracts concluded with monopoly suppliers;

↓reattach the cost investigation division directly to the armament Delegate General;

↓increase, within the Ministry, the control or second opinion mechanisms on buyer service practices to avoid an excessive concentration of functions;

↓give scope to the maintenance services in the definition of estimated costs of ownership to all stages of development of an armament program;

↓anticipate, from the acquisition of military equipment, a part of the negotiation on future estimated maintenance costs, with the industrial suppliers.

On the basis of examination of a sample of cost investigations, the Court estimates that savings in the order of 10% of the total of annual maintenance service purchases, or €300 million, should be able to be achieved for future maintenance contracts of the Ministry of Defence if these measures are implemented.

16 Visa issuance and residence permits modernization to be accelerated and simplifications to pursue

A complex legal framework

Since 1945, the laws relating to entry and stay of foreigners have been amended thirty six times. Community law has evolved, and the majority of short term visas are now “Schengen” type. There is a variety of permits: one year stay cards, ten year resident cards, «skills and talents” cards, etc. In 2009, a major simplification was introduced with the creation of the long stay visa.

Increased resources for overall stable activity

The issuance of these permits makes use of resources of the Ministry of the Interior, Foreign Affairs and the French Office for Immigration and Integration (OFII).

For 60% of visas granted, consulates call upon external service providers, totalling some 700 persons, for services paid for by the applicants. Despite this outsourcing, consulate human resources have held practically steady. Those of prefectures have increased, while the volumes processed have not changed much: visa applications rose from 2,411,000 in 2005 to 2,431,000 in

2011 (+1%), visas issued from 2,053,000 to 2,153,000 (+5%); permanent residence permits issued by the prefectures remained nearly constant: from 846,000 in 2006 to 849,000 in 2010, with a temporary jump in 2011 (935,000).

The total cost of visa issuance was about €54.3 million in 2011 (including €42 million for staffing), or €22 per visa issued. Revenues collected by the State amounted to €116 million, or €54 per visa issued.

The total cost of permanent and temporary residence permit issuance was about €121.5 million in 2011 (including €82 million for staffing), or €120 per permit issued. It was covered by the fees paid by applicants.

Unification of management still yields few results

The General Secretariat of Immigration and Integration (SGII), created in 2007 and today placed under the authority of the Ministry of the Interior, is both a source of orders, a facilitator and a coordinator of prefectures and consulates in order in particular to increase exchanges of experience.

But all the expected beneficial effects have not yet been obtained from this reorganization.

Thus, the former computerized applications from Ministries of the Interior and Foreign Affairs do not always allow for sharing of data. Existing appointment services are not effective. Collection of statistical data is unreliable. The Ministry of the Interior's project is delayed by over two years and that of the Ministry of Foreign Affairs is not included in the 2013-2015 triennial budget.

The combat against documentary fraud is still inadequately coordinated and the services are unevenly active. Clarification of powers completed in 2012 at the central administration remained partial.

Two fraud prevention mechanisms - the «return control» in the country of origin and the requirement imposed on employers to check the validity of certain work permits - should especially be assessed.

Hard road for the residence permit applicant

In the most sought for prefectures, long queues lead to tensions, sometimes to parallel systems for changing places for consideration. The prefectures issue on average 1.4 million temporary documents per year. This large number helps

to clog the wickets and testifies to organizational defects that raise questions about the equality of treatment for different users.

The statement and issuance are, in some cases, scattered, especially between prefecture and sub-prefectures. Several town halls and police stations still gather applications or issue permits.

To reduce the risks of unequal treatment, in 2011 the central administration issued a receptionist's guide which brought together the previously scattered texts and encouraged modernization and simplification of services and reception of the public.

“Best practices” are not automatically disseminated. Some websites are incomplete; several prefectures do not sell the necessary tax stamps, without notice to applicants.

Simplifications must be continued. For example, family reunification applications are to be sent to the single OFII but the excessive number of instruction players, which lengthens delays, have not been reduced.

In conclusion, in the 2006-2011 period, the resources have generally increased while the number of applications have changed little. New avenues for simplification of procedures must be explored.

The coordination and exchange of information between the prefectures,

Visa issuance and residence permits

consular posts, the OFII and the police and gendarmerie have progressed but the SGII does not fully perform its role of direction, in particular for moderni-

zation of information systems and the combat against documentary fraud.

Recommendations

➤ ensure compliance with the law:

- correct certain differences in interpretation of tax law;

- remind prefectures to comply with the requirement of physical appearance when prescribed by the Code of Entry and Residence of Aliens and the right to Asylum;

- eliminate certificates of deposit not provided for by this code;

➤ facilitate the administration's work and the user's pathway:

- limit the number of instructor services for a single application;

- develop paperless operation, remote procedures and electronic updating of permits;

- assess the effectiveness of the «return control» and the requirement

for employers to check the situation of foreign employees;

➤ coordinate the networks better;

- modernize computer systems by facilitating data exchange and statistics collection;

- designate a single interdepartmental correspondent responsible for combating documentary fraud;

- develop best practices exchange within and between networks.

17 The General Directorate of Civil Aviation: generous and costly social action

Social action in the public service, enshrined in the Law of July 13, 1983, on the rights and obligations of civil servants, consists of all specific services which the State grants to its active and retired employees in the fields of food, housing, childcare and leisure.

Within the Ministry of Ecology, Sustainable Development and Energy, it applies in a specific manner to staff of the General Directorate of Civil Aviation (DGAC) and for historical reasons to those of Météo-France.

The mechanism gradually lost sight of its mission of solidarity and now only seeks to provide services to the largest possible number of agents.

Abundant structures for redundant actions

Social action is implemented through a tangle of over 120 national, regional and local associations. The pooling policy performed is not up to the challenge. In general, the administration does not perform the duties of management and direction that fall to it.

Management of this costly mechanism (€1,300 per agent per year) lacks clear vision. Its effectiveness and the rigor of its management have been

seriously affected by the dilution of skills between its different bodies (administration, social action committee).

A generous mechanism

The cost of a very generous policy (more than €15 million annually) proves to be higher than the appropriations voted and allocated by Parliament (€9.2 million in 2010).

In terms of investment, the “re-use” technique, without a regulatory basis, leads the return to social action of the proceeds of real estate transfers which should be dedicated to debt repayment of the air operations Control and Operations budget.

In addition, a “rule” without any other legal basis than the protocol (2007-2009) negotiated with the social partners provides that in any construction at least 2% of the amount of the investment must be devoted to socio-cultural equipment.

Weak management by the administration

The control that the administration must exercise over the associations that it subsidizes is, in practice, very inadequate. It would be even facilitated by

The General Directorate of Civil Aviation:

collecting and exploiting the information available and improving its control and evaluation tools. Truly objective contracts should be entered into with the associations concerned.

Two examples illustrate the Court's findings: the "Bataillet" family vacation home (Hautes-Pyrénées), where work was done under questionable conditions is well maintained despite having now lost its attractiveness, and the Maison

des associations du Raizet (Guadeloupe), completed in 2010, was still not in use at the end of 2012.

Finally, the staff made available to associations was not always under conditions consistent with the regulations. Leaves of absence granted are not systematically recorded in the accounts.

Recommendations

- ↴ refocus social action on solidarity, by supporting the administration's modernization;

- ↴ significantly reduce the number of associations supported, by favouring attachment to a local social action committee according to a principle of service;

- ↴ ensure that the administration exercises its role of defining and implementing social action;

- ↴ finance social action by appropriations registered for this purpose in the related budget;

- ↴ develop scoreboards for effective management of social action;

- ↴ enter into objective contracts with associations receiving subsidies of over €23,000 and periodically evaluate their activities;

- ↴ define and plan all measures relating to the closing of the Bataillet vacation center.

18 Electricity distribution concessions: organization to be simplified, investments to be financed

Electricity distribution includes routing it from the high voltage network's output to user's meters.

An atypical and potentially conflicting organization

Electricity distribution is managed in the form of very specific public service concessions on nearly the entire national territory. Municipalities and their groups are required to entrust electricity distribution to ERDF, a 100% subsidiary of the EDF group, under the law.

This organization compared to other public service concessions is atypical and potentially conflicting.

The atypical character is reflected first of all by a distribution rate set nationally through a cross-subsidization that allows all consumers to pay the same amount for electricity, unlike water for example.

It is also reflected in the lack of choice by granting authorities to designate their distributor, ERDF having a legal monopoly on virtually the entire territory.

Conversely, the granting authorities have a power that they do not have for the other public service concessions:

that of providing contract oversight for certain projects in rural areas and thereby benefiting from financing paid by the distributor.

The uncertainty over long term maintenance of the ERDF monopoly complicates relationships between the distributor and some of the granting authorities and could jeopardize this balance from the post-war period.

Rising investment needs

However, in this already tense context, the need for investments on the distribution network is increasing: ERDF currently invests €3 billion per year on the network but this amount could reach €5 billion by 2020. For their part, the granting authorities invest about €1 billion per year on the network.

The current increase in investments (from €1.5 billion at the beginning of the 2000s to about €3 billion in 2011 for ERDF) is explained primarily by the need for renovation of the network which is aging and more sensitive to climatic uncertainties. The average electricity outage time has tended to increase in France since the beginning of the 2000s, even though this deterioration

Electricity distribution concessions

remains limited (50 minutes of outage in 2000, 85 minutes in 2010, a level less than many comparable European countries; however, Germany has a lower average outage time).

In addition, the rise of new decentralized and intermittent energy sources, such as wind power or photovoltaics involves building intelligent networks, for which a primary element will be the future Linky communicating meter. The cost for deployment of this meter alone is estimated at €4 billion.

A need to streamline expenses

Electricity distribution in France could evolve towards two different models: optimisation of expenses by national management of investments, becoming all the more necessary with more interconnected and interdependent electrical networks, or otherwise increasing the autonomy of local authorities, in a context of less centralized electricity production and limits to monopolies.

In the absence of choice between these two opposing models, the Court recommends better regulation of investments under the current electricity distribution system and a streamlining of expenses before increasing rates, which assumes that:

- the ERDF distributor controls its expenses such as staffing costs or purchases;
- the ERDF shareholder, EDF and indirectly the State, limits raising divi-

dends with the need for investments on the network;

- the granting authorities, of which there are still too many (736) accelerate consolidation. In addition, funding allocated to them should be simplified and reoriented towards work that improves the quality of the electricity;

- finally, to deal with these needs for investment, the current electricity distribution organization should be improved: coordination between ERDF investments and granting authorities in the form of local planning which could be eventually consolidated nationally, to direct efforts towards priority challenges such as the medium voltage network which currently is the source of most outages.

Only after these improvements can a rate increase be potentially considered if there remain investments to be covered.

Recommendations

↳ accelerate consolidation of granting authorities to complete departmentalization;

↳ conclude a public services contract between the State and ERDF;

↳ establish a local program of investments between ERDF and granting authorities, aimed at directed them to priority issues in terms of electricity quality, especially the medium voltage network. These local programs should eventually be consolidated nationally;

↳ simplify the system for financing of granting authorities' investments by refocusing on priority investments for electricity quality;

↳ review the position of EDF and the State with respect of rises in ERDF dividends, in the light of future investments to be agreed for the network;

↳ increase ERDF's productivity efforts to develop its capacity for self-financing of investments in the next tariff framework;

↳ review longer term developments on the electricity distribution model.

19 Wastewater treatment in the Corbeil-Essonnes-Évry region: overlooking the general interest

Wastewater treatment in the Corbeil-Essonnes-Évry region, in the eastern central section of the Essonne department, has the distinction of being provided by two adjacent stations, located on the banks of the Seine River, on the territory of the Évry municipality. This situation originates from the rivalry between the towns of Corbeil-Essonnes and Évry, since creation of the new city of Évry, since the end of the 1960s to today.

Failure of cooperative renovation of the stations

Renovation of the stations was necessary both to increase treatment capacity and to comply with emission standards required by the European Directive of May 21, 1991, on wastewater.

A comprehensive and consistent wastewater treatment policy was first sought. A joint commission for water treatment (SYMETRIE), including both inter-municipal contracting authorities, was created and in 2004 proposed several scenarios.

In the scenario based on the cooperation of contracting authorities and

seeking optimal use of both sets of equipment, the overall estimated cost of work and operation were clearly less than those of the scenario opting for renovation of both plants independently of each other.

Yet the latter, overall less effective and more expensive, was the one that prevailed.

Cost overruns resulting from the disagreement

The cost of renovation work of the SIARCE station, the intercommunity commission of whose main municipality is Corbeil-Essonnes, increased by 54% in four years, rising from €20.08 million in August 2006 to €30.89 million in April 2010, after six changes. The change relating to the creation of a sludge composting unit, which lead to an increase in the amount of the initial contract of about 40%, was a reflection of the failure of the solution of joint treatment of sludge by a single station.

Meanwhile, the Greater Évry community undertook the renovation of its plant, whose work is not yet completed and for which the cost amount to about €43.5 million.

Wastewater treatment for the Corbeil-Essonnes-Évry region

The work of extending and bringing the two plants into compliance with standards can thus be estimated overall, at the end of 2012, to be about €80 million. The updated cost at the same date, of coordinated renovation, would amount to about €70 million.

The cost overrun due to the lack of cooperation can therefore be assessed at about ten million Euros without considering the overall operational expenses assessed at €1.11 million per year.

Overlooking the general interest

None of the many stakeholders have been able to uphold the general interest.

The contracting authorities have been unable to overcome their old oppositions and act in a concerted manner.

The public funders, the Seine-Normandie Water Board and the Department of Essonne in particular certainly preferred joint action to modernize equipment but they were not able to oppose the choice of contracting authorities.

It was the responsibility of the State's representative to uphold the general interest. However, the State's services were primarily aimed at completing as quickly as possible the work for bringing wastewater treatment plants up to standards following the condemnation of France in 2004 for failure to comply with the obligations prescribed by the European Directive of 1991. Urgency therefore prevailed to the detriment of the most economical solution for public funds.

Recommendations

For the two communities concerned:

Act from now on in a joint manner, preferring the most sensible approach for management of their equipment, in terms of investment and operating costs.

For State services:

Ensure that the general interest is upheld in the exercise of their responsibilities.

20 Restoration of the maritime character of Mont-Saint-Michel: a poorly managed project

Restoration of the maritime character of Mont-Saint-Michel is a vast project whose current management methods have not promoted a comprehensive consideration of all aspects of the project.

A project whose effectiveness can only be measured in the long term

The current project, initiated in 1969 and assessed in March 2011 at €185 million, consists mainly of construction of a new dam whose object is to restore to the Couesnon the needed hydraulic power. Combined with the force of the sea and new facilities giving way to the free flow of water around the Mont, it is expected to drive sediments away.

The actual effectiveness of these methods may however be unable to be confirmed for many years (by 2025) and will permit restoring the insular character of the Mont for several hours per year during outstanding tidal conditions.

Ambiguous dual management which did not facilitate overall consideration of this project

Initiated by the State in 1990, the current project is managed by the local authorities through a joint commission.

However, being aware of the difficulty of disengaging from such a project which evidently goes well beyond a simple regional context, if only due to registration by UNESCO of the site as a World Heritage, the State established, along with the joint commission, a management commission, which constitutes the primary joint decision-making body.

The result is an ambiguous dual management, this committee legally not having the real decision-making or operational role, penalizing joint reflection on the future of this remarkable site.

In addition, the current arrangements for funding this commission involve some common members but not all, and an associated community which cannot legally take part in the decisions, representing so many poten-

Restoration of the maritime character of Mont-Saint-Michel

tial sources of conflicts in the event of discrepancies.

Faulty operational execution

The conduct, management and operational execution of this project by the Baie du Mont-Saint-Michel Joint Commission reveals deficiencies, especially in overall management and direction of this project.

Thus, construction and operation of facilities and public reception services, entrusted by the joint commission to the Veolia Transport company by a public service delegation contract agreed for a 13 year duration, reflects a lack of control and vigilance.

The Commission noted that this delegate would not be able to provide rolling stock on the planned date of start-up (April 2012). In addition, initially designed transport equipment will need to be broadly reviewed. This situation could lead to questioning the terms of the delegation.

Future operating conditions on hold

According to the project's schedule, all planned improvements and construction to restore the maritime character of Mont-Saint-Michel will be completed by the end of 2015.

However, the financial contributions of commission members were defined in 2006, largely to finance the investments needed for the project's operational achievement. Nothing to date has been planned for future contributions for operation, once the work is completed.

Similarly, the protocol signed with the State only determined contributions to the cost of the work in the broad sense, without addressing the conditions for financing operating expenses in a sustainable perspective which integrates the cultural, touristic and environmental dimensions of this world renowned site which is visited by many foreign visitors.

Restoration of the maritime character of Mont-Saint-Michel

Recommendations

For the State:

↓ initiate a new reflection on governance and operational management of the projects, by integrating the cultural, touristic and environmental dimensions of the site, particularly in such a way as to include the commission of the municipalities that are financing the project;

↓ effectively exercise financial control of the joint commission, since it is the maritime public agent of the State;

↓ encourage the local authorities concerned to precisely specify the distribution of funding for the site's operation, from 2015, the year when work is planned to be completed;

For the Baie du Mont-Saint-Michel Joint Commission:

↓ prepare a real depreciation schedule from a regularly updated asset inventory and accurately assess future operational changes;

↓ implement control of the delegate, including management of reception structures;

↓ make financial monitoring of the project reliable.

21 Property of local authorities: towards more dynamic management

The real estate assets of local authorities and their groups are increasing and diversifying with the extension of their areas of operation and new needs of inhabitants. It represents a very important asset which also generates costs for its operation.

Today, while local public authorities are called upon to contribute to the effort to restore public finances and, with respect to pressure on local budgets, exercising more effective property management is required.

Preparing a policy of assessment of public property of local authorities

The current real estate situation often results in a succession of ad hoc decisions based on needs, opportunities and constraints over real estate transactions. However, defining a real estate strategy can provide a clear overview in the medium and long term, making the connection between the various policies that affect real estate assets.

However, real estate transactions that translate this overall vision rarely result in decisions made after review by assemblies deliberating on various

potential scenarios and the steps taken so that they can make a real choice are not accomplished.

Knowing the property

A physical inventory, allowing a complete census of properties and their monitoring, are sometimes non-existent. It is often partial, succinct, presented in the form of a simple list, with insufficient information.

Management of real assets also involves accurately identifying the legal systems that affect occupancy conditions and the obligations related to the property owned and/or occupied. In this area there are gaps, especially during transfers related to decentralization or intercommunity development, and also with respect to private real assets.

Finally, real asset accounting management allows for traceability of transactions and verification of their substantiation. Improvement of the quality of information produced is therefore important for managers. In most cases, the statements and writings related to real estate transactions only imperfectly meet the rules for accounting quality.

Property of local authorities

Optimizing the costs for investment and operation

For office real estate only, there appears to be inadequacies, correction of which would bring significant improvements.

Real estate management operations mobilize legal, technical, accounting and budgetary powers of various departments but are not integrated into a dedicated unit. This segmentation is not conducive to mobilization of skills and control of costs and risks. To meet their needs, communities can choose their asset management tools but the possibilities available are not always used, or even poorly or underused, and the information produced is incomplete or

poorly shared, which is detrimental to more overall management of the property.

In conclusion, the observations made by the regional chambers indicate that management of real estate assets is not yet a major concern for most local authorities. The practices of local authorities who have implemented more dynamic management show, however, that although the costs of activities undertaken remain modest the benefits in terms of economy, efficiency and effectiveness are significant.

Recommendations

For the State:

↳ clearly distinguish in the inventories of local authorities between the properties relating to their public and private domains and mention the main legal information principles related to the source and characteristics of their property;

↳ generalize in the large local authorities establishment of a master plan for land and property assets,

coordinated with their multi-year investment plan;

↳ strengthen the obligation of information to deliberative assemblies on the one hand, on decision-making criteria relating to real estate transactions, and on the other hand, on their closing balance sheets;

↳ for major real estate transactions require production for deliberative assemblies of overall investment and

The real property of local authorities

operating costs with an assessment of potential alternative solutions.

For the State and local authorities:

➤ finish as soon as possible, along with streamlining of the map of inter-community cooperation public institutions, steps for unbundling of property, both for property transferred by the State under decentralization laws and for those allocated to the joint municipalities or returned to municipalities;

➤ ensure, through strengthened collaboration of authorising officers and accountants, compliance of the local authorities' balance sheets with the reality of their real estate assets.

For the local authorities:

➤ establish, when needed, the single and complete physical inventory provided by regulation and ensure when a property is recorded that it receives only a single inventory number, common to all departments of the authority and communicated without delay to the public accountant;

➤ strengthen sharing of community services in the joint municipality framework and coordination of their respective real estate policies;

➤ identify a "real estate" function in the communities' organizations and implement management tools using the real estate data available in the information systems;

➤ list real estate made available to third parties and consolidate all agreements and information relating to each property concerned in a single file;

➤ define a policy for coverage of risks related to a property and regularly audit insurance contracts to always have coverage at the best cost of insured properties.

22 The National Office for Water and Aquatic Environments (ONEMA): poorly prepared transformation, poor management

The National Office for Water and Aquatic Environments (ONEMA) is a public administrative institution created in 2007. Under the supervision of the Ministry of the Environment, it employs some 900 people and has an annual budget of around €110 million, mainly financed by a levy on water fee paid by users and collected by the water boards.

The scope and growth of tasks entrusted to the ONEMA, in an environment that is changing, complex and subject to the pressure of Community deadlines, has not been supported by provision of resources that meet the challenges. The result is numerous deficiencies and irregularities in administrative and financial management which have harmed the effectiveness of activities by the new public institution.

An accumulation of poorly insured duties

ONEMA has not emphasized, in the early years of its existence, the quality of management essential to economically and effectively conduct the duties of the institution which commits France in terms of water policy. Recommendations had yet made by the

Court on this subject from the point of view of creating the institutions from the Higher Fishing Council.

Projects relating to the water information system (SIE), needed to achieve the priority objective of water knowledge and to report to the European Commission on the results obtain on water quality, were delayed.

The police task was improved after the recommendations previously made by the Court. Tools and guidelines have been deployed. However, coordination of the States' relevant departments remains mainly incomplete for lack of a shared tool for monitoring of police actions. The effectiveness of these activities is still difficult to assess in the absence of appropriate indicators. The pressure of controls requested to combat water pollution by nitrates is too weak in view of the challenges.

ONEMA provides financial support to water sanitation policies, including wastewater for France to comply with its Community obligations. For Corsica, the financial mechanism itself is questionable. For the DOM-TOMs, financial monitoring is unsatisfactory.

Deficiencies in organization and management

The resources have not been suitable for the objectives and therefore duties have been performed imperfectly. The public institution has been slow to take corrective measures. In this respect, confusion of the roles of the chairman of the board of directors and supervision has not allowed the process to be expedited.

Accounting and financial management have presented serious shortcomings. The accounts have proved to be unreliable and the procedure for addressing spending deficient up to 2010. ONEMA's contractual practices have not allowed financial control to be fully exercised. Management control remains inadequate due to lack of scoreboards.

Until 2011, multiple and costly management errors were committed, ONEMA often exempting themselves from the rules of the public procurement code. They are the source of delays in project performance, essential for the exercise of duties of the public institutions and compliance with the commitments of France.

The weakness of personnel management organizations, the inadequacy of statutes and the legal inefficiencies

noted have confronted ONEMA with recruitment problems which even today expose it to the risk of a loss of skills. Financially, although strengthening management largely explains the increase in payroll (+27% in 4 years), several measures related to compensation or vacations, disputable or even irregular, have accentuated growth of expenses. Finally, the organization of local services and the pace of work by some agents (4 days per week) are not in line with the institution's duties. While the 2015 deadline is approaching for the 2000 water framework directive, to achieve "good condition" of waters and, at a time when the 2012 Finances Law has increased the annual ceiling on the water charges paid to ONEMA from €108 million to €150 million from 2013, it is imperative to provide rigorous management to the institutions by continuing activities recently undertaken.

Recommendations

↳ separate the functions of supervision and presidency of the board of directors;

↳ make accounts reliable and as soon as possible put in place formal internal audit procedures;

↳ establish rigorous direction and monitoring of computer projects, including those related to the water information system;

↳ reorganize the territorial mechanism;

↳ review the conditions for human resources management including the conditions for allocation of the mobility allowance, monitoring work time and the adequacy of the four day work week with the duties of the ONEMA;

↳ continue activities undertaken for water police by redefining the monitoring indicators and significantly increasing the pressure for control on themes or areas at issue.

23 Remuneration to EDF SA: rapid growth, accumulation of benefits, little connection with performance

The audit period coincided with major changes in the enterprise: listing on the stock market for a portion of capital, spin-off of network and distribution networks, end of the monopoly, globalization of activities. In parallel, the 65,931 employees of EDF SA at the end of 2011 remained for 94% governed by the statute of electrical and gas industries, whose foundations were laid by the law of April 8, 1946. Exempted from the common labour law, this statute sets the rules for pay and refers to sectorial agreements, then to company agreements for the application and improvement of conditions for employees.

A generous pay policy

Unlike employees of the private sector, within the EDF Group, the development of the average net salary per head has represented more than 3% per year. In addition, salaries at EDF are higher at hiring (16% more than the statutory minimum wage for a young person with no degree, 26% for a holder of a technical school certificate), and have an automatic growth guarantee. At the

end of their career, the seniority remuneration can constitute as much as 22% of the set remuneration. Additional remunerations can represent over 50% of the total remuneration for some employees, five years after hiring.

Decided at the company level, and in addition to the above increases, individual measures are also more favourable than in the private sector and more widespread: 67% of agents received them in 2010.

The EDF group initiated in 2008-2009 a merit pay system with variable mechanisms for remuneration, as do many public and private enterprises. Its uniqueness is however to allocate to a greater proportion of employees amounts that are still low (less than 4% of primary remuneration).

EDF SA remuneration

Remuneration of executives increasing strongly until recently

From 2005 to 2010, the overall remuneration of the CEO of EDF SA multiplied, in constant Euros, by 2.35, under the effect of two cumulative movements: regular and significant increases of the fixed annual portion (€1 million in 2010) and fixing of a variable portion whose criteria were reached in the period at the upper part of the range (between 75 and 100%). This remuneration, expressly approved by the Minister of the Economy, reached about €1.5 million in 2011. Since the Decree of July 26, 2012, it was capped at € 450,000. The remuneration of other corporate officers followed a similar trend, and their bonus rates achieved high amounts, above 75%.

The State shareholder is only aware of the policy for remuneration of EDF SA executives through items infrequently communicated to the remuneration committee, issued by the board of directors of which it is a part. It is unfortunate that from 2004 it ceased to perform the annual survey on remuneration.

During the period audited the number of executives increased by 32.5% and their fixed salary at close to 4% per year, as for all employees. Added to this,

however, is a higher variable share (with a maximum of 26 to 37% of the fixed salary). No executive achieved less than 90% of the objectives set in 2010. The bonus therefore appears more like an additional remuneration than a variable incentive.

Many employment benefits

Supply of electricity at a preferential rate

Like all electricity and gas industry employees, those of EDF SA benefit from an “agent’s fee”, which represents a cost to the company estimated at €222 million in 2010.

This benefit is exorbitant for several reasons: subscription is free and the supply of energy at the preferential rate is open without consumption limits, regardless of household composition, to employed and retired agents, for the primary and secondary residence, and even for occasional vacation homes.

It is also taxed under conditions and on a favourable scale, and in addition undervalued for social contributions.

A wide range of additional benefits

Employees of EDF SA may benefit, under certain conditions, from staff housing, or a monthly allowance intended to share housing costs (cost to EDF SA in 2011: €263.7 million). They collect or have collected profit shares, free

shares, and benefit from collective savings schemes matched by the company under favourable conditions, compared to the private sector. EDF SA can also provide them with loans for consumption.

In May 2011, the Court issued comments on the organization of the health insurance scheme for electricity and gas companies which guarantees higher services than the common law, further enhanced by additional and supplementary coverage.

The level of family and retirement benefits and guarantees to EDF employees is also considerably higher than in the average branches of the economy: many family advantages in the form of paid holidays and specific allowances, even combining these two benefits for a single reason, such as marriage for example; retirement calculated on the bases of the last six months, combined with supporting arrangements.

Recommendations

For the company and government:

- ↳ continue differentiation of remuneration by remunerating performance rather than statutory position;

- ↳ set objectives for the variable part sufficiently ambitious to justify the concept itself of the variable part;

- ↳ restore the annual survey of executive remuneration of public companies, including the EDF group in it;

- ↳ study the impact on the hierarchy of the provision for capping of executive remuneration that was recently introduced;

- ↳ end provisions for exemptions from common tax and social law that are currently related to the agent tariff; set a consumption ceiling for the

energy subject to this tariff and index it to the real price of electricity;

- ↳ redefine the housing policy so that the housing benefit and/or housing allowance are granted to agents who need it due to the constraints of their duties;

- ↳ review the family policy in relation to its cost and changes in the family structure.

24 Communications expenses of SNCF: expensive transactions, irregular contracts

The Court has audited the regularity, efficiency and effectiveness of external and internal communications expenses of the public institution between 2000 and 2011.

The slow formulation of the “SNCF” single brand strategy

Over the last decade, the SNCF undertook an active policy of “group” communication which covers the scope of the industrial and commercial public institutions (EPIC SNCF) and its subsidiaries. At the end of a slow development, the SNCF opted in July 2010 for the “SNCF” single brand strategy, applicable to the entire group.

Difficult assessment of the cost of communication

The SNCF has not done analytical monitoring of its communication expenses (commercial, institutional or internal communication) and the overall cost of the activity is difficult to quantify. For EPIC alone, it is estimated at €153 million of average annual expenses between 2007 and 2011, to which should be added on average €55 million

payroll per year, for a total of close to €210 million per year. This amount equals about 13% of EPIC investments which amounted to €1.6 billion in 2010.

Insufficient control and monitoring of expenses

Controlling and monitoring expenses suffer from weak budgetary planning, budget gaps in the audit trail, inadequate anticipation of operations and the non-existence of annual balance sheets. Consequently, there are many significant budget overruns. Committed in 2009 to a policy of reducing its structural costs from 2% to 4% per year, the SNCF planned, on the basis of an external audit, a reduction of communication expenses of €1.5 million from 2010, €6.5 million in 2011 and €8.3 million in 2012; it did not happen.

Purchasing practices non-compliant with the rules in force

The excessive recourse to negotiated contracts, without competitive bidding, is the greatest concern. These practices relate to 71% of the 41 largest contracts concluded since 2007 and audited by the Court. They show non-compliance with the broad principles of public procurement defined by the Order of June 6, 2005, and its implementing Decree, to which is subjected the SNCF communication expenses and shows that the institution is also non-compliant with its internal procedures in this field.

The invocation of extreme urgency or technical specificity, to escape the requirement for competitive bidding, was not the subject of justification in accordance with the regulations in force or SNCF internal rules. The reference to a "request by the president" shown in strengthening justification of these exceptional procurement procedures cannot justify their use and does not

figure among the cases provided by the regulation in force.

A periodic overall survey shows that the SNCF suffers from a poor image with the public, however the effectiveness of the SNCF communication activities remains poorly evaluated. Tests were carried out occasionally to measure the effectiveness of advertising campaigns and other marketing activities. However, the achievement of these objectives of the SNCF in terms of communications was not evaluated for any of the operations studied. Significant sums were thus spent in the absence of any evaluation or feedback. SNCF is committed to implement, according to a precise timetable and in the short term, the necessary measures to stop such practices. It presented its board of directors on December 20, 2012, with the main lines of its communication strategy and the measures decided as a result of the Court's audit.

Recommendations

↳ formalize the multi-year communication strategy, detail it in action plans with the objective of managing costs and presenting it to the board of directors;

↳ anticipate and evaluate annual needs in order to improve the quality of forecasts;

↳ formalize a project management approach for each operation including budgetary aspects;

↳ make a financial assessment of each major projects and establish a performance review of the annual budget;

↳ provide annual information on expenses by major strategic lines by presenting reliable financial information, consolidated for EPIC and the group;

↳ ensure strict application of procedures required by Order 2005-649 of June 6, 2005, and strengthen the internal control mechanisms to ensure legal security of exceptional procedures.

25 From Sonacotra to Adoma: drift corrected late

The Adoma semi-public limited company, formerly SONACOTRA, manages over 500 hostels for migrant workers or social residences, housing 70,000 people and representing 60% of hostels for migrant workers and social residences.

In its special public report on “welcoming and integration of immigrant populations”, the Court had referred in positive terms to activities by SONACOTRA while underlining the company’s difficulties, urged to move from the status of “immigrant landlord” to “landlord of the poorest”.

A fluctuating strategy at the expense of the renovation of homes

The State holds 57% of Adoma. From the end of the 1990s, its priority was to renovate the hostels of migrant workers. Adoma did its part in the effort. However, in 2012, half of the rooms offered by the company to its customers continued to have an area of 9 square meters or less, and only one in five has self-contained comfort elements, integrating individual sanitary and kitchen corners.

These mixed results are largely explained by the instability and the dispersal of objectives set for the company.

Thus the 2005-2010 objectives contract invited Adoma to diversify its activity to social housing for families in difficulty as well as to housing for young people, especially students.

The company is also involved in reception of asylum seekers and providing emergency shelter, for which its own funds, provided by the State, have been used to finance construction on lands granted at-will, sometimes for only 5 years. Early redemption of such transactions contributed to much of the accounting loss of €26 million recorded in 2010.

Serious management failures

For housing young people and families, rather than accelerating the transformation of hostels into social residences, it was decided to create additional capacity. Operations conducted in the emergency led, especially in the south-east of France, to acquisitions at higher prices than the field estimates or without prior technical study, which led to cost overruns for work and difficulties in using certain buildings.

To carry out this investment policy, Adoma is indebted within the limits provided in the objectives contract. It

From Sonacotra to Adoma

has however agreed, in a risky fashion, to speculative contracts with the banks, which have already led to a certain loss of €7 million and created a latent unrealized loss estimated at €57 million in outstanding debt.

In day to day management, the company's procurement policy as experienced drifts, curbed only since 2011. A certain laxity has long tainted human resources management, local management being too dispersed and the benefits provided in terms of housing not always justified by service constraints. Finally, a profit-sharing agreement was established so while the regulations did not permit it; denounced late, this agreement continues to pose a legal and financial risk.

A late recovery

New governance was established in 2010, operational control of the company being entrusted to a minority shareholder, the SNI, subsidiary of the Caisse des dépôts et consignations. This

has highlighted the strategic refocusing that began in 2009 and established guidelines that go in the direction of recovery.

Adoma thus disengaged itself from non-priority sectors. It implemented a savings plan and workforce reduction that allowed it to make a profit in 2011. The State must now set clear ultimate objectives to provide this operator with a stable shareholder structure, sufficient capital and transparent governance.

Recommendations

The Court recommends that the State shareholder:

- ↳ specifies public service duties that it assigns to the Adoma company;
- ↳ encourages the necessary synergies with the national property company, to provide Adoma with a stable shareholding structure, sufficient capital and transparent governance;
- ↳ strengthen inter-departmental coordination and ensure that specific duties entrusted to Adoma benefit from balanced funding and allow for sustainable achievements;
- ↳ determine strategic priorities over a sufficiently long period to obtain robust results, and make up for delays in rehabilitation of hostels,

especially in the elimination of small rooms and completing the transformation of homes into social residences.

The Court recommends the Adoma company to:

- ↳ continue streamlining its management and securing its loans.

26 The Monnaie de Paris: a fully committed change, challenges to overcome

Management of coins and medals was transformed into a public industrial and commercial institution called “La Monnaie de Paris” by the 2007 Finance Act.

With 500 agents today, the Monnaie de Paris must carry out several duties provided by law, some as a monopoly (minting common and collector legal coinage, punches) and other competitive items (decorations, medals, common foreign coinage).

The company faces two main challenges: to provide its economic balance by sufficiently developing its commercial activities to compensate for an unprofitable sovereign activity, and succeed in the new duty entrusted to it of increasing its Paris real estate assets.

A change of status source of a positive dynamic

Before the change of status, the company’s economic situation was greatly deteriorated. Structural handicaps, in particular related to the large payroll, were aggravated by the difficulties to be related to the transition to Euro (very large orders followed by a sharp drop in activity).

The social climate was very tense within the company, in a context of uncertainty on the sustainability of acti-

vities. In 2006, despite a significant decline in workforce that began in 2002, the financial situation of coinage and medallion management remained critical.

In 2007, new governance was rapidly established and a strategic plan was defined and validated by the board of directors in less than one year.

A system of voluntary departures helped accelerate the workforce reduction, while simultaneously engaging in a renewal of personnel on targeted functions.

Five years after the change of status, the results are encouraging. The staff are now better suited to the company’s transformation, and the social climate is better.

Turnover has increased by over 50% in five years. The payroll has stabilised and now represents 20% of turnover.

These results allowed for the first time in 2009 payment of a dividend of €8.3 million to the State. The dynamic was confirmed in 2010, with a payment of €12.2 million and €9 million in 2011.

The economic model of the Monnaie de Paris remains fragile.

The company's fixed costs are still too high. The effects of reducing the workforce have in reality been compensated by certain hirings focused on high levels of responsibility, and therefore pay. The level of salaries and the average age of staff consequently remain high (€3,600 monthly gross on average, and 49.6 years of age).

Similarly, efforts at reorganization have not been sufficiently extensive. Support functions are still very high compared to operational functions.

Finally, the company remains structurally with overcapacity in the production of coinage. At the time of changing over to the Euro, the need for 1 Euro and 50 cent coins were greatly overestimated, which led Treasury management to destroy 310 million coins. For the State, the overall cost of overproduction of Euro coins may be valued at €41.5 million, or a net cost of €20.5 million if the sale of the metal is taken into account, which should bring in close to €21 million.

Orders from the State (about 850 million coins) are now permanently lower than production capacities (1.5 billion coins).

To increase profitability of production tools, the activity of minting foreign common coinage must be deve-

loped. This market is however very competitive and this activity remains for the moment at a deficit for the company.

Ultimately, the current improvement in the economic situation of the Monnaie de Paris is mainly related to the success of face value collector coins ("gold or silver Euros"). However, it is based on a "novelty effect" and a "wind-fall effect" which may disappear.

Other commercial activities of the institution are being rethought and the Monnaie de Paris should consider stopping some.

A new mission of enhancing assets with uncertain impact

Since it was created, the public institution has been entrusted by the law with a mission of enhancing the Hôtel de la Monnaie, from which the Metalmorphosis project arose.

All the Paris property was however deprived of the Year IV Plot, two years after the change in status, while it was useful for operating the company, being occupied by workshops that were difficult to move. Its transfer to the Institut de France to build an auditorium was decided by the State without studying the impact and without taking into account the consequences for the Monnaie de Paris.

The loss for the institution is €3.6 million on the accounting level, but it has also suffered major indirect costs

La Monnaie de Paris

related to the work resulting from moving the machinery.

In addition, transferring the plot forced the institution to modify the Metamorphosis project, although the prime contract work had already been completed.

The institution's management drawn on the fact that the decision to transfer from the Year IV Plot was imposed for broad leeway in project implementation.

Estimates of economic benefits are very optimistic; the project must therefore have constant attention from the sponsor (State holdings agency) and the board of directors.

Finally, with regard of the duty of presenting its historical collections, the Monnaie de Paris must strive, with the support of its leadership, to build partnerships to develop its assets better.

Recommendations

With regards to the production activity:

- ↓ provide an alternative scenario intended to deal with the possibility of a slowdown of the “face value collection coinage” activity;

- ↓ undertake, in connection with the sponsor, an accurate and complete study to evaluate the relevance of each commercial activity and consider the economic and organizational consequences of their potential shutdown.

With regards to the company's expenses:

- ↓ better manage changes in pay;

- ↓ continue the effort to streamline support functions;

- ↓ limit the use of external service providers by reclaiming strategic management.

With regards to the task of enhancing asset value:

- ↓ review and update the Metamorphosis project business plan;

- ↓ develop partnerships, especially with the Cité de l'économie et de la monnaie, to better present historical collections.

27 The Heritage Foundation: a unique model

Instituted by the Law of July 2, 1996, and recognized as of public utility by the Decree of April 18, 1997, the Heritage Foundation received the public service mission to contribute to the conservation and enhancement of unprotected national heritage. This heritage, whose elements do not benefit from a system of classification or registration as historical monuments, consists of several hundred thousand movable and immovable assets that present an architectural, memorial or landscape interest (traditional housing, wash houses, halls, bread ovens, rural churches, etc.).

A beneficiary foundation of major public supports

Fifteen large companies participated initially in constituting the capital of the Heritage Foundation. They are still all represented on its board of directors where they hold a majority of votes. The Foundation today has about €32 million of annual resources, including public financial supports which represent, depending on the years, between 35 and 50% of its budget. For the 2000-2011 period, the Heritage

Foundation assisted over 18,000 projects of varying sizes (14,000 among them under private heritage and close to 4,000 of public heritage).

After a slow and difficult start, the Foundation has experienced growth from the year 2000 when it was authorized by the tax authorities to grant the “Heritage Foundation” label. The year 2004 marked a new step thanks to the decision to allocate it a share of the State’s property revenues from escheated estates. During the 2006-2010 period which brought the Court’s audit, the Foundation was rapidly expanding. In just four years, its revenues increased by 80%.

The Heritage Foundation is a unique organization, irreducible to any known legal category: a private organization directly allocating tax rulings, a foundation benefiting from the State’s property revenues, a foundation whose mission and operation was not established by its founders but by law, a foundation with a status exempted from the foundation law.

For the legislator, the Foundation’s original objective was to boost private initiatives and funding in favour of non-protected heritage so they would complement the rather feeble public action and credits in this area. For this purpose,

the Foundation has been granted some unusual rights for a private institution of this type, such as the ability to trigger, by award of the “Heritage Foundation” label, tax reductions or even by way of waiver from the status of recognized public utility foundations, the possibility offered to individuals or legal entities of direct membership.

Despite such a unique and privileged situation, it is clear that the Heritage Foundation has not been able to raise significant funding from companies. Yet, to accomplish its mission in favour of non-protected heritage, it has taken advantage of many powers and skilfully combines public funding, tax incentives and initiatives by individuals.

However it is a result of the legal system in which the Foundation operates that the public expenditure associated with its various actions remains poorly understood in its amount and difficult to read in its signs. What is even more questionable, considering that this budgetary and fiscal effort is much more significant than originally envisaged by the legislator at the beginning: property revenues allocated, annual subsidies from local authorities, tax expenditures related to the “Heritage Foundation” label and gifts.

Broad support for volunteering

The Foundation’s activity is now based on significant support of public grants, not originally planned. In addition, the Heritage Foundation’s development has been at the expense of a reorientation of its activities compared to the perspectives outlined by the legislator. It does not rely on a vast network of individual members or on major national partnerships, it draws little on corporate sponsorship, it does not manage any renovation projects as contracting authority.

The Foundation managed however to find other avenues for developing its actions, in particular through a community of very active volunteers and launching of local public subscriptions to finance its largest projects.

The Heritage Foundation has therefore met the objectives of its mission, within the extent of its resources, according to its original conditions for action and within satisfactory management conditions.

Recommendations

For the Ministry of Culture and the Ministry of the Budget:

- annually inform Parliament of the amount of revenues allocated to the Foundation and its use;

- institute a mechanism capping this revenue;

- begin a dialog with the Heritage Foundation on its objectives and actions to integrate with the national heritage policy;

- strengthen the consistency between the general heritage protection policy and the tool that the represents the label.

For the Heritage Foundation:

- strengthen headquarters' control on regional delegations in financial matters;

- develop further private resources that are less used to date: corporate sponsorship, relaunch of the membership arrangement;

- apply all obligations relating to appealing on public generosity, in the framework of “popular patronage” subscriptions.