

## SF 9: Control over city over capital assets by shareholding of infrastructure providers etc.

Fr	B	C	NY	S	T	Total
8	3,5	8	5,5	10	1	36

### Beispiel:

Freiburg can enforce a profile that is clearly ecological and oriented towards renewables, thanks to its urban planning, VAG, FWTM, FEW, as well as a significant stake in bade-nova. ({Freiburger Verwaltung 2012 #55}) and {Freiburger Beteiligungshaushalt 2012 #56}).

### 1. Differentiated description of the key field

Companies that provide water infrastructure, waste disposal services, energy, networks, telecommunications, transportation systems, public housing, etc. in cities harbour the greatest leverage to shape cities to ensure their sustainability. Not for nothing have public utility companies been enjoying rapidly growing importance in the last few years.

If a city has sovereignty over municipal companies thanks to investments in them, it can enforce a coordinated sustainability strategy in various areas and ensure that measures in various areas are interlinked or that they build on and complement each other. It can have a say in and prioritise projects and investments. In addition, with its control of municipal companies, it has an important lever for local and regional value creation (e.g. via strategy, procurement, etc.) – and thus for its own economic development.

„... every euro invested in municipal infrastructure produces a total of 1.7 euros of added value for the economy as a whole. And each workplace at municipal companies supports a further 1.8 jobs in the region“ ({Prenner 2013 #57} S.13).

Thanks to active investment management, cities can become modern service providers that meet public needs in an efficient and citizen-centric way. Especially in the infrastructure sector, it is in the interests of the city to ensure environmentally responsible, socially equitable and economically efficient supply. In addition, investment in urban enterprises represents an increasingly important source of income for cities.

The key to success, however, lies not in a level of ownership that is as high as possible, but in a balanced equilibrium. As a shareholder of companies, the city ensures that concerns in the general public interest are taken into account and that there is an ecologically and socially balanced overall strategy. Shareholders of a private enterprise nature ensure the most efficient implementation and an economically attractive outcome (Schwaring {# 58}).

This fundamental division of responsibilities should underlie a holistic municipal participation strategy which a city

can use to determine in which companies a majority stake would make strategic sense and where a simple investment (<50%) would be sufficient.

(Sources: {Schneider 2007 #59}, {Huffmann #60}).

### 2. Reference to sustainability:

Through active investment management, cities can implement holistic sustainability strategies at the level of municipal enterprises. Furthermore, as a shareholder, it can ensure that long-term and community interest objectives are taken into consideration.

### Risks if ignored:

Conventional investment management leads to the short-term capitalisation of urban enterprises when there is acute financial need. There is no connection with any planned sustainable urban development. „Innovative“ forms of participation – such as the „cross-border-lease“ business to privatise municipal enterprises and services and which was so popular with some local authorities 10 years ago – also proved to be an impressive dead end during the 2008-2009 financial crisis.

### 3. Relevance to industrial sectors?

Mobility:	High
Energy:	High
Production & logistics:	Medium
Security:	Medium
ICT:	Medium
Water infrastructure:	High
Buildings:	High
Governance:	High

### 4. Impact (positive & negative)

- Greater efficiency through strategic planning and management
- Combining the „best of both worlds“ through shared management by local authorities and the private sector.

### 5. Implementation measures:

Social media marketing identifies 5 success factors for active investment management:

1. Development of a complete conceptual overall control system
2. Clear strategic alignment of the investment portfolio
3. Orientation towards the public end
4. Operational controlling
5. Service and mediator function of the city administration.

## **6. Actors: Who can shape things?**

Besides municipal enterprises, on the one hand, the political sphere is in demand when it comes to the alignment of the investment strategy, and, on the other, the city administration has to develop appropriate structures and competencies for active investment management in the interests of sustainability.

## **7. Prerequisites:**

Financial situation of the municipality. Balance between debt reduction and long-term strategic investment management.

## **8. Obstacles/barriers:**

- Financial resources of the city
- Inefficient controlling

## **9. Indicators:**

What information must be collected to identify the key field in a city? If necessary, establish a reference to the existing City of the Future indicators

- Percentage of companies in which the city holds more than 50% of the shares to all municipal companies and DL (service providers?)
- Total assets of the >50% companies.
- Percentage of companies in which the city holds less than 50% of the shares in all municipal companies and service providers
- Total assets of the <50% of companies.

## **10. Special features/remarks:**

Literature on Freiburg:  
{Freiburger Verwaltung 2012 #61}, {Cluster GreenCity Freiburg 2012 #62}, {Copenhagen Cleantech Cluster #63}.