

**Institut d'études politiques de Paris**  
**ECOLE DOCTORALE DE SCIENCES PO**  
**Programme doctoral de sociologie**  
**Centre d'études européennes de Sciences Po**  
**Doctorat en sociologie**

**Joint agreement with Università degli Studi di Milano-Bicocca**

**The regulation of urban logistics platforms**  
*The urban governance of food wholesale markets in France  
and Italy : the case of Paris (Semmaris) and Milan (Sogemi)*

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Defended on 26<sup>th</sup> March 2019

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## **Acknowledgements**

The time for acknowledgements is both full of joy and uncertainty. Joy is linked to the approaching end of a chapter in my life that already heralds the beginning of a new one. Uncertainty is not so much linked to identifying the people who have contributed more than others to this work. Rather, it is difficult to identify the exact moment in time from which to start to recognize the role that many people have played in making this moment possible.

If I am here now writing these lines of gratitude it is only for the outcome of a long series, begun well before this educational and professional stage, of encounters and confrontations with people who have inspired me, I admired, have changed me. In some cases they are part of the passers-by that everyone has in his or her life, in others they are still irreplaceable travel companions. I will resolve this dilemma, which is relevant to me, by limiting my thanks to the people who have accompanied me in recent years.

This research would not have been possible without the availability and the time generously made available by the people who agreed to share with me during fieldwork their knowledge and their professional or political experience. While I appreciate unconditionally every single contribution made by every single person, it is a pleasure for me to remember some of them. Emilio Ficarra of the Milan Chamber of Commerce was of an unexpected willingness to provide me with historical data on the evolution of food trade in Milan. Basilio Rizzo welcomed me in his office with naturalness allowing me to access his personal archive full of documents that have proved to be very important for the research work. Eugenio Casucci accompanied with a strong sympathy important clarifications on the history of the general markets of Milan. In the case of Paris, I would like to thank Vincent Isnard warmly for the passion with which he answered my questions and for the time he dedicated to me.

Alberta Andreotti was fundamental in giving me the right motivation and support in the most challenging moments of research and writing. Without her pedagogical ability and sensitivity perhaps I would not have reached the end.

Patrick Le Galès has been a precious source of intellectual stimuli and has been able to encourage me to overcome moments of impasse. No less important is his pedagogical and emotional intelligence in accompanying me in these years.

Thank you to the members of the thesis committee for agreeing to read and discuss with me the thesis.

I would never have pursued the choice of starting my PhD without the encounter with the intellectual vivacity, passion, and sympathy of Tommaso Vitale. I owe him a lot for the results achieved in my professional and academic training. More than he probably imagines.

The years spent in Paris have not been easy for many reasons but some people have helped to make them more pleasant and simple. Linda Amrani has always been kind, smiling and patient, an important help. Katia Rio, it was the good morning, the smile and the almost daily goodbye. It seems little, but it is not. I thank Charlotte Halpern for the opportunity to work together, for her support, for her precious advices.

The PhD students of the CEE have given warmth to the long days spent in the buildings of Sciences Po and for this I would like to remember in particular Mirjam, Christine, Gabriela, Vlad, Francesca, Thomas, Clément, Marine. The evenings, the conversations, the work, the time together were precious.

Linus, thank you. I really found a friend.

Doing my doctorate for me meant leaving my hometown of Milan for a long time. Melancholy and nostalgia are feelings that have often accompanied me. So thanks to the friends of a lifetime who have been able to welcome and embrace me so intimately every time I return. I cannot but thank Bianca, Vincent, and Susy for this. Marco, a hug.

None of this, literally, would have been possible without my parents. I thank them with sincere emotion. They have never stopped supporting whatever choices I have made in life, including the adventure of a doctorate. They never stopped supporting me to make my dreams possible, even though they were a long way from their priorities. I owe them everything I have.

The deepest and most loving thanks go to Alinka. She has made these years a value that I will always carry with me. She gave an unexpected sense to the choice of living in Paris for a while, she opened doors inside me that I didn't even think I had. It is undoubtedly the most beautiful gift that life has given me so far.

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# GENERAL INTRODUCTION

## *1. Cities as key hub nodes in freight flows: the role of logistics*

In history, cities and urban regions have always been significant nodes for the exchange of people and commodities, ideas and innovation, have been the locus of economic change and development, and have been places where direct interaction between contrasting collective interests interact in more or less conflictual mode.

Before industrialization, trade, wholesaling, and retail distribution have been connected closely with urban spaces and urban development. Since Pirenne (1927) onwards, scholars argued that the ‘regular exchange of goods’ was, and still is, one of the constitutive element of cities. During the Industrial Revolution, the role of cities became central not only for the consumption and exchange of goods but also for the link between economic change and urban development. One example is the need to develop economies of scale in order to maintain the necessary fixed capital, thus favouring location in areas with spatial agglomeration of people and of good transport infrastructures to distribute goods towards consumption places (Scott 1986).

The economic phenomenon of globalization during the last decades has strengthened the role of cities in economic development through the interaction of at least three elements. The reorganization of the production of goods and services has seen the development of companies that have integrated some functions and outsourced others, distributing in different geographical locations the processes of procurement of raw

materials, processing them, distribution and trade of final products. The increasing complexity has required the centralization of command functions in some cities from which global economic development is governed. In the global economy, financial capital takes on a growing centrality and thanks to technological development, it is increasingly decontextualized. However, its decontextualized character requires a high density of personal interactions to ensure its organization. These, once again, take place mainly in a few cities on the planet among which stand out New York, London, Tokyo, identified since the 1990s as the first global cities (Sassen 1991). The third element concerns knowledge, or in other words, the ability to accumulate and manage growing information flows becomes a crucial factor in maintaining competitiveness: cities guarantee the presence of skilled labour force to accomplish this task.

In parallel, state organization went through profound restructuring through a double movement of public action delegation to sub-national and supranational levels of government. In the European context, this has meant the growing importance for economic development of urban policies and the institutionalization of European agencies and political arenas. Looking at devolution processes, local governments acquired new competencies, in context of reducing financial intergovernmental support, and of reshaping mode of urban governance to match policy priorities and available resources (Savitch, Kantor 2002). Eventually, cities had to produce modes of governance and implement policies suited to guarantee a competitive advantage in relation to locational appeal for economic actors and investments flows, in order to foster attractiveness for economic resources less locally rooted than before. In this new structural context, economic changes put pressure on urban policies interacting with local conditions such as the urban economic structure, the source of revenues for the local government, the role of the party system, collective actors, and interest groups at the local level. Here, local political actors, who are in most cases the first promoters of public action, operate in an environment of economic and institutional constraints. The main consequence of these changes is a resurrection of locality and of local politics “*in a context of declining discretionary of the nation-state*” (Swyngedouw, 1989: 32). The importance of cities is therefore not only increased from an economic point of view but also from a political one. As service providers for citizens, subnational and urban governments have over time accumulated policy expertise, organisational capacity, and economic resources to play an important role in promoting local development. Today, cities are increasingly involved in the production of public

policies, also with respect to central government, and in some cases, they also play a role at the international level (Vicari 2004).

The profound changes linked to the processes of globalization and economy have not changed the strategic character of cities as places of exchange of goods and organization of their distribution. On the contrary, they have accentuated their strategic role. In a globalized economic context, competition is shaped by the needs of a global economy; the degree of infrastructural accessibility of cities and urban regions has become an important asset for the vitality of local economies in a frame of inter-urban competition (Savitch, Kantor 2002). The urban centrality for the system of goods exchange has been fostered in the last decades by interregional, international, and global trade that made some cities becoming nodes within a large-scale network of commodity, information, and money flows (Hesse, 2010) and has become critical thanks to the development of the logistics sector (Dablanc, 2007; Malecki, 2007; Masson, Petiot, 2012).

What is described in this introduction as the logistic revolution was made necessary and was made possible by the reorganization of the forms of production in a geographically specialized way, distributing in different countries and then in different continents the production functions of international companies. The ability to manage information flows, made possible by organizational skills and technological development, has been applied to the real-time management of commodity flows along the different production phases. The gradual weakening, and in some cases the total abolition, of borders for goods has modified the locus of the competitive advantage of companies by making the ability to control information on goods flows the center of attention. In a similar way to the financial sector, the logistics sector, so de-territorialized, needs a strong spatial rootedness in order to function. These roots are produced through a series of logistical infrastructures that have different characteristics according to the function they perform in the supply chain. In many cases, the development of logistics infrastructures is linked to urban contexts, confirming the role that cities have played over the last century. Indeed, freight transport infrastructures have been amongst main factors contributing to economic development of territories: railway networks, road networks, airport hubs, have not only favoured the connection of distant places but have also functioned as tools for the economic development of the cities that have benefited from their presence. The increasing integration of distant or simply separate markets, of which the European Union is an outstanding example, and the spatial reorganization of production processes, have made

the competitive advantage guaranteed to local contexts by these infrastructures more and more strategic.

## ***2. Infrastructures are key***

The integration of different markets and the different geography of production processes have favoured the formation of an economic sector independent of the consumption and production phases, whose function is to connect production processes with opportunities for commercialisation and consumption. The freight-logistics is thus an economic sector that is directly affected by the interaction between local reorganization of infrastructural and economic policies and endogenous dimensions of market changes. The interaction between exogenous and endogenous dimensions shapes infrastructural policies in terms of outcome, changes in their goals and objectives, and urban marketplace accessibility (Sassen 2000; Cervero 2009; Merk 2013). In a context of competition among cities to attract economic resources, logistics infrastructures are critical to guarantee the accessibility for local consumption market, and they are crucial assets for the control and the allocation of value produced along supply chains being them local, national or global. These infrastructures are not only important for the retail and wholesale business structure of the city, which can create added value and profit through the management of freight flows but have also structuring role for urban development patterns. Like other transport infrastructures, they are highly land consuming and their location becomes strategic for urban development planning and can generate more or less conflicting dynamics regarding their urban insertion.

The role of connecting local and global economic processes is also reflected in the possible configuration of conflicts generated around public policies for their development. Stakeholders can be extremely local (e.g. citizens' committees, professional associations, local politicians) and extremely global (global logistics operators, financial investment funds, property developers). In other words, logistics infrastructure are the cities' critical assets that mediate with economic changes that take place at supra-local level. Thus, studying public policies that have produced and governed urban logistics infrastructure is a relevant field of inquiry to understand what processes, and which actors steered in different contexts the interaction between supra-local economic changes and urban mode of

governance. The following sections of the introduction will present the main features of the logistics economic sector highlighting then those that have an impact on the local level, and the role of cities within supply chain organization and the position logistics infrastructures play within it.

## **2.1 What is logistics?**

The exchange of goods is a constant feature of human economic activity. It was once essential for the rise of the mercantile economy in medieval Europe (Pirenne, 1927) and became a large scale activity during the industrial revolution. If goods circulation is among the constant features of human societies, the concept of logistics to address the way this circulation is organized, remains relatively recent. Freight transportation is the largest component of logistics but is sided by other integrated activities as ordering, carrying, warehousing, and administration whose costs and complexity are not negligible. Actually, managing the supply chain from raw material to transformation processes, and to physical distribution for final consumers is the essence of freight logistics (Allen 1997). These interrelated activities are part of market practices defined as follows by the Council of Logistics Management (cited in Allen 1997: 107 ):

“[...] logistics is the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements. This definition includes inbound, outbound, internal and external movements, and return of materials for environmental purposes”

The concept starts to be used in economic field and in management studies during the 1970s. At the time, logistics was conceived as an activity divided around four distinct processes: supplying, warehousing, production, and distribution. As production processes became increasingly fragmented and spatial reorganization was undergoing, activities related to its management were consolidated. To explain the development and the forms that this sector of the economy has taken over time, it is necessary to take into account both economic changes and institutional factors concerning the transnational handling of goods.

Some economic factors can be seen as drivers for the logistics sector development: an economy more and more consumer-oriented, the organizational innovations made possible thanks to ICT technology development, the post-Fordist pattern of industrial

development that has reorganized the spatial organization of goods production requiring complex strategies of vertical and horizontal integration. The growing externalization and delocalization from industrialized countries of industrial production processes, triggered the development of global trade which was made possible on an economy of scale thanks to containerization of overseas freight flows in maritime commerce. The massification of flows has eventually reduced the unitary transport costs making possible adoption of integrated supply chain management in all industrial sectors, from automotive to perishable food.

During decades following the 1950s, mass motorization constitutes a driving force for Western Europe economy. It also created the preconditions for the development of *Mass Grocery Distribution*<sup>1</sup> (MGD) companies in retail trade (Vahrenkamp 2012). This economic and consumption habit changes were supported by massive infrastructural investments to gradually but constantly extend motorway and highways networks, which on one side unburdened roads and crosstown links, on the other, promoted the exponential car use for consumption, commuting and leisure activities. The development of truck traffic has been related to the evolution of logistics sector along the build-up of modern distribution structures in the retail trade, where grocery sector has driving and anticipating role for procurement organizational practices, to guarantee the constant supply of goods. Looking at the industrial sector, during the 1970s, profound spatial restructuring processes took place in Europe. The establishing of new production processes and distribution practices were no longer directly subject to single-firm activity, but are more and more pursued through networks of suppliers and subcontractors (Dicken, Thrift 1992). From the macro-economic point of view, international trade increasingly contributes to the amount and shapes the nature of the physical distribution. Different scholars have discussed globalisation as economic process having a major impact on goods exchange (Janelle, Beuthe 1997; Hesse, Rodrigue 2004; 2006; Rodrigue 2006; Wang *et al.*, 2007). Indeed,

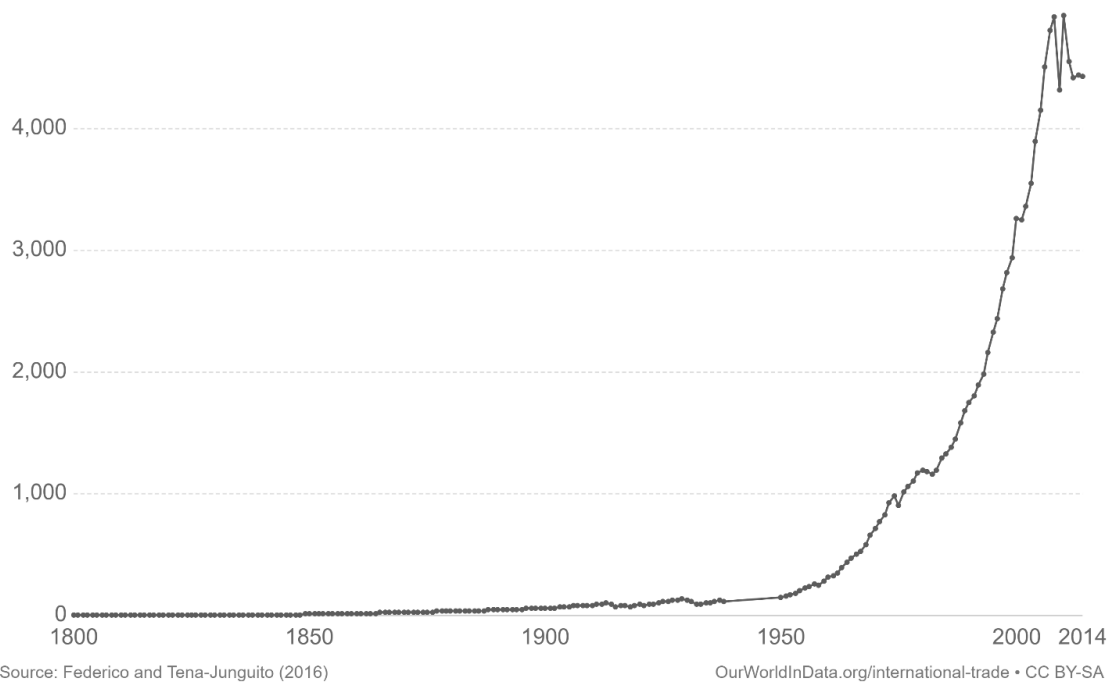
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<sup>1</sup> Modern Grocery Distribution is defined by Planet Retail as a specific retail selling format, including (1) modern retail formats predominantly selling food, such as hypermarkets, superstores, supermarkets, discount stores, convenience stores, drugstores and independent outlets associated with a retail organisation or grocery retail company; (2) mixed merchandise retail formats operated by grocery retail groups predominantly selling non-food; and (3) non-food retail banners operated by grocery retail groups; modern wholesale formats, such as warehouse clubs, cash & carry outlets and delivered wholesale (including distributors in the foodservice sector). Specialist food outlets, such as butchers, bakers, etc. and open markets are excluded from the category.



one of the most important features of globalization is the growing intensity of economic exchanges and the fact that trade relations connect territorial contexts more and more distant from each other. From a geographical perspective, globalization means that the spatial frame for the entire economy has been expanded implying complex and global integration and an intricate network of global flows and hubs (Held *et al.*, 1999; Knox *et al.*, 2014). This economic interdependence between territories is well represented by the exponential and constant growth of freight transport (Fig. 0.1).

**Fig. 0.1 Value of global exports at constant prices, relative to 1913**



\*Volumes indexed at 1913=100

**Source:** Federico and Tena-Junguito (2017) published in <https://ourworldindata.org/trade-and-globalization#trade-has-changed-the-world-economy>

## 2.2 Logistics and supply chain management

Today, the concept of logistics, overlapping with the one of supply chain management, bundles together these networks that rely on information flows, communication among different economic actors, cooperation within different company branches and between producers, distributors, and retailers, and last but not least they rely on the organization of physical distribution. The physical distribution dimension is crucial

to understand and to account for the development of the logistics sector. Logistics can be industrial or distributive. The common element between the two lies in the fact that logistic operators perform the function of ensuring the presence of a certain product in a certain place, in the right quantities required by the market, within the required time-frame. The difference between them lies in the market areas that are affected. Industrial logistics helps to integrate various stages of production processes that are located in space according to a criterion of profit maximization. The distributive logistics underpins the trade of finished products. After the production process, the goods flow continued via wholesaler and/or shipper to the retailer, ending at the final customer. The management of freight flows minimizes supply and storage of goods costs. The development of freight logistics, both distributional and industrial, has therefore played a key role in the spatial reorganization of production processes and in building economies of scale in the retail sector.

From an institutional point of view, this change was possible only thanks to gradual homogenization of freight distribution regulations both at the regional and global scale. In this frame, processes of political integration among different entities (cities, regions, states...) are critical in giving the structure of opportunity and constraints for the development of the logistics sector. The Europeanization process is from this point of view a relevant field for the research of interaction between market changes and State reorganization.

The European common political framework revealed to be crucial for the deregulation and liberalization of transport, and easing the management of rising freight flows among different national economies. After the introduction of the Single European Market (SEM) in 1992, the role of logistics has become more and more strategic for producers and retailers in order to maintain and improve their competitive advantage (Hesse, Rodrigue 2004). The European regulation has thus shaped the development of logistics from its basic functions of transport, handling of cargo, and storage to the modern concepts of high-performance logistics, including concepts of the organization of world-wide supply chains (Vahrenkamp 2012). Eventually, the establishment of the European Domestic Market on January 1<sup>st</sup> 1993, and the conversion of the EEC into the European Union came together with the harmonization of fees, norms and regulation, and, crucial for the shipping time management, borders formalities for transnational freight haulage by truck were omitted. If until 1993 distribution systems of producers and retailers were organized as national systems, the EU enabled the development of a transnational form of

freight transport organization with logistics platforms and distribution centers able to supply wide regions cross-cutting national borders. Not only truck traffic policy was important to develop the logistics sector. During the 1990s, other policy sectors start to be regulated at the European level creating a common policy framework to design air traffic market, telecommunication markets, and parcel delivery markets. These changes were a powerful tool to boost the private supply of logistics services in the transport industry, parcel services, and telecommunication services.

On the retail side, considering both food and non-food sectors, the companies' concentration has grown considerably and they have built up their own specialized logistics system thanks to the economic and organizational resources mobilized within economies of scale. Eventually, internet-based information systems, created in the 1990s, simplified and fastened the exchange of information contributing to the acceleration and accurateness of freight flow management. Logistics thus developed against the background of a long-term structural change in the economy, technology, and society affecting all major industrialized countries. The reshaping of freight transport into the logistics sector has expanded its function and its influence on Global Production Networks<sup>2</sup> organization. Logistics is nowadays a crucial component in the global economy, not anymore just an *input* into a specific industrial sector, or the *output* of goods to deliver towards consumption markets but an industrial sector itself with proper organizational logics, modifying the production and distribution processes, which are nowadays more and more characterized by (Coe, 2014):

- The spread of production methods based on the notion of *flexibility*
- The development of a *just-in-time* model of raw material provision and final good distribution.
- The increase in complexity and the geographical expansion of production networks.
- The change of relationships between producer and consumers.
- The growing importance of commercial capital and of retail sector influence.
- The higher differentiation of consumption habits.

In this research work, I aim at analysing how the relationship between market transformation and state reorganisation in local European contexts has been articulated. In

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<sup>2</sup> This term refers to economic actors strategies due to improve their position within global production systems.

the context of retail supply strategies, the development of logistics has triggered some important changes. To highlight the differences between the traditional shape of the freight transport system, the revolution in the supply chain management and the development of the related logistics industry, I consider four dimensions (Hesse 2004):

- A restructuring of goods retailing by establishing integrated supply chains with integrated freight transport demand, from the retail selling unit to procurement from producers.
- Whereas transport was planned according to the need to overcome space, the driving logic of logistics is shipping time management. In some cases, longer distances are preferred if the logistics infrastructure can guarantee more certainty in time management to assure on-time deliveries.
- According to macro-economic structural changes outlined above, demand-driven activities became predominant. If traditional supply was managed by the supply side (as in the case of food wholesalers located in wholesale markets), big retailers supply chain are increasingly managed according to demand dynamics.
- Logistics services are so complex and time-sensitive that many retailers have sub-contracted parts of their supply chain management to third-party logistics providers. These corporate actors experienced as well a strong and fast concentration process. Profiting of their economies of scale and growing geographical scope, they can offer integrated, costless solutions for many freight distribution.

### **2.3 The infrastructural dimension of logistics**

According to Aoyama *et al* (2006: 338) “[...] *although the logistic industries serve an integral function in the globalization of production, it also remains one of the most localized and embedded industry of all*”. This double-faced dimension that links together locational advantaged with globalized freight flows makes logistics a fertile terrain to grasp how supra-local economic changes interact with local public action devoted to governing freight transport infrastructures. The local embeddedness of logistics produces a network of infrastructures that guarantees the supply chain integration among dispersed geography of industrial production and distribution processes. I already mentioned above the critical role of road and highways network construction to stimulate the organization of a truck-

based distributive logistics. Ports and freight flow corridors between ports and inland intermodal terminals play a structuring impact on the global supply chain, acting as hubs where goods are handled to be resent towards national hubs and regional or local distribution centers. For all these reasons, is critical to understand the interactions that take place between local and supra-local distribution systems, and to understand how these interactions are mediated by the institutional arrangement of different levels of government involved and the policies they implement.

The spatial insertion of logistics is characterised by different nested scales of freight flows, in urban areas, in fact, there are overlapping flows of goods directed towards other destinations, flows of national and transnational origin and flows of local origin. It is built on a physical network of logistics and transport infrastructures and, as we have seen, lies on the geographical supply chain integration. In the European context, I observe a progressive concentration of freight flows towards few infrastructures and regions. Some cities are characterized by a concentration of logistics facilities more than others are. The geography of logistics activities is actually marked by the centrality of accessibility in location criteria for logistics infrastructures, connection and proximity with production and consumer markets, and the availability of professional and organizational skills that can make possible the complex management of relationships between the different actors involved in the integrated management of supply management. The interaction of these dimensions results in a spatial concentration of logistics facilities around a few urban agglomerations.

In Europe, inland infrastructures are concentrated namely in the Benelux region, the Nord-East of France, and in Ile-de-France (Heitz, Dablanc 2015), central Germany, Lombardy in Italy and the region between Madrid and Zaragoza in Spain. The implantation for these infrastructures follows a logic of economic and territorial development that has a relevant impact on the territories due to the high land consumption features and the environmental externalities that are linked to them (traffic flows, air and noise pollution). Each territory that hosts such infrastructures is therefore under pressure from a different point of view: the patterns of urban and economic development, the congestion of transport infrastructure, and environmental issues. Thus, the spatialization of logistics, and especially its urban insertion, operates also as structuring tool for the local urban and economic development (Dornier, Fender 2007). This opens opportunities for actors not directly involved with logistics in order to shape infrastructural policies and development

strategies of public actors: freight-handling companies, logistics service providers, real estate promoters and investors, infrastructure developers and operators, wholesalers, retailers, and last but not least, all the collective actors that have a role within the related decision making process.

### ***3. The link between logistics and urban governance***

Urban areas interact with freight flows in two ways. On one side they provide the infrastructure network (roads, railways, airports, ICT), the organizational skills and the labor force to structure global supply chain connecting different regions. Goods are gathered and resent through logistics facilities, they do not enter into the local consumer market. On the other side, cities act as consumption places and logistics guarantee constant provision of goods demanded by urban economies. If the first type of interaction the city acts as an asset provider (land, labor force, infrastructures, organizational resources), the second is affected by frictions, tensions, inertias, changes within the local context since it concerns actors embedded in the urban economy, such as wholesalers, retailers, parcel delivery companies, catering services.

The way this interaction is shaped at the local scale is linked with the capacity to steer collective action and coordinate different actors through and within of public policies aiming at regulating logistics activities and logistics infrastructure development. Cities can act through policies and regulations focused on the modernization and economic viability of urban logistics infrastructures operating in the urban area, the provision of local resources to increase the capacity for coordination between actors, the support for the development of strategies of spatial agglomeration in the freight transport sector. Adopting a governance approach to urban logistics infrastructure development allows investigating if and how these policy issues have been faced, looking at the coordination strategies between public and private actors, and highlighting the role of institutional configuration and economic change in infrastructure policy management.

Some scholars, adopting an economic geography perspective, have analyzed the form of the relationship between geography and urban commodity flows focusing on the development and change of urban infrastructures that connect global flows with local and regional contexts. This research approach has favored the analysis of the change in the

relationship between cities and port infrastructures triggered by the consolidation of global maritime logistics. These research contributions have made it possible to identify the relevant factors to define the relationship between ports and urban realities: the existing logistics infrastructure, the development policies of these infrastructures, the agglomeration of logistics services that relate to the GPN, the ability to respond in organizational and institutional terms to the logistical revolution underway. In most cases, the link between the organizational transformations of this economic sector and urban contexts has been addressed through spatialization dynamics of global hubs as maritime terminals, ports, inland terminals, intermodal hubs and freight villages (Slack, Fremont 2005; Rodrigue *et al* 2010). In this perspective, cities are considered as providers of infrastructure in the global logistics market and as players who contribute to the organization of the logistics industry through their infrastructure (Hesse, Rodrigue 2006; Cahoon *et al.*, 2013). The link between urban infrastructure and freight flows is interpreted both as a factor of attractiveness for economic activities related to logistics and as a factor of economic and spatial integration between cities and the outside world (Scott 2008; Hesse 2010). The growth in the volume of global trade has led to the configuration of new urban geographies as these economic forces have local repercussions and exert pressure to adapt public policies to ensure the availability of adequate infrastructure to ensure accessibility in the region (Hall, 2008). In the same analytical frame, we also find contributions that have focused on the political economy of the labour market on a national and global scale (Coe, Hesse 2010) and that have explicitly considered the interaction of public and private actors with institutions and political structures (Coe 2014). The consideration of firms' external relationships allows including in the analysis non-economic actors who have an important role in shaping logistics networks from local to the supranational level. Some examples may be supranational NGOs, state agencies, trade unions, business associations, political actors, consumer associations.

Other researchers have instead focused their attention on the technical and organizational transformations that characterize the freight logistics sector to understand how these economic changes have had an impact on the development of both urban infrastructure and the urban fabric. An example of this is the containerization process. Containerization is a transport process and technology that today constitutes the backbone of globalization (Frémont 2009). It allows the most diverse goods to be placed in containers, metal boxes of standardised dimensions, for the entire duration of their

maritime and land transport, from the door of the manufacturer to that of the customer (Fremont 2005). The diffusion of this transport technique calls into question the management model of the port infrastructures, requiring structural adaptations and in some cases the relocation of the ports to the margins of the built city, favouring the construction of new infrastructures on a local and regional scale for the management of containers (Rodrigue *et al.*, 2010). The development of this mode of maritime transport has led to a dynamic concentration of competitive goods flows between different urban locations (Frémont *et al.*, 2016). In fact, not all European ports, and in the world, in fact, have had the opportunity to adapt to the change due to unchangeable constraints such as the lack of space for its expansion. Shipbuilding gigantism has led to the need to adapt the infrastructure that allows maritime transport and has had consequences on the remodeling of trade routes. These changes in the organization of logistics open new opportunities for the governance of relations between urban regions and flows of goods for those contexts that are affected by the presence of river transport routes that connect urban areas with the coasts (Frémont 2012; Debie 2013; Hall 2012).

The third body of literature deals with the interaction between local institutions, economic change and territorial governance of the local impacts of logistics. The interactions considered concern (1) the transformation of the urban fabric due to the proliferation of logistic infrastructures (warehouses, distribution centres, freight villages, intermodal terminals); (2) the relations between global private actors and local public actors; (3) the governance modalities of these two elements in the metropolitan areas most affected by the spatialization of logistics. The transformation of the urban fabric has taken place through the interaction between a dynamic of spatial concentration on a national and international scale and a dynamic of dispersion on a local level. (Hesse 2004; 2008; Dallari, Curi 2010; Dablanc, Dina 2011; Dablanc *et al* 2014; Aljohani, Thompson 2016), that see logistics facilities moving from the inner city towards outskirts due to land availability, land cost, and transport accessibility. The result in urban development terms is a market pressure to transform peri-urban land into logistics facilities or to re-develop brownfields in urban fringes into logistics sites. Urban areas function as important consumer market, as terminals for supply chains, and as hubs for freight distribution flows.

The spatial insertion of logistics infrastructures mobilises actors that are not directly involved within the supply chain operation, but rather are stakeholders in urban governance processes. Among them, I like to mention real estate promoters and investors,



infrastructure developers and operators, wholesalers, retailers, and last but not least, collective actors that have a role within the related policy processes, who may be: political parties, different government levels, entrepreneurs, trade unions, civic organizations. The outcome of the relations between local and global public and private actors is therefore influenced by the institutional context and by the type of coordination between the different local and national policies that are implemented involving different types of actors. The difficulty for local administrators, public port authorities, in the planning tables that seek to bring local coherence to port activities, lies in the fact that the economic actors are no longer linked to the local dimension but instead dispersed among a network that varies over time of carriers, shippers and end customers. One solution adopted was to strengthen the entrepreneurial role of port authorities through organizational autonomy to allow them to have greater autonomy in global competition, and in planning processes to regulate the regionalization of ports, encouraging greater influence of private actors (Dooms *et al.*, 2013; Notteboom *et al* 2013; Bergqvist, Monios 2014; Panayides *et al* 2015).

Other authors have tried to understand how the transformation of the urban territory has been governed by highlighting the role of modes of territorial governance and local institutional configuration in determining its forms. In this perspective, the territorial insertion of logistics is influenced by the coexistence of different modes of governance, by coalitions of actors in favor of the development of logistics that vary depending on the institutional context (Raimbault *et al.*, 2013; Raimbault 2014). These scholars put also their attention on the local dynamics looking at the relationship between the development of numerous small and medium-sized infrastructure as warehouse, distribution centers, logistics platforms located on the edge of urban areas, and the governance of freight flows within urban areas, of urban development, and the influence on planning policies that steered such development (Dablanc 2007; Gonzalez-Feliu *et al.*, 2013; Morganti, Gonzalez-Feliu 2015).

#### ***4. How do infrastructures and logistics emerge through urban governance?***

Despite the attention for the interaction between on-the-ground logistics and urban development, the issue of how urban medium-sized infrastructures have been produced and governed in time has received little attention. Some studies have been done on the production and development of new infrastructures (e.g. Urban Distribution Centers) but very few research about how existent infrastructure policies have changed in the interaction with the logistics revolution. Most of the research contributions take into consideration the relationship between the logistics sector, in its different scales of organization from local to global, and the territorial impact that this triggers. Instead of considering the mechanisms that regulate the relationship between an economic sector and a territorial context, I am interested in analysing how the interaction between local government (State) and economic dynamics (Market) has been reconfigured over time. In order to carry out this operation, it is more useful to identify a specific urban object, for example a logistics infrastructure, which is characterized by a strong local rootedness from the urban, economic and political point of view, and to analyze how the economic changes have influenced the modalities of government and the integration of the collective interests connected to it. My purpose is to assess and explain how and to what extent locally active interest groups played a role upon these policies reacting to economic restructuring triggered by logistics revolution and to state reorganization providing more public action resources for subnational governments through a decentralization process.

The advantage of this type of analytical operation is to have the opportunity to observe closely and in detail the interaction between structural changes related to the State and the Market, local institutional configuration, local and non-local interest groups that have been involved in the processes of territorial governance and in public decisions on the development of the chosen infrastructure. The urban, economic and political roots of the chosen infrastructure would also highlight the dynamics between the different competing interests as regards the legitimacy or otherwise of the urban insertion of a function that generates a significant dose of negative externalities. The tensions regarding the urban insertion of logistics infrastructures also provide us with information on the dynamics that govern the choices of governance of urban development.

In fact, the interaction between urban contexts and logistics has to do not only with its very specific policy sector but also with the governance of the city itself. This includes

the regulation of urban economy, and the related change of organized political interest, the regulation of land use, the coordination of different actors and the set of priorities for local economic development. In order to understand the role and action strategies of local actors, it is necessary to assume a historical perspective that includes the structural changes, related to the market and the state, and the institutional changes, related to local government and public action, that have influenced their action. One of the sectors that have been profoundly reorganised by the development of logistics is food retailing. The organization of the urban space for the food distribution and the regulation of the food retail market have always been a crucial task to accomplish in order to guarantee the social and economic development of urban contexts (Pirenne 1927). Trade activities are historically linked to both the origin and development of European cities, and related interest groups have played an important role in local government practices over time (Nord, Carlo 1981; Winstanley 1983; Morris 1996, 1999; Pasquier, Pinson 2004; Zalc 2012; Alves, Morris 2017).

In the food retail sector, after the political, social and economic watershed of WW II, public policies were formulated and implemented in several European countries for the construction of infrastructures aimed at organizing the food supply of cities for perishable products: the food wholesale markets. Around the development and functioning of these public infrastructures, interests, economic and social institutions, practices and representations have been consolidated, orienting the action and role of retailers, wholesalers, real estate developers, local and national political actors.

The development of food logistics was favoured by retail business concentration and has led to a reorganisation of the supply chain to the detriment of intermediaries such as wholesalers. Traditional retailers in urban areas struggle today to compete with large retail chains in terms of price dynamics, breadth and stability of product supply. An economy based on mass and consumer-oriented consumption, interacting with the competitive advantages offered by supply chain management, has led to a reduction in the number of traditional retailers in the food sector, favouring instead the spread of other forms of sales such as supermarkets and hypermarkets. The construction of distribution centers by Mass Grocery Distribution (MGD) companies to guarantee just-in-time management of food procurement, and to guarantee economies of scale to lower the unit cost of the transport of the goods, has promoted to the progressive bypassing of these infrastructures making them obsolete and questioning their policy legitimacy.

Choosing wholesale food markets built in European urban areas as the entry point for my analysis allows me to consistently delimit the field of research and to highlight the variables that I have identified as relevant to understanding the nature of the relationship between supra-local economic dynamics and urban government. The European context is historically characterized by common dynamics in the relationship between trade and urban contexts, it allows to identify in an equivalent way a moment of passage that has qualified the development of food logistics thanks to the establishment of the European Domestic Market, finally the European countries have gone through, in a similar way, a phase of restructuring of the organization of the State. Finally, the adoption of a comparative research design allows me to evaluate and explain the role of the institutional configuration in the development paths that these particular infrastructures have had over time. In this research project, the role of the public actor is crucial but we also need to adopt a governance approach in order to include in the analysis some crucial variables that could have affected changes in the policy goals, policy objectives, and policy outcomes. Put it in another way, public policy analysis is our entry point to account for the local governance and regulation (Le Galès 1998) of wholesale markets to explain eventual changes in the way are governed, and in the purposes of maintaining such infrastructures in the urban context. The processes of urban governance and the public policies that express them mediate at a local level the effects of economic globalization and, in the case of the research object under consideration here, the effects of the development of logistics on infrastructures that had been dedicated since the industrial phase to the organization of goods flows in urban contexts. The role of the political dimension in the local level for the production of public infrastructural policies brings with it within the boundaries of my research object also the role of interest groups. Economic changes, therefore, become important not only for what concerns the market sphere but also for the understanding of the extent to which these changes have had an effect on the ability of interest groups to act collectively and on their impact in the decision-making processes for the infrastructure policies I have chosen to analyse.

## 5. *The wholesale infrastructure in Europe*

Looking at cities as consumption places and as a terminal for goods consumption and transformation, I focus my attention on a fundamental resource for the social reproduction of urban societies: perishable food, a class of product that needs to be constantly imported in cities. The organization of the urban space for food distribution and the regulation of the food retail market have always been a crucial task to accomplish in order to guarantee the social and economic development of urban contexts. Two examples of the historical embeddedness of this economic activity within cities are the sites of Covent Garden Market in London, developed since the 17<sup>th</sup> century and relocated at the end of the 1960s, and *Les Halles* in Paris, existing from the 13<sup>th</sup> century until a relocation outside the inner city in 1969. Aside from these remarkable examples, almost all main urban areas in Europe developed practices, enforced rules and dedicated space to organize the perishable food daily trade and procurement.

During the 20<sup>th</sup> century, a rationalisation wave had concerned this urban function leading to the construction of closed infrastructures in order to improve the enforcement of three basic goals: guarantee food provision, regulate wholesale price dynamic and control the food quality. The price regulation is pursued through the setting of condition to enforce economic competition dynamics among the wholesalers installed within the market. Food quality control was related to a public health issue, it affects also the price dynamic establishing a minimum quality standard that promotes trust among economic actors. In cities where wholesale markets are present, they channel supra-local food supply operating as one of the urban gateways that organize local fresh food distribution. Therefore, these places do not work only as market institutions, as they are considered usually, but they became logistics assets with the development of food logistics (De Raymond 2010) which mediate between three actors: perishable food carriers, wholesalers, retailers.

In the last century, I identify three waves of policies concerning the establishment of wholesale markets in urban contexts. In the first decades of the century, I observe, in conjunction with the industrialization process, the construction of new buildings or the rehabilitation of historical food trading places within cities in countries such as Italy, United Kingdom, Belgium, and Germany. After the Second World War, in a food-starved Europe, wholesale markets were a major component of food security policies of national governments and many wholesale markets were funded by the Marshall Plan (Cadihlon *et*

al 2003). In this period, the second group of countries (France, Spain, and later Portugal) implemented national policies to develop an integrated network of wholesale markets at a national scale in order to modernize and organize the food distribution from production sites to final consumption. In France and Spain, the design and implementation of these policies took place between the end of the 1950s and the end of the 1970s. In both countries, the wholesale market institution was viewed as a public good provided by the State public action in order to structure and organize food distribution at the national scale. Portugal undertook the same path only at the end of the 1980s. The last wave of public policies in Europe, have concerned the first group of countries and consisted of a process of relocation and modernization of the historical wholesale markets during the 1990s and the beginning of 2000s. The design and the implementation of the infrastructural policy, occurred mainly at the regional and local level in countries such as Italy, Germany, and UK, providing a national funding scheme to support local authorities in this endeavour. Generally, the countries that<sup>3</sup> have built these markets after the WW II, moved the wholesale activity from an inner city area towards a place located outside or at the city boundaries. In many cases wholesale fresh food markets have become the traditional gateways for the food flows towards the metropolitan area and some of them, depending on their structural features such as dimension, accessibility, provided services, have developed a structuring role in the supply chain at regional or international level.

## **5.1 Political dimensions of infrastructures**

The political feature of this infrastructure is based on two dimensions, one general and one specific. On one side, urban infrastructures always have a political dimension as they are structuring elements of urban fabric (McFarlane, Rutherford 2008). Infrastructures are never politically and socially "neutral" since they crystallize around them representations of urban and socio-economic development, social and economic interests connected to it and the need to mobilize significant financial, institutional and organizational resources (Le Galès, 2000). In any given moment of city history, there are constraints about real estate development and land use, opportunities linked to the presence

of previous infrastructure and an urban fabric continuously evolving in incremental or abrupt ways. The reconfiguration of urban governance in its relationship with other levels of government has had, and continue to have, an impact on urban development planning, and infrastructural planning too (Le Gales, Lorrain 2003). As other socio-technical artefacts, wholesale markets have been planned, developed, kept in operation, modified, rebuilt, renovated by a variety of actors who acted according to specific and often contrasting interests. Public action related to infrastructure is important on three levels: (1) the way infrastructures are built and developed over time, (2) how the effects of their presence on the territory are regulated, (3) the type of social and economic actors that have access to them. The latter point is valid especially in the retail sector that in last decades have experienced, through the development of logistics practices, processes of consolidation, vertical integration and internationalization (Reardon *et al*, 2004; Dries *et al*, 2004). As said above retailers and wholesalers had a significant capacity of collective action at local, regional and national level. This collective action has been translated into the political domain through corporative mobilization aiming at protecting this economic sector, especially from the development of MGD, which were represented as challengers due to the different entrepreneurial logic support its rise. The structural change occurred in food distribution with the penetration of MGD in food retail is critical for this research since it was fostered namely by the development of food logistics, which also affected the role of wholesale markets in the perishable food supply chain. Small retailers are strictly connected with wholesale markets infrastructures since they represent for them a collective good fundamental for the organization of the market. On the other side, wholesalers have as main clients small retailers and restaurants, thus they are interested in preserving the diffusion of their main clients. Eventually, the characteristics of the local political system are relevant in order to consider the role of small retailers and wholesalers as political actors, their capacity to influence policy-making processes, and the course of action they decide to adopt in order to be successful.

## **5.2 Infrastructural policies shaped by time, place and actors.**

The infrastructural policy within each country did not end with the physical construction of the infrastructures but continue through renewal interventions, new organizational settings, new regulations in response to changes in the retail and logistics sectors. The long duration of these policies comes together with a varying salience of this policy within the agenda setting. Once designed and implemented the physical part of the wholesale markets, their operation has been usually guaranteed by an operating body with a certain degree of autonomy. Moments of salience are observable in case of new investments plans, problems of public or collective relevance in the operation or regulation of the infrastructure, mobilization of policy entrepreneurs (whether individual, political or collective actors) to pursue some changes, changes in the state organization, in the retail economic structure or in the logistics sector. To put it in a more general way, agenda setting may be affected by changes in the distributional impacts of the policy, changes in the endogenous or exogenous structural context, and changes in the political setting.

Another crucial element of this policy concerns the coordination of actors. Indeed, such infrastructure could be hardly managed and could become even useless, without the presence and the compliance of concerned economic actors: haulers, wholesalers, small retailers, catering companies. If they consider the regulation of their practices within the wholesale market counterproductive, they may resist the enforcement of organizational rules set by the management, with severe distortion effects for the policy objectives. Thus, we have a public action, which intervenes in the shape of the infrastructure and in the organizational setting of the management, and hundreds or thousands of small enterprises that are concerned by it, and that can participate, at least potentially, in the decision making process. It is easy to understand that collective action and coordination capacity of the users and public actors during time are critical dimensions in marking the infrastructure development path in relation to structural changes of the context.

To give an idea about the diffusion and the salience of these infrastructures at the European level, I can refer to the World Union of Wholesale Markets (WUWM) European members dataset. The following chart (Tab. 0.1), is not intended to be an exhaustive one but it provides an overview of the main differences among countries in terms of wholesale markets diffusion.



**Tab. 0.1 Number of wholesale markets per country in Western Europe in 2016**

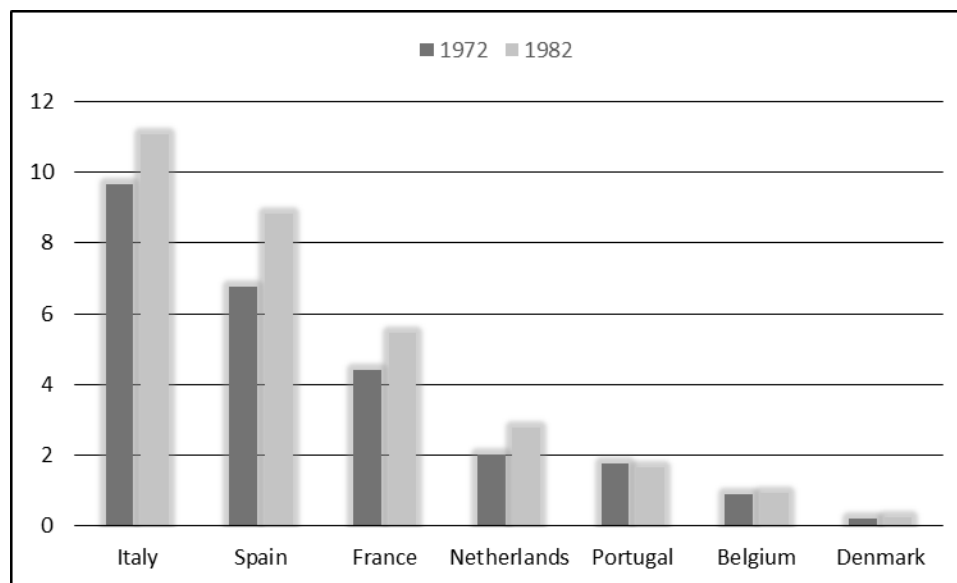
Country	Wholesale markets
Finland	1
Sweden	2
Norway	1
Germany	15
Netherlands	2
Belgium	2
France	19
United Kingdom	7
Austria	1
Italy	8 (156)*
Greece	2
Spain	23
Portugal	6

\*In Italy, wholesale markets (WM) are considered as public utilities designed, implemented and regulated at the local level. Therefore, there are 8 WM declared of national interest, 12 of regional interest, 18 of provincial interest and the rest are basically local markets

**Source:** WUWM website, institutional websites

As we can see, European countries have invested uneven resources in the development of this type of infrastructures. Those countries that nowadays are the most important agri-food producers at the European level (see Fig. 0.1) have invested more resources to organize the connection between agri-food producers and the consumer markets. Indeed, I should consider that wholesale markets have not only the function to constantly supply cities and metropolitan areas but they are also hubs import and export flows of perishable food.

**Fig. 0.2 Fresh vegetable production in EU countries, in millions of ton 1972 and 1982.**



**Source:** Elaboration of the author from Eurostat data on crop production historical data (1955-1999) [apro\_cpnh1\_h]

Another key element of urban infrastructures is their location. Looking at this dimension, I distinguish two groups of European countries. The most important fruit and vegetable producer countries invested in two kinds of locations: some wholesale markets were built close to the production areas and some others were built near to the main consumption markets as to say regional and national capitals. The countries that were not, and still are not, characterized by a strong production activity invested in wholesale markets built close to main consumption areas. According to my premises, considering the interest I have in understanding how this infrastructure policy has changed in relation to the logistic sector development, I focus on terminal wholesale markets located at the border or within major urbanized areas.

### **5.3 Structural change for the food retail sector**

Food distribution is an economic sector that has passed through major changes after the end of WW II. These changes have impacted several dimensions of food distribution: the structure of the retail sector through concentration and vertical integration processes, the organizational features in retailing such as stores sizes, the type and the scale of concurrence. Another major change has been the supply chain reorganization, first linked

to the concentration of retail companies and after the development of food logistics practices.

I consider three dimensions that are linked with the operation of wholesale markets and that are pillars of the regulation of the food distribution sector. One dimension is about the type of economic institutions at the core of the distribution system, as to say those considered essential for circulation of perishable goods from producers to final consumers. I distinguish two main economic institutions devoted to this task after the WW II: wholesale markets and buying groups. If wholesale markets act within food distribution as market infrastructures that organize wholesaling activity, buying groups operate on the production side structuring economic conditions for the access of produce into the distributive system. A second dimension concerns the function these institutions are playing. Wholesale markets guarantee the assortment variety, and they are an important infrastructural asset for traditional retailers, especially in urban areas. Buying groups privilege the function of maintaining a stable offer of standardized items with less variety and a stable price for consumers. The third dimension refers to actors, who are pivotal for the functioning of these two market institutions: wholesalers and traditional retailers in the case of wholesale markets and big retailers or federated retailers and logistics companies in the case of purchasing groups.

The development of MGD was the premise for a restructuring of all the supply chain and the logistics management of perishable food supply for cities. These two intertwined changes are relevant for wholesale markets in two ways. On one hand, the MGD diffusion eroded the competitive advantage of main clients of these infrastructures replacing traditional retailers in urban distributive systems. On the other hand, the development of an economy of scale by big retailers favoured the supply chain reorganization within the broader context of the so-called logistics revolution, making wholesale markets less important in their gateway function for perishable food.

## 5.4 Explaining retail reorganization: confronting regulative and sociological approaches

The dominant approach in the literature is the one of analysing the changes occurred in different European countries starting from the type of regulation that has marked the retail sector. Changes occurred in the way perishable food is distributed at the local, national and international level are addressed by the analysis of the last node of the value and supply chain: retailers. The implicit assumption in this approach is that final consumer market's demand and offer dynamics are the main structuring and homogenising forces that can be only partially mediated by public regulation. Consistently with this idea, in this literature I can find single case or comparative studies where different legislations defined the guidelines for the retail sector development, designing a structure of opportunities and constraints that, interacting with other macro-economic variables on the demand side, have marked the change features (Guy 1998; Bertrand, Kramarz 2002; Chatriot, Chessel 2006; Cliquet *et al* 2008; Viviano 2014; Sadun 2015). No matter the macroeconomic conditions of a specific country and no matter how the regulation is designed, there is a trend towards convergence in all European national markets characterised by: high degree of concentration, integration of the purchasing practices, with the food logistics being the strategic asset for competitive advantage, and a propensity towards internationalization.

During the 1980s, different structuring forces were considered to give specific national based shape to retail sector structure. Convergence in food distribution structures was not considered as a sure outcome (Brown, 1987) even if some authors were already explaining the retail change as an evolutionary process moving along steps of development (Bucklin, 1972; Wadinambiaratchi, Girvan 1972). In the same decade, tendency towards concentration got stronger paving the way to the conviction that market pressures would lead to a similar outcome in every national context. Considering the first five food retailer players, Spanish concentration ratio had moved from around 20% in 1991<sup>4</sup> to 51% in 1999<sup>5</sup>. In Denmark, Luxemburg, Netherlands, the change during the 1990w was profound. For instance, the food retail concentration in the Netherlands had moved from 44% in 1991 to 95% in 1999. German and UK are in 1991 the European countries with highly concentrated retail sector: even if the national concentration rate in Germany is not the

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<sup>4</sup> Source SECODIP (Société d'Etude de la Consommation, Distribution, et Publicité) data quoted in Tordjaman 1994

<sup>5</sup> AC Nielsen figures quoted in Dobson *et al.* (2003)

highest, this country host the biggest companies in Europe, while the UK reached the 45% of concentration<sup>6</sup>. The concentration rate in 1999 reached 76% in Germany and 71% in the UK<sup>7</sup>. In the 1980s and at the beginning of the 1990s, the internationalization of retailing, compared with production, remains partial and marginal (Tordjman 1994). In parallel with concentration trends, the movement towards internationalization has accelerated and grown in scale. Some factors were presented as drivers for the growth of internationalization in retailing. External and internal factors were proposed as an explanation (Tab 0.2).

**Tab 0.2 Explanatory factors for retail internationalization**

External factors	Internal factors
- saturation of national markets, making it more expensive to gain a market share	- search for a rate of growth and a profitability level higher than that which can be obtained in the country of origin
- constricting legislation in some countries, which makes it necessary for firms to look beyond their country of origin if they wish to expand	- spreading of risks geographically operating in several countries with several formats
- the lowering of transport costs, the improvement of information systems, and the opening of frontiers, which have facilitated the exportation of sales formats and capital	

**Source:** Author's elaboration based on literature review

The role of public regulation is described as afoot of unintended consequences. Even if the goal of much national European legislation was to protect the traditional retailers especially in urban areas, big retailer companies were able to penetrate national markets even if at different degrees. In the last ten years, the concentration in European retail has kept growing. Although retailing in Europe is still numerically dominated by small outlets and small organizations, in all markets and all retail sectors their share of sales are falling as their competitive position weakens relative to larger organized forms of retailing.

However, despite macro-level changes in organizational structure, retail competition still takes place at the local level (Burt 2010). This generated a myriad of different retail

<sup>6</sup> Source SECODIP (Société d'Etude de la Consommation, Distribution, et Publicité) data quoted in Tordjaman 1994

<sup>7</sup> AC Nielsen figures quoted in Dobson *et al.* 2003

landscapes. Indeed, the diversity of national public regulation remains significant. Size store control is one of the main policy tool. Furthermore, variation in the timing of initial legislation, relatively early in France and Italy, Germany, Belgium, and Holland, has significantly marked the subsequent organizational evolution of the retail sector (Poole *et al* 2002). In the European context, there are still marked national characteristics in food retailing in many Western European countries (Vorley 2007): regulatory frameworks, the presence of foreign brands in the national market, the penetration of discount format and the weight of other retail formats, the strategic responses to market changes such as mergers and acquisitions, internationalization, patterns of price competition, and, most important for us, the organization of food logistics. This shapes the logic and the strategy of concurrence not only between companies at the national or international level, but also at the local level, and thus increases the variety of retail format (Colla 2004).

A second main approach in the literature addressing changes in food distribution is able to take into account and give due weight to the variability of the forms of reorganisation of the food trade sector focusing on the structure of the value chain. A sociological approach to the construction of the market seems appropriate to depict the political economy change in each national market.

The starting point is not based on the classic notion of the demand/offer dynamic and how to regulate it. Instead, this sociological approach focuses on the question how different ways to regulate relationships between actors shape their representations, needs, and strategies, and how these are then linked to the social construction of the demand and offer of goods and services. Therefore, changes are framed as new relationships between demand and offer along the supply chain, abandoning the idea of an evolutionary trend in the transformations of food distribution. The main argument is about the political choices among different logic of market that have been done at the beginning of the modernization processes in food distribution and the consequences these choices have had.

This perspective allows considering how actors in a certain social context, in this case, the perishable food distribution market, build their representation and interact with the material, cognitive, normative and subjective arrangements. Furthermore, the attention to actors, their representation, strategies, and relationships allow outlining the conflict dynamic between social groups and the impact of these conflicts on the social construction of the market (Fligstein 1996). De Raymond (2010) proposes three different market logics, which explain the dynamics of exchange of the perishable food. Each of those logics is

organized around one market device, which structures power relationships between producers, wholesalers, and retailers, distributing in a different way the influence over the value chain. One model is organized by the logic of auction markets lying on the objective to define a collective price for each product unit through a system of centralized auctions. The second one sees the central structuring device of the wholesale market where economic transactions are managed through a regulated system of trade among private actors. The latter model is organized around a supply system that foresees exchanges by distance and the development of economies of scale through the purchase centralisation thanks to the structuring device of buying groups

When auctions were implemented in Europe, for instance in Netherlands and Belgium (De Raymond 2010), they were considered as a tool to counterbalance the excessive influence of wholesalers and retailers over the value chain. In these cases, products can enter in the distribution market only passing by compulsory auctions organization, which are controlled by producers. The products standardization is here a fundamental prerequisite. The consequence of having a market made of products that respond to certain standardized criteria makes possible to trade them only thanks to a detailed presentation of these criteria. The result is that the physical presence of both the products and the buyers in the auction market is not necessary anymore. In a market organized around the auction device, we have progressive marginalisation of the wholesaler role. Their function, to offer a wide and deep variety of merchandise and its personal knowledge about the market conditions to drive the price dynamic, is bypassed by the formation of a collective price and the diffusion of standard criteria to define products.

The market construction organized around wholesale markets considers these infrastructures as a tool to resolve the uncertainties about the variability of products day by day. Wholesalers and retailers have potentially all the information at their disposal because all the products tradable at that moment are physically there. The variability of the merchandise is considered as intrinsic of the perishable food and not avoidable. Therefore, the establishment of wholesale markets allows controlling it. Personal networks are one of the resources mobilized by actors to overcome uncertainties (Di Maggio, Louch 1998) and wholesale markets are conceived as an infrastructure to regulate and promote these social interactions. Personal social networks and interactions are the starting point for the trading activity between wholesalers and clients. The trade exchange is based on the personal expertise of actors since the discussion about the final price is linked to knowledge of

products qualities such as appearance, smell, taste. For this very reason, the premise of this type of market logic is the physical presence of the merchandise to trade. If I consider the structure of the market, this device reposes on the premise of an atomistic offer on the wholesaling side. One single wholesaler cannot offer the complete variety of products in terms of items and each item's quality level. If the client does not find the product he/she is looking for, he/she has the opportunity to complete the supply trading with other wholesalers present in the market. The fact that wholesalers are the intermediary between producers and retailers gives them the power to manage the price with both: producers have difficult times in making circulating their merchandises without passing by wholesalers and retailers need them to encounter the variety of products they need for their supply. Wholesalers are at the center of the goods circulation and they can exert their influence upon the value chain.

In the third model, the direct delivery from producers to retail foresee the systematic bypass of wholesale markets and do not include the auction device. The development of new store formats like MGD with several decentralized business units bypasses wholesale markets as devices to regulate freight distribution (Daumas 2006). The main consequence is the progressive dispensability of wholesale markets and wholesalers operating within them: the principle of regulated market institutions functioning in a precise physical place is erased. Wholesaler in this market are not any more traders but senders at the services of retailers requests. The trading mechanisms grounds on the capacity to build up an economy of scale able to support the development of those assets apt to organize the procurement activities: the warehouse (or Distribution Centre) becomes the main market institution. An economy of scale consents then to centralize procurement and to obtain better price conditions from producers.

This market logic constitutes the political economy setting that allowed food logistics to develop. Looking at the organization of the value chain there is a shift in power relationships in favour of retailers. Indeed, if the mechanism to gain a competitive advantage is the concentration of buying power in order to give better services to retailers, the result has been retailers organizing in federations to directly buy their supply and to provide by themselves delivery conditions. In such a market, I observe the rising of a new actor: buying groups. These economic institutions establish trade conditions with producers deploying the power of different retailers groups or big retail companies. The merchandise orders are then left in the hands of each retail federation or company, which



then use a specific system of delivery for its business units. One of the consequences of this market logic is the concentration process on the retail side. The tendency to retail concentration pushes public actors to enforce concurrence regulation. The product representation change as well. Market actors do not conceive any more products as subject to high variability that needs to be managed through direct trade or auctions. The product respond to logistics needs, therefore its assessment is made looking at appearance qualities and at its capacity to pass through transport operations.

These three market models should not be considered as one alternative to other. It is possible to trace in different national markets the presence of different elements of each of them operating together in a more conflictual or integrated way. The interaction among collective action capacities and public regulation agenda can give origin to different socially constructed markets. These differences then interact, in a way that is the object of inquiry in this research project aiming at analysing changes in the infrastructural policies that have promoted the construction of wholesale markets.

Key changes in the supply chain management and the increasing role of cities. Vertical integration and concentration in the retail sector have been a strategy for cost improvement, and integrated retailers were able to directly manage and control the supply chain operations to their stores. To guarantee the full potential of cost reduction it becomes necessary to be able to overview operations throughout the whole supply chain (Sandberg 2010). Therefore an important step for many food retail companies has been to adopt vertical integration strategies. During the 1990s, the increased size of retail companies obtained through concentration and the resulting financial strength enabled them to take over the control of the supply chain from food producers. The technical and organizational assets behind this expanded control are to be found mainly in improvements in the logistics operations. The major activities to take over for retailers were operations in warehouses, distribution centers, as well as logistics services improvements (e.g. cross docking).

The capability of controlling the transport of freight from producers to stores had a crucial impact on supply chain cost improvements. This goal was pursued investing in the building or renting of physical distribution infrastructures in the first step, and then, for some companies, came the decision to outsource all the logistics department to third-party

logistics,<sup>8</sup> that is specialized corporate actors. Logistics related costs such as inventory costs, transportation costs, and IT costs will increase significantly with vertically integrated supply chain management. Whence, the need to develop appropriate internal competences or to outsource the sector buying logistics services from third party logistics providers.

By overtaking the control of supply chain organization, the former influential role of suppliers and wholesalers within the value chain result jeopardized if not definitely marginalized. Before the diffusion of MGD, agri-food producers used to develop their market niche and access to final consumers using a network of wholesalers and retailers and relying on the structuring role of wholesale markets. MGD companies have dispensed with the need for a separate wholesaling function by integrating this element into their business, implementing sophisticated logistics systems based on regionalised warehousing, with subsequent distribution to their own stores by passing wholesale markets.

During the market penetration by MGD and the related concentration process, the number of clients for wholesale markets (mostly traditional retailers) had been decreasing, reducing turnovers for wholesalers and revenues for the market management company. The result of all this looked particularly favourable only for the largest retailers. With their growing control of domestic retail markets shares, MGD companies were able to wield their bargaining power to extract beneficial trading agreements from suppliers pressurised into making concessions in order to gain access to their customers. The better trading terms obtained by the leading retailers further reinforce their competitive advantage over smaller rivals and bypass wholesaler's role.

As we have seen, wholesale market policies are in between of several changes occurring in the market at the supra-national level, in the State organization, and in public action at the local level. In the food sector, logistics development as an independent economic sector interplay with the already widespread presence of MGD chains in all European countries. Therefore, using this infrastructure as an entry point I have the opportunity to analyse how long-lasting infrastructural urban policies have interacted with two intertwined economic changes: the change of the economic structure of the food distribution sector, and the development of the logistics sector. , put them in question, and

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<sup>8</sup> Third-party logistics (abbreviated 3PL, or TPL) in logistics and supply chain management is a company's use of third party businesses to outsource elements of the company's distribution and supply services.

in need to proper initiatives in order to maintain their position within the supply chain organization and to preserve the position of wholesalers and small retailers within local food distribution systems.

The development of logistics as an autonomous sector and the takeover of big retail companies on the supply chain organization has a multi-layered impact on the role of these infrastructures. At the macro-level, it has influenced the role of cities within the global economy. The fact that urban areas are at once important consumption markets and served by a dense network of transport infrastructure, makes them crucial nodes in the supply chain organization. On a meso-level, the logistics sector has an impact on the urban development pattern and on the operation of existing urban infrastructures. The urban development is affected, since the logistics sector needs large portion of the land and physical structure to work properly, and it needs them close to consumption markets and transport infrastructures. At the micro-level, as to say looking at each infrastructure unit, the development of this sector has promoted a change in the logic and instruments used to organize the supply chain. Supply chain management is structured around the just in time principle, with good flows organized in order to limit the stocks having less intermediate reloading possible; the ICT system is also crucial and technologies for freight flow control are used massively. Wholesale markets were not designed as logistics infrastructures but in order to maintain the competitive advantage in the food retail sector for wholesalers and small retailers, they are in need to transform their operational criteria and instruments to remain competitive.

Despite food distribution could be considered as a non-relevant policy issue by the mass public, its regulation has major impacts on several domains: the features of freight flows within cities, the price regulation, the urban development, the sociability of neighbourhoods. The regulation of this economic sector is also linked in an iterative mode with the political influence of different economic actors. A different way of regulating the market can be the result of interest group pressure on government elites but is true as well that a different regulation can undermine some group favouring others (Pierson, 1993). Considering the actors concerned by these policies, they go beyond the economic ones directly involved in the food retailing and distribution. Having specified the analytical and empirical dimensions informing my research design I can now develop the research questions to be investigated in this research work.

Analytical approach and research question As this study focuses on the relationship between society, the State, and the market and emphasizes the impact of the transformations that these relations have undergone since WWII I embed our research in the field of political sociology. To explain these relationships in relation to my field of empirical research, I will briefly discuss the analytical approach I have chosen to use to explain the change in public policies designed for the construction, management, and development of wholesale food markets.

## ***6. A new role for the State towards the market***

In the European context, since the 1970s, I have witnessed a reconfiguration of the role of the State in the regulation of the market and in the relationship with the government of cities. Over the last few decades, cities have placed themselves in this system of relations as a territory in which specific ways of regulating interests, social groups and institutions can take shape (Le Galès, Harding 1998). This outcome is accompanied by the progressive reorganization of the State which has led to a weakening of State regulation in favour of market regulation of the processes of territorial economic development and public action in urban contexts. In the weakening of State's role, relationships between different levels of government are being marked by stronger horizontal and vertical interdependence. As far as the role of the State in relation to cities is concerned, it is necessary to recall some elements. Although the State has reduced the weight of its regulatory role in favour of a more favourable strategic approach to promoting the market regulation of interest groups, institutions, and public policies, it maintains an important organisational role for the economic development of cities. What I intend to analyse here is the extent to which the State has played a role in the public policies that have produced the wholesale food markets. In line with what has been discussed in the previous paragraphs, the role of market forces on the national and local regulatory structures of the food trade are important but do not allow to explain the form that this economic sector has taken locally within Western Europe. The same can be said of the development dynamics of food logistics. This is linked to the form of change in the retail sector and the different configuration of this has resulted in different models of reorganization of the supply chain,

affecting in an equally different way the role of wholesale markets in local distribution systems.

In addition to influencing the type of relationship between these infrastructure policies and the structure of the market, economic changes have also changed the relationship between state and city, opening new opportunities for a coalition between local actors to support (or oppose) the public policies implemented in cities. Liberalisation, deregulation, and privatisation processes in the regulatory framework typical of each national context have led sub-national levels of government to invest in the development of local regulatory capacity in the context of economic development. As far as the ability to govern the economy is concerned, the state has given way to European institutions, financial capital, and the market. This will, therefore, be a direct aspect of this research. To what extent and in what way liberalisation, deregulation, and privatisation measures have had a role in wholesale market infrastructure policies? Has the prevalence of market logic produced the same results in different institutional contexts? The link of these infrastructures with the dynamics of local government and with local interest groups and not in what way has it been influenced?

The reconfiguration of the state and the spread of local forms of regulation requires a focus of analytical attention to answer these general questions on urban and regional contexts well defined in the research design. In order to maximise the possibility of understanding the role and weight of different regulatory and institutional arrangements in the face of economic change, I think it is more useful to choose case studies in two different national contexts. This allows me to highlight two aspects. The first concerns the effect of state reorganisation processes on the local context: do different national contexts move towards a convergent reorganisation or do they maintain a degree of diversity? What we know is that the autonomy of cities in different European countries changes in terms of discretionary allocation of financial resources, available competences, and political legitimacy. The second concerns the possibility of highlighting the role of different models of vertical integration of local governments for wholesale market infrastructure policies. Focusing my attention on the definition of local contexts, I focus not only on the type of public decisions formally taken by subnational governments, but I also include in the analysis the government coalitions that are formed over time and, above all, the role of the interest groups that support them and influence their decision-making processes, including

in the analysis the role of the state according to its influence on public policy that I have decided to study. We already know, in fact, that during the 1980s and 1990s new ways of urban governance have spread in Europe, working with coalitions that vary over time, and with different forms both within and among States, which include stable relations between public and private actors and non-public forms of management of public services (Le Galès, Hardin 1998). I will therefore ask myself in the analysis of the policies for the selected wholesale markets what has been the role over time of the dynamics of urban governance to which these coalitions have given rise, how have they changed in their composition, if and how they have seen a growing influence of private actors, what role has the institutional environment in which public policies are rooted played in the individual aspects referred to here. In fact, my aim is to have the economic, institutional and political factors that will play a role during the fieldwork research dialogue with each other in the strategy of explaining the observed policy changes. To achieve this goal, two operations are necessary: the identification of an adequate theoretical frame and the choice of case studies that allow me to highlight the explanatory scope of the market dynamics highlighted in the economic changes in trade and food logistics, in relation to the reconfiguration of the role of the State. The theoretical frame must be able to hold together the role of the economic and institutional context with the dynamics of change in public policies relating to wholesale food markets.

## **6.1 Neo-Marxist Vs Neo-institutionalism**

For neo-Marxists, urban economy and the urbanization process are loci of profound reorganization in order to support the capital accumulation; for new institutionalist understanding the way political context, actors, and mode of urban governance is the key to understand institutional change and thus, policy change. In order to be able to contrast both approaches over an empirical puzzle, I need to take into account also the time dimension. In the neo-Marxist view, time is crucial in order to be able to track a change in the way public policies have developed and have been implemented. Since they place between the 1970s and the 1980s the historical moment when the effects of economic reorganization are visible in urban policies, I shall choose an infrastructure policy started before this moment. For institutionalist scholars, time is crucial as well since policy change and the role of political context may be visible only considering a long period of time.

Since I take seriously dimensions such as time, urbanity, economic change, I think that fresh food wholesale markets, and their relation on one side with restructuring States and on the other with market restructuring, are a fruitful unit of analysis understand infrastructural policy change. This public policy has some key dimensions that make it eligible to be explained by both theoretical frameworks I outline here. It has an important spatial dimension that allows to verify if the logic of the urban space production has changed according to the pattern theorized by neo-Marxist stream of urban studies. The clear urban dimension of the infrastructure I have decided to study is compatible with both theoretical frameworks.

Urban governance, in general, is primarily concerned with the coordination strategies of public and private resources adopted by local authorities. Following a political sociology approach, urban governance can be defined as a process of coordination of actors, social groups and institutions in order to attain particular goals that have been discussed and collectively defined in fragmented, uncertain environments (Le Galès, 1998). The way these modes of coordination have changed in response to market or State changes are defined in urban literature highlighting different mechanisms and change factors. Political economy is a research field that hosts several theoretical perspectives focused on the relationship between public administration and market, and on the resources are mobilized by both to shape public action. Their goal is to explain political, economic and social changes at the urban scale looking at the interaction of market and local institutional configuration considering policy change as the result of such interaction. With the term policy change, I refer here to goals and objectives of wholesale markets operation within local societal and economic contexts, and to the outcome of the policy. To be more specific, the outcome refers to how coalitions for the infrastructure's operation are set up, the kind of interactions between administrative, political and socio-economic actors, how political integration of different interests has been pursued by concerned government levels. The role of actors is crucial in determining outcomes since according to their power position in the coalition and the resources at their disposal they can influence the result of policy and influence its further development (Pierson 1993).

The Marxist tradition of political economy suggests that economic structure shapes the rest of societal dimensions. The analysis of capitalism gives the matrix to understand society and politics, whose expression in society through policies is subordinated to market logic. According to neo-Marxist theoretical approach the logic of capital circulation and

accumulation shapes urban processes in advanced capitalist countries, favouring new conditions for further accumulation, strengthening political economic dynamics of uneven geographical development, and restructuring the geographical distribution of human activity (Harvey, 1989; Swyngedouw, 1989; Brenner, Theodore 2002; Swyngedouw, *et al* 2002; Theodore *et al* 2011). They contend that the globalization of economic life at the end of the 20<sup>th</sup> century has meant that institutions count much less than before leaving to the globalizing economy the main force in structuring public action. According to them, policy-making systems is suited to respond to international economic pressures leaving aside the influence of local interest structures and institutional configurations.

This theoretical framework was elaborated to explain the shift from a managerial to an entrepreneurial mode of governance in cities. Entrepreneurial urban policies do not change necessarily in their content but they experience a shift in pursued collective goals. Actors active in the policy network change accordingly being supra-local economic actors more dominant than locally embedded ones. Lastly, the policy instruments move away from redistributive towards profit-oriented ones. Harvey (1989) with the term entrepreneurialism meant the increasing of public-private partnerships in urban policies to attract external resources of founding, to stimulate new direct investments, and to develop new employment sources. These public-private partnerships are entrepreneurial as far as they are speculative both in their execution (policy implementation), and design (policy design and policy decision) leaving aside a politically planned and coordinated urban and economic development. The differences that can be traced in the same locality over time or across different localities are due to the nature of coalitions that are formed at the local level, the mix and the timing of entrepreneurial strategies, the available resources, and the strength of competition between different places. However, despite these differences, the logic of policy change is homogeneous, producing convergence in outcomes cross-nationally.

Entrepreneurial governance is presented as an answer of urban governments to the declining powers of nation state to control multinational money flows. The pressure of capital upon localities is so influent to change progressively the institutional configuration in order to support market needs. Economic globalization means increased mobility of capital giving capitalist more opportunities to overcome spatial constraints. This marks a new phase in the development of capitalism, characterised by an increased sensitivity to comparative advantage between localities for investments. In this new framework, cities



take precedence over national states and competition between urban regions reflects the decline in state regulation. More recently neo-Marxist scholars have developed and deployed the concept of ‘actually existing neoliberalism’ in order to account for the variety of local political and institutional changes in more fine-grained way. They argue that neoliberal restructuring projects started in the 1980s have reworked institutional configurations, being embedded in previous regulatory practices, policy regimes, institutional frameworks and political struggles (Brenner, Theodore 2002). Nevertheless, the local context is still considered as marginal in policy change, which appears to be is functional to offer new opportunities for accumulation for the global capital. If the operational content of the policy could be constrained by local opportunities, the collective goal pursued by urban policies is still set by neoliberal ideas, which put priorities in extract value from the city, and the policy instruments are market-oriented ones.

The new regulatory landscape of urban and economic development, within which infrastructure policies are crucial, are remade through politically contested interaction between inherited institutional forms and policy frameworks on one side, and emergent strategies of spatial regulation to foster economic development, on the other. These tensions shape the features of ‘actual existing neoliberalism’, which is a variegated way of transforming local structures to serve the new organization logic of capitalism. The main difference with the first version of neo-marxism can be traced in the awareness of a certain degree of institutional inertia, confirming tough the marginality of State level regulation.

The new urban policy sees also changes in the way it is implemented. The State’s government levels change their logic, which is defined by the sought of the production of urban rent production and the preference for territorially oriented policies. The coordination of actors’ resources is based on cost and risk socialization contrasted with the privatization of possible benefits, while the organization of the policy implementation, or the logistics infrastructure development and operation in our case, tends to become more and more autonomous from public actors. The policy outcome in terms of governing is thus oriented towards the formation of new coalitions, power struggles among political and economic elites on the path to boost city economic competitiveness, and on turning the city in a global competitive actor exploiting the available structural assets of the local context. Finally, if I look at the decision making process, I should observe a shift from centralist, formalized, bureaucratized, hierarchical, top-down planning approaches to decentralized, more horizontal, informal, flexible, approaches going hand in hand with increasing

inequality in access to decision-making marked by the exclusion of major sections of civil society. These features are important to guide us in the formulation of general hypothesis about how such policy changes should characterise the way urban logistics infrastructures would be governed if they followed the neo-Marxist account for urban policy changes triggered by the global economic reorganization. Here the general goals steering the policy process are those of local and regional competition, fostering economic development in detriment to redistribution of resources or collective goods provision, reaching international leverage in urban policy project to draw global investors instead of promoting local business networks. The new actors protagonist in urban policies are economic resources bearers and less voice is given to local constituencies while the instrument logic is one of the market-oriented mechanisms of coordination between actors.

It is potentially a useful approach to highlight and understand the change in public policies on wholesale markets in the context of the change between state and city and in relation to the profound change in food supply practices, organised on a global scale thanks to the development of logistics. Especially if I start from the consideration that for the last thirty years the process of neoliberalisation of the relationship between State and Market has assumed an increasingly urban character, a context considered as a ground for neoliberal policy experiments, institutional innovations, and political projects (Theodore *et al.*, 2011).

If I look at wholesale food markets, the process of de-constructing the regulatory capacity of the State and local governments in favour of market logic should be even more visible, at least for the theoretical withdrawal of the State and the re-scaling of public action in favour of local regulation favourable to market mechanisms. However, this theoretical approach does not offer an analytical framework so well defined as to allow to make precise hypotheses on every area of urban governance (Le Galès 2016). One of the reasons lies in the tendency to generalize "highly and differentiated social and economic issues" within a common narrative relating to the neo-liberal practices that represent (Storper 2016: 258).

The shift from managerial to the entrepreneurial mode of governance should be visible in the change of policy goals. From being a local asset that works as a collective good for food urban retailers, it should be considered as an asset for MGD and a tool for their private profit through the exploitation by logistics company of these infrastructures

for new purposes. I should observe in the policy development a change from low- profit long terms investments made with public resources to the openings to short-term profit speculative practices, and less distributive practices among territories in favour of local/regional competitive advantage fostering. I may expect a reorganization of the policy development in order to promote rather real estate value or extract gains from land rental dynamics. Indeed, these infrastructures are characterised by their urban insertion and urban land is one of the main resources cities can mobilize to secure their more and more uncertain revenue on a short and mid-term perspective. I should also observe an increasing relevance of public-private partnerships, with a bigger role for private actors in decision-making processes, linked to the processes of internationalisation and financialization of food distribution, and with the adoption of management instruments to socialize economic costs for the infrastructure operation and related economic risks, while leaving profits to corporate actors, should be implemented. Both in resources allocation and strategic development decisions I should see changes in favour of MGD companies and logistics companies, or real estate developers over wholesalers and traditional food retailers, now marginal actors both in the supply chain organization and in the market share of food distribution.

Eventually, in the case in which I hypothesize a process of change that goes in the direction of a neoliberalisation of these urban policies I should observe at least two elements: a convergence trend in the way these infrastructures are governed, and the prevalence of those elements associated with neoliberal urban policies, outlined above. This should result in the conversion of infrastructure to a purpose other than the regulation of relations between actors in the supply chain, which should be regulated only by market mechanisms. I should record the declining role of locally rooted interest groups (e.g. shopkeepers, and wholesalers) in the policy process in favour of actors rooted in the transnational economy (e.g. real estate developers, and international MGD companies). From a spatial point of view, I would expect to observe the dynamics of logistics sprawl that can be observed in different European urban regions. The management of these infrastructures should include at the same time a privatisation process in favour of market actors able to bring the necessary resources, and a reduction of the regulatory capacity of the State and of the regulatory will of urban governments in favour, also in this case, of market mechanisms. Finally, in order to facilitate the intervention of these actors, I would

expect public subsidies to adapt these infrastructures to the new needs of the food trade and make them attractive for private investment. Of course, not all these elements must be present in all local and national contexts, but a clear trend of convergence of institutional and policy structures should be visible.

In reality, already with a superficial analysis of the regulatory contexts that govern these infrastructures, elements emerge that, in addition to highlighting the persistence of very different institutional configurations between countries and different policy changes at the local level within some of them, contradict the idea that a policy change would be taking place in the direction of a market prevalence that should overshadow the role of the State and the institutional configuration. In Spain, the public policy that governs these infrastructures is still coordinated by the national level with a public company, MERCASA, which in most cases controls, together with the local administrations, the companies that manage the individual infrastructures. The regulatory role of the State and the vertical integration of local public action, therefore, remain firm. The spatialization of logistics activities related to food distribution is governed by local governments with the establishment of *Zonas de Actividades Complementarias (ZAC)*. This tool is used to govern the location of logistical activities of processing of products according to the priorities of development of the territory identified by subnational governments. Private actors that in some cases are included in the share capital of management companies include professional associations of retailers or wholesalers. In other words, there is no public withdrawal of the State's regulatory role, a process of re-scaling the regulation of this policy area, a financialisation or subsidence of market competition mechanisms for the insertion of other urban functions. Instead, the objective at the national and local level remains that of public regulation of these infrastructures, seen today as an instrument of economic governance for the promotion of added value in favour of wholesalers and other economic activities linked to the food supply. In the UK, the policy setting is decentralised and does not provide for a coordinating role at national level. However, also in this national context, ownership of land, buildings, and the management remain in the hand of public authorities and I don't observe a growing role for private global actors such as financial fund or real estate companies. In some cases, as in Spain, France and Italy, shareholders include wholesalers or general public. However, the participation of private actors remains within the framework of the involvement of local actors in the policy

process and not in the review of infrastructure regulation based on market mechanisms. As in the case of Italy and France, in the governance of some infrastructures it was decided to relocate from the urban center to a more external area. In most cases, this decision was based on the need to solve the problems generated by externalities associated with the functioning of wholesale markets in densely populated areas (e.g. road congestion, noise pollution, air pollution, management of hygienic issues), but there is no direct association with pressure from market players to obtain this decision from public actors. In the case of Italy, a highly decentralised policy can be observed in which the public actors promoting infrastructure policies for the development of wholesale markets are local governments. This configuration is not due to a process of re-scaling the economic regulation or reconfiguration of the state organization but rather to the consequence of the rooting of these economic institutions in the framework of the law on the municipalization of public services of 1903. To date, there are more than 150 wholesale markets distributed throughout the country, some of which are the result of intervention of regulation and financing by the State started in 1986 and concluded in 2011 with the inauguration of the Agri-food Market of Catania. Also in this context I can observe the presence of private actors in the management companies that remain controlled by urban and regional governments, which also retain ownership of the buildings and soils. The lack of national coordination and the widespread diffusion has favoured in recent years the triggering of a mechanism of competition between the different markets to attract international flows of food logistics, however, this dynamic seems linked to the fragmentation and decentralization of the infrastructure network rather than being the result of a market mechanism. As in the UK, in the last 30 years, there has been a process of relocation of these infrastructures outside urban centers. In the Italian case too, this is the result of the regulatory intervention of the public actors and not the outcome of a competition between urban functions in competition with each other for the spatial insertion and the increase of the urban income in favor of individuals. In France, wholesale markets are the result of a public policy similar in its setting to the Spanish one, which in fact draws its inspiration from the French experience. The formulation of the national policy and the design of the infrastructures has been strongly coordinated by the State, the construction of the single infrastructures has been coordinated at a local level and, with the exclusion of the Paris wholesale market (MIN Rungis) their management has been entrusted either directly to the local governments or to joint companies controlled by public actors that include as

shareholders also the professional associations of the economic operators that operate within. Even today, the role of public actors is not questioned, although there has been a marked liberalisation of the retail sector and there are no clear examples of governance capacity of the urban insertion of food logistics activities. The brief overview of the individual national contexts should not, however, lead one to think that in the individual local contexts and between the different national cases, there are no policy changes underway that go in the direction of a greater relevance of the market logic in the processes of governance of these infrastructures. From a preliminary analysis, it emerges the perplexity that I can speak of a neoliberalisation policy process with regard to wholesale food markets in Europe. If, in fact, I consider the fact that the market mechanism becomes, or tends to become, the prevailing mode of regulation as one of the well-founded elements of the neoliberal change of public policies, then it is not possible to speak of neoliberalization in the governance of these urban infrastructures. Despite the growing marginality of these infrastructures in the organization of food supply, particularly in France and the UK, we can observe the persistence of a public regulation of their development: the soils, the management, the physical structures of the wholesale markets remain public, reproducing over time the idea that these infrastructures have a role in the cities not only from the point of view of the market but also of the social relations that they contribute to govern. This element allows us to think that other policy logics have at least the same influence. What instead emerges in the individual countries and in the local contexts within each country is the fact that the State, in its different articulations between local and national, different in the countries considered here, continues to be an active part in the regulation between market and society in this policy sector. This observation does not mean that the way in which these infrastructures are governed has not changed and that it does not see a greater prevalence of market logic within it. What I intend to support is rather that at a first analysis of the research object it emerges that the sources of change in these urban policies are more to be found in a combination of the influence of neoliberal ideas, solutions elaborated at the local level through the interaction between the organization of urban government, the system of interests, and the sedimented representation over time of these infrastructures in each urban reality. Rather than verifying the hypothesis that a transnational political project for the transformation of the institutional structures of the State, as neoliberalism is defined, is the main explanatory variable of the policy changes that I consider, I think it is more useful to highlight which

mechanisms in the interaction between market pressures and configurations of interests and institutional structures have produced outcomes that are also extremely divergent. In some cases, it is possible to trace in the processes of policy change the effects of the pressure of globalized capitalism, while in other cases the construction of a political project at a local level prevails. How can I explain the very different outcomes of a similar trend towards market regulation that should shape policy changes in urban contexts? This wide-ranging question is important in order to understand the role of local contexts, understood as an interweaving of institutions, the political system, government organisation, collective and non-community actors, interests, in mediating the role of globalized liberalism, which is structuring the transformation of cities (Le Galès 2016).

## **6.2 An institutionalist approach to urban political economy**

Within urban studies literature, the link between urban governance and institutional change/stability is addressed arguing about how different conditions and mechanisms determine it. A governance approach is consistent with our aim to investigate how the interaction between economic changes and local contexts have changed infrastructural policies in terms of: political outcome (how involved actors are coordinated and governed); in term of policy goal (what is the collective objective pursued with the infrastructure policy); and policy means (what are the measures and the instruments adopted and implemented during the time).

Public action related to infrastructures is important on three levels: (1) the way infrastructures are built and developed over time, thus the control of public space; (2) how the effects of their presence on the territory are regulated, thus the localization and conception of infrastructures; (3) the type of social and economic actors that have access to them, thus the engagement (or not) of users in their regulation (Offner 2000). These three levels, open the corresponding area of regulation at the local level. Through the regulation of land use, the local government possesses legal resources to supervise the spatial development of infrastructures. The second area involves the choice for their urban insertion, and the priorities for the use of space. The conception of the services proposed by the infrastructure operators through their collective mentalities (Lorrain, 2005) shapes a third area of regulation, which may be contested by users depending on their positions in

the decision-making process. Thus, I can look at the infrastructural policies as socially constructed by various interest groups through an array of contentious dynamic, which are far more problematic for infrastructure provision than any technical issues.

To understand the way infrastructures are built and governed during the time, is useful to adopt a power-distributional perspective of public policy. I consider the wholesale market infrastructural policy as playing an institutional role in shaping collective action, distributing of different types of resources (economic, political, organizational), and in mediating responses to actors' more or less coordinated actions, thus following a circular pattern between the role of structure and agency in the local context. The institutional role of public policies is defined by *who* are the actors involved in the policy, *what* role they play, *how* is (or not) guaranteed coordination of their actions, which resources they make available for the policy development, and how they are distributed. In other words, the analytical focus is oriented to the political dimension of the policy implementation process, and the mode of urban governance.

Here, governance is considered as “*a process of coordination of actors, social groups and institutions to attain clear goals that are discussed and defined collectively in fragmented, uncertain environments*” (Le Galès, 1998: 495). Politics role is examined through the ways (local) state and conflicts among interests, social groups, institutions, and values regulate the economy (Le Galès, 1999), as to say, in our empirical framework, shapes food wholesale markets policy development. Within such a framework of analysis, it is assumed that post-Fordist global and social conditions are constraints on, rather than determinants of, urban policies (Le Galès, 1998), as instead argued by the neo-Marxist approach to urban political economy. There is no doubt that the current organization of economy for capital accumulation has led to the development of entrepreneurial urban politics in western cities but if I look at policies, traditional ones are dominant in many cases (Le Galès 1998; 2016). Therefore, the interaction between social structures and institutions within each context is a more fruitful entry point to understand the way capitalism is managed.

Following this perspective, wholesale markets work as technical and material tools to regulate the interaction of different actors in order to organize food supply for the urban economy. Therefore, the problem at stake is to understand how change and stability in the governing of these infrastructure policies are associated with the political, economic, social



structure, and shaped by the interaction with local institutional configuration. In the European context, local political leaders are seen as central to organize local collective action, and local political institutions are more and more critical in local public policies (Borraz, John 2004), while structural features, has been seen as a condition to enhance political capacity (Le Galès, 2001). This urban studies literature pursue the effort to articulate the interaction between actors' agency and institutional configuration, including in the analysis the role of institutional environment at national and local level (DiGaetano, Strom 2003; Kantor *et al* 1997; Pierre 1999; 2005; Denters, Mossberger 2005; Crouch, Le Galès 2012).

'New institutionalists' have shown in their researches that institutions are not solely the formal ones such as formal governmental structures, but are dynamic, historically embedded entities that sustain and help to reproduce the system of beliefs (culture) and practices (agency) (Lowndes 1996; Immergut 1998). Institutions shape the structure of opportunities of coordination within each given structural context but at the same time, they are susceptible to change and the source of institutional change in urban governance stems from changes in the structural context, which impact is mediated by the local political culture. Political institutions, in other words, mediate the impact of structural forces such as the territorialisation of public action, and the profound reorganization of capitalism in the globalization process. Eventually, the relation between structural and institutional changes can be understood in urban policy, looking at the type of actors within policy-making, the way policy coalitions change, the way collective action is maintained or not, and the general goals that come out of the structure of interests of different social groups (DiGaetano, Strom 2003: 363). This type of analysis of political processes is based on few preliminary statements: political processes can be understood only if they are studied over time; structural constraints on individual actions are important sources of political behaviour; comparative informed case studies are a useful tool to uncover the sources of political change.

According to this theoretical entry to urban change, different elements are relevant in determining policy development and policy outcome in terms of capacity to pursue a collective goal. Le Gales (2001) underlines how institutional reforms have affected institutionalization processes, how networks of actors are crucial in policy development, and how between those actors Mayors and the political elite are crucial. Most definitions of

institutions treat them as “relatively enduring features of political and social life (rules, norms, procedures) that structure behaviour and that cannot be changed easily or instantaneously” (Mahoney, Thelen 2010: 4). Consistently with that, Pierson treats public policies giving them the same features of institutions: “*they constitute important rules of the game, influencing the allocation of economic and political resources, modifying the costs and benefits associated with alternative political strategies, and consequently altering ensuing political development*” (Pierson, 1993: 596).

Seen as institutions, policies provide resources and incentives for political actors, and they may have normative and cognitive consequences on framing policy problem representation and their solutions. The same process is argued to explain the relationship between actors and institutions: indeed, while actors’ identities and interests are shaped by the broader institutional environment, institutions are equally the outcome of particular constellations of actors and their interactions (Jackson 2010). Therefore, the political outcome of policies can be defined as the way organizational structure and political goals of a group may change in response to policy programs. By putting this theoretical approach into practice on my research subject, I can more easily highlight the role of the local actors who have mobilised around the construction of wholesale food markets and who have been affected by their operation. The explicit consideration of the local institutional configuration also allows me to easily include in the analysis the changes induced by the process of reorganisation of the State associated with the processes of Europeanisation and decentralisation of public action. Finally, taking both State reorganisation and Market changes as an independent variable, I have at my disposal an analytical scheme that allows me to assess the specific mechanisms of policy change occurred, shedding light over the shape of the actual interaction between State, society and market that I am investigating regarding the development of the logistics sector.

In the neo-institutionalist literature there are different entry points to understand the role of institutions in social processes (Hall 1996): sociological approaches that highlight the role of institutions in shaping daily human interactions (DiMaggio, Powell 1983; March, Olsen 1983; Powell 1991), the approaches that derive from the school of analysis of public administrations that highlights the rational components of public choices (Shepsle 1989; Ostrom *et al.*, 1994; Greif, Laitin 2004), and approaches that instead choose to give more explanatory power to the temporal dimension and therefore to the historical role of the institutions in the composition of a structure of constraints and

opportunities for the actions of the actors. In order to conduct my analysis and answer the questions that guide it, it is fundamental to adopt an entry point that relates both the endogenous factors of policy change and the exogenous ones. In my opinion, the best-equipped perspective to carry out this task is the historical one. According to historical institutionalists, the conflict among rival groups for scarce resources lies at the heart of politics. The difference in terms of outcomes found an explanation in the way the institutional organization of the polity, and economy structures so as to privilege some interests while demobilizing others. Finally, historical institutionalists have been especially attentive to the way in which institutions distribute power unevenly across social groups. If I push forward the argument that policies can be considered as institutions, to analyze their change in relation to other context dimensions, I need to mobilize analytical tools that consider both exogenous and endogenous sources of change. Following this criteria, I decided to rely on a theoretical and explanatory framework proposed by Mahoney and Thelen (2010) that tries to move along common lines among the three institutionalism mentioned above to design testable theoretical statements about endogenous and exogenous sources and dynamics of institutional change. The basic assumption is to conceive institutions above all as distributional instruments with power implications (Skocpol 1995; Mahoney 2010). In this approach, any set of rules, whether formal or informal, is going to have implications for unequal resource allocation. This is indeed the case of public policies that, aiming at some specific goals distribute various kind of resources (organizational, economic, political) to different actors (individuals, social groups, organizations). Nevertheless, institutional outcomes may be the unforeseen and unintended outcome of conflict among groups or the result of ambiguous compromises among actors. In this view, ensuring institutional stability requires the incessant mobilization of political support in their favor.

Beyond the variable of balance-power shifts, that may be either exogenous or endogenously generated, other forms of change can be linked to issues of compliance that play as a second variable for institutional change. In the case of food wholesale markets, I could, therefore, have explanatory variables related to political dynamics and collective action at local level, explanatory variables related to the dynamics of change of the State or the Market, or build an explanation based on the interaction between the two. In explaining the specific forms taken by responses to shocks and crises, I shall include ideational and discursive factors. Actors will be engaged in a competition of ideas, as they seek to

persuade others that their understanding of the problem, even if self-interested, is the most accurate and that their policy models are therefore the most appropriate. A second perspective within the same approach sees rule innovation as endogenous to politics as it takes place within existing spaces of governance. For instance, as interactions within a given policy arena increase, actors may reach the limits of existing rules, and seek new ones. The need to enforce institutions carries its own endogenous potential of change grounded on the politically contested nature of institutional rules, and on an always present degree of openness in the interpretation and implementation of these rules. The framework these authors propose considers both the political setting and institution under scrutiny as drivers for institutional change. They do not provide an explicit analytical role for market dynamics, which I am going to consider as well as factor structuring interest of economic actors and influencing their political relevance, according to a growing role of the market and entrepreneurial logic in urban policies. While the market structure affects the likeliness and the resources available for actor's mobilization, both political and institutional context shape the type of dominant change, agents that are likely to emerge, and the kinds of strategies these agents are likely to pursue to effect change. According to Mahoney and Thelen (2010), there are four modes of institutional change (Tab. 0.3), to which I add the possible institutional outcome of institutionalization as a possible result of actor's mobilization around uneven resource allocation. This model links incremental policy change to features of the structural and institutional context as well as to policy properties that permit or invite for specific change strategies pursued by different types of change agents. To account for policy change, they identify some key variables that have to be taken into account.

They take seriously the politically contested nature of rules and the degree of openness in their interpretation and implementation, which call back into the analysis also the type and level of ambiguity considered as a permanent feature of even highly formalized rules.

- Boundary rules: define who is included and who is excluded from the policy setting (Scharpf 1989; Ostrom, Ostrom 2004; Real-Dato 2009)
- Position rules: define the position of each actor within the policy network in each phase of policy development (Lowi 1972; Scharpf 1989; Ostrom, Ostrom 2004; Real-Dato 2009)

- Choice rules: define the types of actions that are suitable to be undertaken by each actor (Lowi 1972; Scharpf 1989; Ostrom, Ostrom 2004; Real-Dato 2009)
- Information rules: define what kind of information about social reality is to be considered relevant in the policy process (Gailmard 2008; Ostrom, Ostrom 2004; Real-Dato 2009)
- Payoff rules: define the set of opportunities and constraint for each actor in terms costs and benefit they have in the current policy setting. (Scharpf 1989; Ostrom, Ostrom 2004; Real-Dato 2009)

**Tab. 0.3 Modes of institutional/policy change according to contextual and institutional features**

		<i>Characteristic of the targeted institution (policy)</i>	
		Low level of discretion in interpretation/enforcement of policy rules	High level of discretion in interpretation/enforcement of policy rules
<i>Characteristics of the political context</i>	Strong veto possibilities	<b>Layering</b> (Agent: Subversives)	<b>Drift</b> (Agent: Parasitic Symbionts)
	Weak veto possibilities	<b>Displacement</b> (Agent: Insurrectionaries)	<b>Conversion</b> (Agent(s): Opportunists; Parasitic Mutualists)

**Sources:** Adapted by the author from Mahoney, Thelen 2010

This table summarizes the possible outcomes in terms of policy change that emerge from the interaction between the mobilization of actors involved in the functioning of wholesale food markets, the political contest that presides over the government of their construction and development, and the institutional elements of public policies designed to guide the actions of economic actors and their operational functioning. Before discussing it in the light of my research object, I intend to introduce a further possible outcome, also integrating in a similar way the interaction between endogenous and exogenous factors of change. The interaction between actors, policy rules, and the political context may in fact also lead to a different outcome, which does not include the institutionalisation of their relations in such a way as to integrate the different actors, who are mobilising to change the configuration of the allocation of resources introduced by public policy, into a new area of political integration, in which a new set of rules and regulations is established in a

coordinated manner in an endogenous way (Sweet *et al.*, 2001). This type of institutionalization process can lead to the setting aside of policy objectives over time, giving greater importance to the reproduction of new rules consolidated over time. If these rules are able to satisfy the different interests at stake and produce their integration in a coordinated action that allows and guarantees the operation of the infrastructure, then it tends to reproduce over time. However, this reproduction is not immune to external changes, which legitimizes the possibility that changes in the institutional, political and structural context may contribute to the definition of new objectives and policy goals, but following a different way of policy change from those identified by Thelen and Mahoney. With the term institutionalization, in fact, I am not referring to the reproduction over time of the policy setting identified by the original policy design, but to the production of space for the action of the actors built from within the policy process.

Returning now to the discussion of the explanatory framework for policy change proposed in Tab. 0.3 I should put clear some elements. The interaction between the political context and the feature of policy rule enforcing and interpretation, shape the type of dominant change agents that are likely to emerge, and the kinds of strategies these agents are likely to pursue to effect change. Dominant change agents may be public or private and they may represent political, social or economic interest, both for the sake of self-interest or collective returns. Assuming a power-distributional perspective each actor has a rational attitude and acts to pursue a specific interest that affects the process of coalition formation. Nevertheless, this interest is not defined *per se* by the type of actor or by its position in the organizational setting, but it develops within the limits set by structural (economic or social) and institutional context (values, norms, opportunities for action). *Insurrectionary* actors pursue the aim of eliminating the public policy present at that time and replacing it with a completely different one, organized around new rules and functions. I can expect to see this type of actor in the policy formulation phase in the context of a debate on the need to build a new fruit and vegetable market, the relocation of existing infrastructure or the need to shut down its activity. Parasitic symbionts, mobilize to exploit rule ambiguities and lack of enforcement for their private gain. In wholesale markets, these players can play a role in policy change in contexts characterised by institutional fragmentation and difficulties in coordinating decision-making processes. The uncertainty that these factors produce may give local interest groups, be they retailers, wholesalers, cargo handlers, the opportunity to use the infrastructure for purposes not

covered by the policy setting. *Subversives* too, they are players who seek to replace wholesale markets with a different type of economic institution, but since they do not have enough influence on decision-making processes, they are mobilising to gradually change their rule setting so as to introduce incremental changes that go in the desired direction. *Parasitic Mutualists*, on the other hand, they are actors who, although not involved in the process of defining infrastructure policy, over time develop an interest in maintaining it, as they find space to match their interests with the resources distributed by the policy. *Opportunist*, are, on the other hand, players who have an ambiguous position with regard to the functioning and role of wholesale markets. According to their interests, they would be led to change the rules, but their lack of ability to act leads them to accept their operation while waiting for the right opportunity to try to trigger the desired change. I can imagine, for example, the actors of MGD who do not find room to develop their business activities in wholesale markets and mobilize to change their operation trying to control a part of the flows of goods managed by wholesalers.

After having qualified the type of actors I can expect to meet in the analysis of the policy processes that have produced the wholesale markets, I can define the ways of policy change to which they are associated:

- Displacement: the removal of existing rules and the introduction of new ones. This change may be abrupt and entails radical shift but it can also be an incremental process. New institutions are often introduced by actors who were disadvantaged in the previous system.
- Layering: the introduction of new rules alongside existing ones. It involves amendments, revisions, or addition to existing rules. This change may take place when institutional challengers lack the capacity to actually change the original rules. Small changes can accumulate, leading to a big change over the long run. A concrete example of layering that I could expect to see is the adaptation of the functioning of wholesale markets to the new requirements of MGD and food logistics, to the detriment of the central role that wholesalers had within them when they were conceived.
- Drift: consists of the changing impact of existing rules due to shifts in the environment. It occurs when rules remain the same but their impact change as a consequence of new external conditions (Hacker 1998). If actors involved in the policy decide not to respond to environmental changes, such as the radical change

in economic activities linked to food logistics development and the consequent reorganization of the supply chain, I may expect a growing marginality of wholesale markets in the urban economy. This may open also to the questioning of their urban insertion in competition with other more profitable or relevant functions.

- Conversion occurs when rules remain formally the same but are interpreted and enacted in new ways (Thelen 2003). In this case, the discrepancy is produced by actors who exploit the ambiguity of institutions, doing in this way they convert the institution to new goals, functions or purposes. For instance, the interaction between local political conditions and market changes could redefine the role of wholesale markets from being an economic tool within food supply organization to being a tool available for other policy sectors, such as urban logistics, an asset to structure urban development attracting tertiary activities or an actor in local development policies.

Therefore, explaining change requires an understanding of agency: how and why an individual or collective actors act as they do, and what institutional and policy consequences follow from their actions. Formal and informal governmental and political arrangements, mediate interactions among the structural context (business structure, food supply organization) political culture (role of political parties, kind of political coalitions, practices in producing the political consensus) and political actors (the type of political parties, the role of unions and professional associations). Political institutions, in other words, mediate the impact of structural forces such as the territorialisation of public action and market changes.

## ***7. Research questions and research objectives***

My research project is driven by the interest to understand how the reorganization of the state and the development of the logistics sector have interacted with the consolidation of urban governance. The way I have chosen to investigate this link is identifying a public policy for the development of logistics infrastructures that has some characteristics: a



duration in time that can measure both changes in the state structure and in the market, an impact on the social, economic and spatial dynamics of the city, the active involvement of public actors. The first element is necessary to trace the policy changes that have occurred in relation to the two changes considered. The second element allows the effects and role of this public policy to be rooted in urban governance. The third element makes it possible to clarify the analysis of the relationship between the State and the Market. The public policies that led to the construction of the food wholesale market in Europe are a useful analytical entry point exactly because they satisfy these conditions.

I have identified wholesale food markets as a useful analytical entry point because these infrastructures have been designed with the aim of organising the supply chain by regulating marketing transactions. The economic changes that led to the development of food logistics have put policy objectives under pressure due to the profound change in the economic context. If I had instead chosen to deal with the development of the logistic infrastructures built in the 1980s and 1990s, when the logistics revolution was already beginning to transform the logic of organising freight transport, I could not have measured the role of institutional configuration and governance strategies in the policy process. Moreover, wholesale markets are infrastructures that maintain a significant rootedness with the functioning of the local economy and are therefore useful to study in order to highlight any tensions between local and supra-local economic dynamics.

These objects of analysis allow me to answer some research questions: How do long-term urban logistics infrastructure policies interact with market and state restructuring processes? What is the role of local actors (social, economic, political) in coping with supra-local structural changes? Are local actors able to govern local dynamics triggered by state and market changes, or are they simply passive recipients with no room for collective or public action? What is the role of structural changes and of the institutional environment in affecting local actors' room for action? In other words, who acts where, doing what, on which scale, and how?

By translating these general questions into my field of empirical research, the questions to which this research attempts to provide answers can be specified as follows: starting from the observation that wholesale food markets are infrastructures built to respond to needs that today are met by market mechanisms, how can their persistence in urban contexts be explained? Which actors and explanatory factors have allowed their continuity over time? What role have local governments played in influencing the type of

actors and factors (whether structural or institutional) that have ensured the continuity of their urban insertion? How has the role of these infrastructures changed in the urban economy? What are the factors that explain the differences between countries and local contexts in the outcome of these public policies?

## **7.1 Research hypotheses**

Having clarified the theoretical approach informing the research design and the fieldwork, and having specified my research questions, I define now some hypotheses about how macro-phenomena like market changes and state organization have affected wholesale markets infrastructural policy. These two types of change are relevant to my research subject in different ways. Market changes have an impact on the weight of local interest groups directly affected by the operation of these infrastructures. The development of Mass Grocery Distribution is to the detriment of traditional retailers: therefore, the main customers of wholesalers active in wholesale markets lose economic centrality. The development of food logistics leads to the reorganization of the supply chain: retailers no longer need to use wholesale markets for their supply but begin to build alternative infrastructures. The reorganization of the state entails greater responsibility and capacity for action for urban governments, which must govern the effects of these changes on the urban economy and on the functioning of these infrastructures. Assuming the centrality to the role of the institutional environment, the outcome of the process cannot be determined only looking at change dynamics occurring in the economy and the State. Indeed, despite common trends in market changes (retail concentration, big retailer development and reorganization of the supply chain through logistics) similar mechanisms driven by market changes should interact with local institutional settings producing different outcomes. From this preliminary statement, and from the explanatory model outlined above and mobilized for this research, five hypotheses can be derived. The research design and the structure of the thesis are then shaped in order to test and verify them:

- 1) If the explanatory model for policy change outlined by Mahoney and Thelen (2010) is verified, different outcomes are likely to occur in local contexts, even if the market pressures and State restructuring processes, are similar at European level.

- 2) In terms of modes of policy change, the outcomes to be expected are displacement and layering in highly integrated policy contexts that leave little room for action to actors in the interpretation and enforcement of the rules governing the functioning of wholesale food markets.
- 3) In case the public policy is designed in such a way as to favour the construction of an autonomous political space, a process of institutionalisation of relations between the actors is likely to occur. In this scenario, the policy change will be determined by the room for action granted to local actors by the process of institutionalization, significantly limiting the role of market pressures.
- 4) A policy drift process is likely to occur in case the conflict between the policy actors is such as to make the introduction of new rules too costly, preventing the adaptation of the infrastructure to new market conditions.
- 5) In highly decentralized political contexts where local interest groups have a relevant role in determining the decision-making processes related to the construction and development of wholesale markets, a displacement process during policy management is less likely to occur.

## **7.2 Methodology: Comparative versus within-case analysis**

In social sciences, an adequate explanation should include the understanding of a social phenomenon as the result of the combination among social actors behaviour in their social contexts and the more general macro-setting of this context (Zuckerman 1997: 302 - 304). The need to ground the explanation upon different levels of analysis is something recognised also in the field of public policy studies (Lidstrom 1998; Balme et al 1999; Sellers 2002). Two integrating perspectives inform the analytical lens in my research work. Firstly, I consider the impact of the new market structure of food retailing and re-organization of the supply chain which constraints and put under pressures wholesale markets policy goals and legitimacy on the local level. Secondly, I pay attention to the role of actors within the decision-making process, and to their relationship, which shape reciprocal capacity to influence policy goals and implementation processes. This approach helps us to define the borders of the policy development and is also useful to conceptualize the relation between the policy development and the change occurring at a broader level

within the market organization and the national institutional context. Indeed, it attaches central analytic importance to “the broader environment within which any given strategic action field is embedded” (Fligstein, McAdam 2011: 8).

I think that a qualitative approach is best suited to give an answer to my research questions. Following the principles that are at the base of qualitative research approaches (Mahoney, Goertz 2006) this choice should be based on the type of explanation I am looking for. Indeed, one of the main goals of qualitative research is the explanation of outcomes in individual cases, moving backward in time along the causal chain and adopting a “causes-of-effects” approach to explanation (Mahoney, Goertz 2006). To test my hypotheses I need to open the “black box” of what has been actually going on inside the policy process throughout time, and I think that a case-oriented approach instead of a variable-oriented one, is better suited for this endeavour. Adopting this approach implies an in-depth description of each selected case, considered as the context where the unit of analysis is embedded and identifying the specific processes and causal mechanisms that led to the actual outcome in each case. Nevertheless, this strategy poses some limits to the number of cases that can be analysed in comparative research design. Indeed, there is a threshold between the complexity of each case account and the comparison feasibility.

Thus, I discuss here my choice of adopting a paired comparison research design. In case that time is an important factor as in my research puzzle, the within-case analysis offers some important strengths. One way to build an explanation starting from a within-case analysis is crafting a causal narrative out of it as defined by Mahoney (1999). The narrative strategy has the strength of allowing the analyst to assess the specific role of single pieces of information, processes, conjunctures and causal complexities. I claim that contrasting the narrative analysis with a defined theoretical framework can limit the actual risk of oversimplification, maintaining a manageable level of abstraction. From several discussions made by scholars about adopting narrative in the causal analysis, a consensus has emerged that narrative can be a useful tool for assessing causality in a situation where temporal sequencing, particular events, and long-term processes should be taken into account (Mahoney 1999). Eventually, single case analyses offer a detailed and comprehensive account of sequences in historically rooted social phenomena, being also suitable for the study of rare events, and ‘extreme’ cases selected on the dependent variable and allowing the study of interaction effects within one or few cases.

I decided to select two cross infra-national cases in order to be able to combine two within-case analysis and a paired comparison making policy change explanation more relevant. Indeed, binary comparisons allow developing causal explanations for each case (Tarrow 2010), while they also permit to raise some generalization (Mahoney 2007). It makes the analysis more insightful and depth as it draws on deep background knowledge of the cases examined facilitates to disentangle causal chains to explain policy outcomes, and offers a balance between descriptive depth and analytical challenge that declines as more cases are added (Tarrow 2010). One of the main advantage in comparison of two separate within-case analyses is the possibility to compare the impact of single variables or mechanisms on the outcome of interest, considering the role of cases' differences and commonalities. A paired comparison of different political systems allows using the differences in institutional configurations to verify the sources in intra-system behavior, contrasting the relevance of institutional elements (endogenous) and structural factors (exogenous). The strategy I have chosen to adopt in this research project aims at finding an illustrative factor that could explain the change in different contexts, assessing the ways policies have changed so to highlight the role of urban governance and institutional set-up.

### **7.3A paired comparison between the wholesale market of Paris (MIN Rungis) and Milan (Mercati Generali di Milano).**

Choosing a comparison between policies implemented in two different nations raises the complexity of the empirical work, but at the same time allows for a better understanding of the causal mechanisms linking public policy change with a market organization or institutionalization processes.

Public action comparison needs to take into account the complexity due to the multi-layered socio-political arenas where decisions are taken and implemented. Therefore, it is crucial to articulate a plurality of analytical levels in comparative research. As I have discussed in my empirical framework and in our hypotheses, the policy issue I consider, the configuration of actors, the definition of policy problems may all be defined mostly at the local level, but they will often, if not always, affected by factors or power relationships that take place at supra-local levels. Our main levels of analysis are government levels. They 'still' play a major structuring role in the production of public action despite the growing number of social and economic actors who have a voice in policy processes and

despite the blurring separation of roles, competencies and resources provision between private (market) actors, public (administrative) and political (parties) actors (Pollard, Prat 2012).

How to conciliate an international comparison and the inclusion of the room for local public action in policy development? The endeavor of policy analysis and policy comparison should maintain a strong focus on what has actually happened in time for social processes, cognitive production about the policy problem, formal policy objectives, and actual outcomes, public and informal debates, conflicts and tensions between actors. These elements are the living body of policy development. Even if different theoretical accounts usually consider a variety of factors that play a role in influencing each element, actors are at the very end the policymakers. Therefore, in order to combine empirical accuracy and analytical effort towards abstraction and explanation in terms of causal mechanisms, a good research strategy is to focus on actors looking at them as the trait union for the analytical articulation between different levels. Another element, that is recurrent in this introduction, is the time dimension. The comparative framework should include a time span that helps to make the two cases comparable. A similar historical moment for the construction of the infrastructure is an important criterion to grasp the role of time on eventual institutionalization processes. Having the infrastructure established before the period identified as the starting moment for the shift from managerial to entrepreneurial governance and neoliberalization, as to say the 1970s, is another important goal.

For the case selection, I need to consider several aspects. One is the aforementioned multilevel dimension of public policies related to wholesale markets that show different settings of national and local level competencies for their formulation and management. The limitation to the EU for the geographical scope of the research allows me to control, at least to a certain extent, the type of intergovernmental relation between different government levels and the relevant role of political parties and administrative bodies in the production of public action (Le Galès, Harding 1998; Wright 1998; Le Galès 2001). Looking at public actors that have been involved in the policy process, I consider those who have been entitled to promote the policy of decision-making and physical implementation of the infrastructure and those who have been entitled to overview their operation. In the following chart (Tab. 0.4), I propose a typology of countries obtained

crossing the government level that has led the policy during the decision-making phase and the implementation and management one.

**Tab 0.4 Typology for wholesale markets infrastructure policy design**

	<b>Implementation/management</b>	
<b>Decision-Making</b>	<i>Local/Regional<sup>1</sup></i>	<i>National</i>
<i>Local/Regional</i>	Italy UK Germany Belgium	–
<i>National</i>	France Spain <sup>2</sup>	Paris MIN Rungis London Covent Garden Spain Portugal

<sup>1</sup>I define the implementation/management as local or regional when the operating company has more than 50% of the shareholding under the control of a local or regional political authority

<sup>2</sup>In Spain wholesale markets are in some cases controlled by municipalities in other the shareholding majority is owned by MERCASA a State public company controlled by the Ministry of Agriculture and the State Company of Industrial Interventions.

**Source:** our elaboration from institutional websites.

As we can see, it is possible to distinguish three types of policy settings. One group of countries has local authorities entitled both for the decision and implementation of the infrastructures. Other countries have adopted a mixed approach: the policy decision sees the role of the national level as the main public actor while the implementation and the management of the daily operation of the wholesale market are backed up by local authorities. Finally, the last type of policy setting is defined by a direct intervention of the national level in all phases of the policy cycle.

The choice of a paired comparison poses some challenges for the case selection. Often, the Mill’s “method of difference” is the main technique used to limit the role of unmeasured variables in paired comparison. This method claims that all theoretically relevant variables can be observed during the fieldwork, that there is only one difference between them (either in the dependent variable for the most similar design, or in the independent for the most different design), and that the correlation between these differences and the outcome can be assessed as causal (Tarrow 2010). If I make a step

aside from these assumptions, I can easily see how much these statements are difficult to follow during an empirical inquiry. Nevertheless, I think it is important to select cases following as much as possible this analytical perspective in order to reduce the complexity of the comparison. The two cases should be similar regarding the degree of vertical integration of local government organization into the State's structure and, as much as possible, for the market dimension. These two factors are operationalized into the degree of intergovernmental support and vertical integration (Savitch, Kantor 2002); and, for the market dimension, into the government level responsible for regulation of the retail sector; a similar spatialization patterns of logistics infrastructures around the two cities marking these urban regions as strategic for freight flows organization; the relevance of the chosen wholesale market at the national level; the food retail structure transformation.

Thus, the first step is to select the national context of the policy, maintaining stable the intergovernmental integration, which works as a stabilizing factor for urban governance. Goldsmith and Page (1987) considered from a formal point of view Italy and France being part of a group of European nations with the same form of intergovernmental integration. Savitch and Kantor (2002) support a similar position, in their analysis of modes of urban governance concerning the interaction between local governments and market dynamics for urban development. This choice holds its analytical value also on the market dimension side. The research activity focuses on how features qualifying the rise of urban governance in these two local contexts took a shape within the wholesale market infrastructure policy. At least two elements can be mentioned to this regard: the reorganization of the national state in France (Epstein, 2005; Le Gales, Pinson 2009), and the reform of local administration in Italy at the beginning of the 1990s. As far as the process of reorganization of the State is concerned, in both contexts the level of regional government, at least until the end of the 1990s, plays a marginal role favoring the increasing role in public action of cities. (Le Galès, Harding 1998).

Both national contexts experienced similar changes in logistics infrastructure development, marked by a spatial regionalization in Ile de France and Lombardy respectively. From the economic point of view, these regions are among the regions with the highest GDP in the European context, and both of them are national leaders in the infrastructural and organizational development of the logistics sector. In their contribution, Savitch and Kantor (2002) identify Milan and Paris as similar in their intergovernmental



support and integration and in their mode of dealing with the urban economy transformation in the 1980s and the 1990s. Furthermore, they have shared the challenge of similar economic changes related to the change of retail structure and logistic sector development. The change of the retail structure put strong pressure on the traditional food retail urban economy made by little and independent retailers, while the logistic sector development has given a competitive advantage to those economic activities able to manage effectively the supply chain organization gaining margins profit.

The selection of these two national contexts allows me to highlight not only the role of the institutional configuration on the policy outcome but also the type of link between different types of institutional configuration and different types of outcomes, a founding element of the explanatory model that I have decided to adopt. France and Italy correspond to two different organizational structures of the State, to which, different institutional environments at the local level are associated. Both of them, since the Second World War, experienced a process of State reorganization affecting the room for local governments. In the French context, in the 1950s it is established a centralized state organization, in which policy resources are controlled by state administrations, embodied by high-rank civil servant technocrats leaving little room for the influence of local coalitions of actors in policy processes. This element is even more evident in the public action addressed to the government of the Paris urban region. Starting from the 1980s, a gradual decentralisation process of the organization of the State began and the sub-national levels of government acquired greater powers of policy and greater capacity for public action. Today, France has a completely different center-periphery relations system than the one that hosted the genesis of the MIN Paris-Rungis. It is always a unitary state, but markedly territorialized and characterized by a complex system of sub-national levels of government that share in part the same policy competences, have the possibility to develop new public policies independently and in which cities and regions have become important for the organization of interests and the definition of strategies for collective action (Le Galès and Pinson 2009).

Since the achievement of national unity, and therefore even after the restoration of democracy since 1945, the Italian state administration has been based on the level of municipal government as a fundamental organizational unit for the representation of territorial identities and local interests (Artioli 2016). If, therefore, in the 1950s it was

characterized by a strong centralization, in Italy a high level of localism persisted in the structuring of the political system. This element has remained stable over time, despite the fact that the organisational structure of the Italian State was born under the strong influence of the Napoleonic experience. The centralized structure, however, has, over time, been confronted with the difficulty of homogenizing the various subnational territories (Romanelli 1995). The interweaving of centralized organization of the State and political localism is associated in Italy with the weakness of urban governments that, at least until the reforms of the 1990s, had to resort to their political ties to guarantee themselves the resources necessary for local development and the provision of the services for which they were responsible (see below). During the 1970s a process of decentralization began taking the form of state regionalization. After a formal intervention in 1970, this process produced its substantial effects only in the 1990s. In this decade, the reorganisation of the State was inspired by the principles of limiting public expenditure and by the application of the criteria of vertical and horizontal subsidiarity. During the 2000s, on the one hand, the level of regional government was reinforced and, on the other, the level of urban government was strengthened, via the delegation of some policy powers from the regions. In short, since the 1990s, various reform measures have strengthened the level of municipal government by strengthening its autonomy (Artioli 2016), an element that is even more true in the case of Rome and Milan: thanks to regulatory measures linked to the political role of the former and thanks to the ability to attract investment and resources of the latter's urban economy.

Although in both national contexts there is a similar process of decentralization, this takes different forms precisely in relation to the different state organization, thus producing different outcomes from the institutional point of view and with regard to the organization of local governments.

Another element that characterizes the difference between the French and Italian context concerns the structure of the urban system. In the first case, there is a monocentric system in which Paris concentrates the most important functions from the economic, political and cultural point of view. This places the government of this urban region in a highly strategic perspective at the national level both in the phase in which the public policy of MIN Paris-Rungis is rooted in a centralized context and in the current phase. In the case of Italy, however, we are in the presence of a polycentric urban system, dominated

by two cities: Rome, the capital, and Milan, the most important economic center (Artioli 2016). The government of Milan was therefore not a central issue on the national political agenda as for France and has been characterized, until now, as an issue managed within the framework of the interaction between local interests or in the relationship with the regional government of Lombardy.

The differences between the two national systems are also reflected in the form that integration into the intergovernmental support system takes for Milan and Paris. In the case of Paris, the mode of urban governance is organized around political elites, first at the national level (until at least 1977), and then gradually more and more at the local level too. Politicians can count on public resources allocated by State administration to dominate local politics and are less prone to opening their governing coalitions to the business community to produce collective benefits. This feature has changed during time, first slowly since the 1980s, and then deeply since the 2000s through the metropolitanization of Paris region territorial governance. In the case of Milan, until the beginning of the 1990s, the influence of party system over urban and economic development was supported by strong center-periphery integration along party channels to direct and obtain revenues limiting local attitude to use urban development as a source of supplementary revenue for the city policies. The party system combines partisan, ideological rivalry with patronage politics to constitute a formidable power base for local officials. On the contrary of Paris, Milan was lacking in a prestigious bureaucratic class, giving room to parties, and to local interest groups in certain policy sectors, in monopolizing the decision making process. During the 1990s, following the emergence of corrupt practices that regulated the relationship between parties and the corporate system, the party system underwent a profound restructuring. It was followed by several administrative reforms that redefined both the organisation of local government and the role of parties in public administrations. The process of decentralisation of public action and the tax system that followed reduced the share of state transfers in the composition of local finance, leaving more discretion in the allocation of resources for local development policies. Since the 2000s, Milan's urban governance has therefore seen a greater weight of market actors linked to the production of the city in the decision-making processes concerning the construction of transport infrastructures, urban development, cultural policies and local development strategies in general.

The way cities are governed is also reflected in the government of the two wholesale markets over time. From a policy context perspective, the genesis of the MIN Paris-Rungis is embedded in a modernization process for the entire food distribution system. The MIN national policy produced as output the network of wholesale markets operating today in France and in the case of Paris left no room for the local actors, local business interests groups, or local politicians. Food distribution modernization and wholesale markets development were governed through a top-down approach controlled by state technocrats via the *Commissariat General du Plan* and other *ad hoc* national arenas. A role for market interests is given only to large economic groups, such as Mass Grocery Distribution (MGD) companies, who are shaping the logic behind the modernization endeavour. The Italian State is instead deeply influenced by the role of political parties and their strategies for building consensus at the local and national levels. The settings for wholesale markets infrastructure policies are influenced by coalitions of local actors also when national intervention is envisaged entrusting room for action to urban governments. The role of local actors is central to define both policy formulation, infrastructure operation and development. Many wholesale markets were constructed in the 1950s in Italy consistently with the aim of decentralise food trade regulation under the authority of municipal authorities (Densley, Eduardo 1999). The result was a slow process of modernization and lower degree of integration (information exchange and regulation of freight flow) among wholesale markets, especially if compared with France. The political and territorial fragmentation that resulted from this organisation hindered the elaboration of a national strategy for the development of these infrastructures and in Milan context, any development strategy is shaped by political cycle dynamics. Local interest groups have been from the beginning at the core of the policy process that leads to the construction of the current wholesale markets of Milan.

In spite of a radically different policy setting for wholesale markets, in Italy and France, the role of subnational governments was and still is, critical in regulating the penetration of MGD companies, especially within urban contexts, where small retailers are historically more concentrated and can act as political players. This similarity allows me to control, in the context of comparison, the role of institutional channels through which market changes have exerted their pressure on the two infrastructures.

In Paris and Milan, wholesale markets infrastructural have today a different role in the local distribution system. The Paris infrastructure is a local asset for traditional food retailers and Ho.Re.Ca. corporate actors is involved in the elaboration of urban logistics policies promoted by the Paris government, its management company (Semmaris) is an active player in the processes of building metropolitan governance. The main objective pursued in time has been the improvement of wholesalers competitiveness and the adaptation of infrastructure assets to food distribution market changes. To pursue this objective organizational changes for Semmaris have favoured a process of internationalization of the infrastructure transforming it in a node of the European food supply chain and linking the local economy to international markets. Moreover, in the last 10 years, the MIN has seen a steady increase in the volume of goods that are not traded internally, assuming the role of the organisation of food logistics flows. In Milan, the infrastructure is considered today as a local asset to mobilize as a bargaining resource for urban development programmes and for political consensus reproduction. The main, and failed, the goal of the last fifteen years has been to transform the under-used land formerly dedicated to wholesale activities to attract private real estate developers in order to gather the financial resources needed for the physical renovation of the decayed areas of the infrastructure. Little attention has been given to the provision of structural assets to wholesalers since the focus of policymakers has not been on corporate actors competitiveness but mainly on their role in urban politics. Considering the operating company in Paris (Semmaris), is to highlight the growing autonomy of its management from the influence of State bureaucracy. The coalition of actors mobilized for policy decisions includes wholesalers, retailers' business associations, real estate developers and public bodies at national, departmental, and urban level. Local political actors defend the urban insertion of the infrastructure due to its role within the local labour market, and the internationalization of its economic activity calls for a symbolic investment by national government as one the of the French excellence at the service of the Paris international prestige as a global city. In Milan, the organizational structure of the operating company has changed during the time following local governing coalition, and in response to contentious dynamics between the party system and business associations representing retailers and wholesalers. There has been no stable and formal involvement of the wholesalers in the decision process, and local government holds the monopoly of the shareholding of the operating company (Sogemi) that has its priorities set up by

mechanisms of political selection of the management. The organizational life is punctuated by difficulties in implementing structural renewals, internal conflicts lacks enforcement in the operational rules. In Milan, the real estate dynamic seems more important than the competitive advantage which this infrastructure could provide to the local economy, developing it as a logistics facility while in Paris the goal is to foster the territorial and economic competitiveness. The main features of the two cases and the unit of analysis are summarized in the following chart (Tab. 0.5).

**Tab. 0.5 Main features of selected cases**

	National level		Local level		Unit of analysis	
	<i>France</i>	<i>Italy</i>	<i>Paris</i>	<i>Milan</i>	<i>MIN Rungis</i>	<i>Sogemi</i>
<b>Similarities in market factors</b>	<p><b>Logistic sector development:</b> Concentration of logistics infrastructures in specific urban regions</p>		<p><b>Logistic sector development</b> both urban regions have the highest national concentration in: (1) logistics organizational skills and command functions; (2) logistics infrastructures and real estate production</p> <p><b>Economic regulation</b> of food retail at the subnational level (until 1998)</p> <p><b>Economic change:</b> both urban regions experienced a deep concentration in food retail business structure and reorganization of retailers procurement practices through food logistics.</p>	<p><b>Supply chain organization:</b> Both infrastructures are designed as the most important wholesale markets at the national level. Once built, they were the main gateway for the perishable food procurement at the local level</p>		
<b>Similarities in policy factors</b>	<p><b>Policy setting:</b> The fresh food wholesale market network is realized thanks to the public intervention</p> <p><b>Policy objectives:</b> food quality control, regulation of the price dynamic through competition, an organization of the food urban supply.</p>		<p><b>Urban development:</b> The ownership of the land is public.</p> <p><b>Management:</b> they are operated by a public company: Semmaris for the MIN Paris-Rungis; Sogemi for Milan's wholesale markets.</p>	<p><b>Urban relevance</b> They have spatial and economic urban relevance.</p> <p><b>Infrastructure development:</b> both infrastructures are built as a result of relocation from inner-city areas.</p>		
<b>Differences</b>	<p><b>Policy setting:</b> Different government levels are involved in the infrastructure regulation in France (State) and Italy (urban government)</p> <p><b>Economic change:</b> In the Italian context: (1) lower concentration of the food retailer sector; (2) the concentration process starts later.</p>		<p><b>Urban governance:</b> the city of Paris is going through a process of metropolitanization that affect policy priorities for the MIN; in Milan, the policy priorities are set at the city level</p>	<p><b>Political relevance</b> the infrastructure is considered a tool to govern urban and economic</p>	<p><b>Political relevance:</b> the infrastructure is a resource of political exchange between urban politics and</p>	

	<p><b>Economic regulation:</b> At the national level, in the French context the role of big retailers is larger</p>	<p>without considering the metropolitan area.</p>	<p>development.</p> <p><b>Logistics development:</b> the MIN is a hub for agrifood supply chain at National level, is crucial for the supply of the urban region.</p> <p><b>The policy response to economic change:</b> during time logistics activities and assets have been implemented.</p>	<p>local interest groups.</p> <p><b>Logistics development:</b> Sogemi today is economically unsustainable and its importance in the supply chain is marginal.</p> <p><b>The policy response to economic change:</b> lack of renovation in 50 years due to a series of policy failures.</p>
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**Source:** Author elaboration

The two case studies selected maintain elements of similarity regarding the role of the State (identified by the centrality of public actors in the policy setting and by the similar degree of integration of urban governments within the intergovernmental system), and the role of the Market (identified in the development of the goods logistics sector and in the change in food distribution). The element of difference between the two cases lies in the role of policy actors and interest groups over time. This difference is linked to the distinct institutional configuration of local governments, which shapes the position of the party system in local government, and the different policy setting.

In light of the different policy outputs that can be observed today, the configuration of similarities and differences allows me to highlight the role of policy rules, the political system, and market forces in determining the actions of actors who over time have produced two different policy processes despite similar initial conditions. The chosen theoretical approach and the explanatory model of the proposed policy change allow to relate these variables and to identify the causal mechanisms that explain the policy differences of the two cases.



## 7.4 Methods and research instruments

The research object I have considered has an important component of technical knowledge linked above all to the processes that have produced the economic transformations in the food distribution sector and the development of the food logistics sector. The understanding of the logic of these transformations has required the accumulation of knowledge of innovations in marketing practices and food supply. Moreover, the interaction between logistics development - food and non-food - and urban contexts was for me an unexplored discipline. During the first year of research, between the end of 2012 and 2013, I, therefore, dedicated a significant amount of energy to the study of the literature produced on the development of MGD, on the development of logistics, on the forms of relationship between logistics infrastructures and urban contexts. My interest in knowledge has included research contributions in the disciplines of corporate management, economy, geography, sociology, political science, and history. As far as the accumulation of knowledge related to the development of the logistics sector and to the economic, spatial and political dynamics that made it possible is concerned, some scientific journals have provided the greatest contribution: *Journal of transport geography*, *Journal of Supply Chain Management*, *Transport Reviews*, *Journal of Physical Distribution & Logistics Management*.

This activity allowed me to better frame the theoretical and empirical framework of the research design, orienting the choice of the type of infrastructure to be studied, the wholesale food markets, and the choice of cases to be analyzed in a comparative key. The identification of the infrastructures that were then the subject of research and the identification of the two cases takes place in early 2013 and in the following months I joined the study of scientific literature with the analysis and study of the legal framework that in both countries have shaped the establishment and development of a network of wholesale markets. The literature revision has led to the writing of the research proposal presented to the URBEUR doctoral board at the end of the same year.

The field research work started at the beginning of 2014. The first research action was to give semi-structured interviews to wholesalers active in the fruit and vegetable market in Milan to understand what were the open questions from their point of view regarding the governance of the infrastructure. After the first exploratory interviews I contacted several privileged witnesses giving a total of 49 interviews with the aim of

covering in the most systematic way possible the different institutional and organizational areas involved in the policy process: local government, city government, local politicians, professional associations, trade unions, economic operators, public officials who have participated in various ways in the implementation of public policy. The collection of interviews for the Milanese case was accompanied by a request for quantitative data disaggregated at provincial level to understand in detail the historical evolution of the food retail in Milan.

The choice of interviewees was not only guided by a positional principle but, as far as possible due to obvious age limits, I interviewed the different people who played the same role over time in order to highlight the changes that have occurred in the relationships between the different actors, in the policy problems to be solved and in the proposed solutions. When this has been possible, it is possible to see it in the list of interviews that present more than one interview for the same role in the system of actors.

The administration of the interviews in the Italian case served to build a mapping of the actors involved in the policy process, to identify their representation of the policy problems, the explanation of the conflicts that characterized the whole implementation process, and the reasons that legitimized their actions. The qualitative data collected through this research method were not sufficient to cover the entire time period considered (1965 - 2016) and to achieve this objective were supplemented by the use of other sources. An important source of information were the various archives in which administrative and organisational documents of great importance for the analysis of the policy process are stored. I have used in depth the documentation available in the archive of Milan council commissions, the municipal archive, the archive of the Chamber of Commerce, the personal archive of a city councillor active in urban politics since the end of the 1970s and elected at the city council from the beginning of the 1980s, until present. In these archives was possible to have access to: minutes of political debates, official acts of the urban government and the local administration, letters exchanged between interest groups and political, administrative, party actors, minutes from the shareholders assemblies of the wholesale markets operating company. All these sources concern together the time period from the 1970s to the 1990s and made it possible to trace with precision the opinions and normative representations of political actors and interest groups that took part in the policy process. Furthermore, matching the information coming from different sources (local

administration, urban economy, operating company) allowed to have better picture of contentious dynamics that took place along the policy process

Another important source of information for tracking the dynamics between policy actors was the systematic analysis of the local press. I had access to the digitalized archive of *Corriere della Sera*, both for the national edition and the local news, and I used the online archive of the daily newspaper *La Repubblica* for the historical period from 1984 to the present day. Through the use of keywords was possible to read all the articles that in the last 50 years mentioned the wholesale markets, the politics around the operating company, the issues at stake for the food distribution system. The digging activity into these digital archives – for the pre-internet era- and on the web for the policy process after the 1990s, was exponential. Indeed, per each individual or collective actor mentioned by newspaper in accounting for decision-making processes, and *ad-hoc* research was carried out to gather information about professional or political carrier (in case of an individual) or changes in the leadership or political proximity (in case of a collective actor). Putting in relation these data with interviews, political debates, official administrative and political acts, made it possible to produce valuable interpretation of the policy process observed and explanation of its determinants. Access to interviews with all the Milanese actors was, in fact, easy with all types of actors: politicians, public officials, managers of professional associations. I also found a considerable willingness on the part of the interviewees to reveal unofficial information that, placed within the framework of the information already collected, contributed to confirm interpretative hypotheses already elaborated.

During the first period of visiting at Sciences Po (April 2014 - July 2014) I administered some qualitative semi-directive interviews with the aim of identifying, with the help of the interlocutors, the most significant actors in their opinion and to begin to build a map of the actors that I subsequently used when I settled continuously in Paris to carry out the entire fieldwork for the French case from June 2015 to December 2016. During this time, I have experienced the difficulty of accessing the field in a political, institutional and cultural context that has turned out to be very different from that of Milan as far as my research object is concerned. The political actors of the city of Paris, the officials of Semmaris and the members of the board of directors no longer in office, the market wholesalers and the officials of the local institutions more or less directly involved in the government of the MIN have proved difficult to access. In many cases, during the interviews, they adopted avoidance strategies so as not to communicate information that

they considered sensitive, personal or that would put other actors in a bad light. Because of the difficulty in accessing the camp, I was able to carry out fewer semi-directive interviews than in the Milan case (25). The interviews administered, however, allowed to accumulate sufficient qualitative data to understand the policy dynamics that have marked the last 18 years of the infrastructure, especially thanks to the exceptional availability of three Semmaris officials who are no longer active in the labour market and who have been extremely useful to understand the policy issues that have guided the collective action of the actors.

Also for the analysis of the policy process of the MIN Paris-Rungis, the contribution of the documentary sources was very important. For this case study, the two most important archives were the Archive du Val-de-Marne and the Archives Nationales. The considerable amount of documents and the systematic nature of their collection by the French National Archives and the civic archive of the Val-de-Marne department have allowed me to effectively fill the gaps linked to the lower number of interviews. In these archives, it was possible to access the minutes of the boards of directors of Semmaris. This type of document provide for much more details about the daily operation to the infrastructure compared with the shareholder assembly. Trough them was indeed possible to trace along time the internal debates among interest groups, state representatives and local authority representatives. The reports of the state and Val-de-Marne administrations on the evolution of infrastructure, the documentation concerning communications between Semmaris presidents and political and administrative actors, allowed to understand how this institutional relation changed in time. As in the Italian case, the systematic analysis of the press review was another useful source of information to understand the nature of the public debate about infrastructure development, the relevant actors, the way in which the economic and institutional transformations and the political changes were represented in the statements of the different actors.

## 8. *Thesis outline*

The thesis is organized in two parts followed by a concluding chapter. The first part comprises Chapters 1, 2, 3. In the first two chapters, I present the genesis of both wholesale markets highlighting urban, economic and demographic factors that have sustained the legitimation for new infrastructural policies in the field of the perishable food supply in Milan and Paris. I analyse the institutional setting where these wholesale markets are embedded, the policy rules that shaped the decision-making concerning their material construction, and the rules that defined their operation since their early stages. The goal is to understand the role of policy rules and of political systems in shaping the relationship between interest groups and policymakers in each case. Chapter 1, examines the construction of the MIN Paris-Rungis and shows how the interweaving of the characteristics of the political system defined by the Fifth Republic State organization, and the policy rules that bind the behaviour policy actors were premises for the adoption of a top-down approach in the construction and management of the infrastructure, leaving little room for action to local interest groups. Chapter 2 focuses on the case of Milan. It highlights how the political context and policy rules different from the French case favoured the establishment of a conflictual dynamic involving political parties, local interest groups, and the operating company. This conflictual dynamic defined the genesis of the Milanese infrastructure as a process of negotiation between different local interests in which, from the beginning, public policy goals are questioned. In the third chapter, I analyse the market changes that have affected the two national and local contexts since the 1960s to nowadays. The analysis of market changes highlights the pressures exerted on the functioning and policy legitimacy of these urban infrastructures. The aim of the chapter is also to highlight both the timing and shape of economic changes in the business structure of food distribution and the development of food logistics. The timing and shape of the changes are related to the reconfiguration of the role of the two infrastructures in their respective distribution systems. A further aspect concerns the policy interventions that have punctuated the governance of the two infrastructures and their connection with the pressures exerted on their functioning by a rapidly changing economic context. The first two chapters take into consideration a period of time that covers the political debate preceding the construction of the two infrastructures and the approximately 10 years following their construction in which the dynamics between the State, the market and the

interest groups that will characterize them in the following decades emerge. Chapter 3, on the other hand, takes into account the entire time span covered by public policy, thus making available all the context elements that on the one hand integrate the framework of the genesis of the two infrastructures and on the other provide the elements to understand the relationship between policy dynamics and market changes analyzed in Chapter 4.

In the second part, I use a more directly comparative approach to analyse the way in which the two public policies have changed over time. In Chapter 4, I consider the relationship between the policy process and the dynamics of territorial governance that have governed the interaction between interest groups, local politicians, and the management of the two infrastructures. The comparison highlights how Milan's infrastructure has been governed through a dynamic of political conflict, while in the case of Paris the wholesale market is governed through the interweaving of public action territorialisation and the growth of autonomy of the operating company (Semmaris). In this chapter, it emerges how the space of social interaction defined by the policy rules and the political context, which is changing in both cases, has influenced the decisions taken by policymakers, the capacity for collective action, and the outcomes of both. While the first two chapters deal with the genesis of the two policies putting particular emphasis on policy rules, in chapter four I focus more on the role of the political context and the way in which its change has opened opportunities for action for different actors and interest groups in both cases. In chapter 5, I take up the elements of the economic changes highlighted in chapter 3 to see how they played a role in the action strategies of the policy actors. From this analysis, it emerges that the changing economic structure unequally distributes resources for action to different actors and interest groups. Whether and how this action is actually expressed in such a way as to influence the policy process has depended on the interweaving of policy rules and political context over time. In the final conclusion, I propose the definition of the policy outcomes as an example of policy drift for the Milan case and a policy conversion for the Paris case. These two outcomes are then explained through the identification of the causal mechanisms that have determined their development over time, and highlighting the role that policy rules, political context, and market changes have had in shaping actor's strategies for policy change in both contexts.

# **Section 1 The genesis of food wholesale market policies in France and Italy**

# CHAPTER 1

## **Local implementation of a national infrastructural policy: the foundation and first developments of MIN Paris- Rungis' policy.**

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In the following paragraphs, I will present and discuss the elements on which the legitimation of the national policy for the construction of a network of *Marchés d'Interet National (MIN)* is grounded, the normative and cognitive framework that steered its policy design, and the link between these frameworks and the local implementation of the MIN Paris-Rungis.

The cognitive framework of this national public policy, and therefore the pieces of knowledge used by policymakers, stems from the problems detected in the operation of the *Les Halles* in Paris between the 1920s and 1950s. It provides the ground from which policy issues that needed to be addressed were identified. The normative framework, on the other hand, provides guidelines that allow policymakers to connect these issues with specific policy measures to be implemented. The link between problems and policy measures is legitimised by a series of causal principles that have characterised French economic and industrial policy since the end of World War II. The diffusion of these normative references in the different policy processes related to economic and industrial development had been guaranteed by the institutional configuration that saw the decisional arena of the



Commissariat General du Plan (CGP), constituted in 1946, at the center of its structure. Overall, the institutional configuration of the economic and industrial policy governed the arrangement of the role of political actors, state administration, and interest groups. The dominant national normative framework for economic and industrial development policies marked, at least until the end of the 1970s, the policy path of the MIN Paris-Rungis. As we will see along this chapter, its change during the 1980s had an impact on the organisational agenda of Semmaris, the mixed economy company set up to oversee the construction and management of the infrastructure.

If I consider actors' configuration and their role, a change occurs between the 1950s, when the national policy of the MINs was formulated, and the 1970s, when the spatial concentration within the MIN Paris-Rungis of food wholesale activities was completed. Until the 1960s, the dominant actors in the definition of policy priorities and in the normative references were the *Corps d'Etat* and the ministerial services officials. The hierarchy of policy interventions and the objectives to be pursued were elaborated within the state administrations and then adopted by policy decision-makers of the national government. During the 1970s, institutional changes took place in the territorial government of the Paris region, triggering a politicisation of center-periphery relationships. This politicisation affected the type of relationship between the state and Semmaris, giving more influence to political actors, with particular reference to the Ministry of Finance.

The way in which the relationship between Semmaris and the State, the company's major shareholder, is regulated reflected the *dirigiste* approach of French national economic and industrial policies. Libert Bou, the first Semmaris' president, was appointed with full management powers for the entire infrastructure construction process, equating, at least formally, his decision-making capacity to that of the ministries involved in the *tutelle* of MINs operation at the national scale (*Ministre des Travaux Publics et des Transports, Ministre de l'Agriculture, Ministre de la Construction*). The strong political and institutional legitimisation of his leadership allowed him to play the role of broker giving legitimacy to local wholesalers interest groups as well as satisfaction to the city of Paris' interest in maintaining a role in the infrastructure management and buffering the ministerial officials' pressure to reach the outlined policy objectives. This mediating role between external institutional pressures and internal organisational needs allowed food wholesalers involved in the operation of the MIN Paris-Rungis to undergo a process of political integration since the very beginning of the policy process. The resulting

institutionalisation, on the one hand, slowed down the effective achievement of the policy objectives established by the ministerial services and the CGP, and, on the other, allowed an effective socialisation of the national economic policy normative framework among interests groups active within the MIN.

### ***1.1 The national institutional settings: a gear for policy framework formulation and for resource allocation shift among interest groups.***

Considering institutional changes of the French State, I will analyse them to discuss policy dynamics concerning *Les Halles* infrastructure first, then the production of a national network of wholesale markets labelled as *Marchés d'Interet Nationale* (MIN).

During the Third Republic (1870 - 1940), the State's institutional environment was structured by the presence of competing factions of a politically fragmented bourgeoisie and working class, which could do little more than preside over a fragile social stasis. In line with this feature, veto strategies of local politicians and economic interest groups prevailed in those years, limiting the scope of reforms with the objective of regulating the economic transactions between producers, wholesalers and retailers in a different way.

In the late 1940s, a new policy imperative emerged to revive the economy after the world war: the modernisation of the productive apparatus and the rationalisation of the market mechanisms for the allocation of resources through public actors' direct intervention into market dynamics. France was still a nation of small producers, heavily agricultural and industrially stagnant. In line with the normatively based pressure for modernisation and rationalisation, the national policy of the MINs was formulated in those years. The goal was to design a national device to ensure better access to the market for producers, giving them the resources for growth in size and for the industrialisation of production processes. Moreover, the idea was that a national infrastructure programme would have corrected economic distortions in the distribution chain of agri-food products.

The MINs national policy was framed as part of a movement of institutional change pursuing the goal of reinforcing the steering (*dirigiste*) capacities of State administration in economic, infrastructural and industrial development. A component of this change was the establishment of the CGP and the co-optation of new professional skills in the state administrations. For this purpose, the *École Nationale d'Administration* (ENA) was

founded in 1945 to centralise recruitment for senior civil service and provide future French administrators with the skills and attitudes (norms and ideas) appropriate for the task of directing French economy. (Kesler 1984; Kuisel, Charpentier 1984).

The first development plan issued by the CGP (1946 – 1952) had a single goal: the modernisation of the supply side of the economy by removing bottlenecks in six sectors: steel, coal, *transportation*, electricity, cement and agricultural machinery. It was the main policy document used as a reference to formulate MINs national policy, whose implementation began in 1953.

The strategy of State-led growth was based on a highly interventionist industrial policy, a diplomatic pressure in support of exports to equilibrate the balance of payments, and the enforcement of a system of national economic planning. For this purpose, planners extended state control over key sectors of the economy and established several institutions designed to reinforce the State's public action capability. These guiding principles for economic growth can be found in the ideas steering policy management for the MIN Paris-Rungis: its construction was carried out using all the capacity of action available to the State, the ministerial services constantly exerted pressure on Semmaris to find solutions to support exports, and national economic planning affected the organisational agenda of the management company.

With the advent of the Fifth Republic in 1958, the political context of planning changed. The constitutional reform conferred broad competence to the political executive power and the national government gradually began to influence planning (Hall 1986). This process of politicisation will have its effects felt in particular since the Seventh Plan (1976 - 1980), which included measures to remodel the financial weight of public interventions. The reconfiguration of the actors also had an effect on the selection of Semmaris' management, which was selected at the end of the 1970s including political partisanship in the criteria.

The greater weight of the political actors in the Fifth Republic's institutional configuration must not lead one to think that the principles at the base of the French *étatisme* had failed or been put in question. Rather, in addition to the still dominant position of the State, I find a stronger political integration of centre-periphery relations. This integration operated through political relations among elected officials, activated and maintained by the *cumul des mandats* institutional feature.

The Fifth Plan (1966 – 1970) saw an important shift, from previous ones promoting the *nouvelle politique industrielle*, whose dominant feature was a concern for the competitiveness of individual firms rather than the growth of entire sectors. Within this amended normative framework, the principle of 'national champions', industrial players on whom public policy resources are concentrated in order to support them in penetrating international markets, was put into practice. Planners were no longer interested in giving resources to entire sectors, as for instance to the whole MINs' policy, but rather in allocating resources to strategic corporate actors. This was the case for the MIN Paris-Rungis which was conceived as the main pillar for the entire national MINs network working as a structuring node for price dynamics, national food distribution dynamics and export flows. Its role as *national champion* was certified by the direct State control of Semmaris, while other MIN operating companies were managed at the local scale. The State maintained the role of a majoritarian shareholder until 2007 when half of its Semmaris capital shares were sold to a commercial real estate developer.

The economic crisis that followed 1973 and the consequent austerity policies weakened the legitimacy of expenditure to support 'national champions'. However, the reference to competitiveness as a pillar for economic development remained active, this time including small enterprises considered capable to secure shares in the international market and retain the flexibility to survive recession (Hall 1986). Within this new regulatory framework, Semmaris was imposed a path of economic independence from state subsidies, compelled by an investment programme to support the entrepreneurial capacity of wholesalers active within it.

The reorganisation of the state that gave rise to the Fifth Republic changed the allocation of policy resources between different public and private actors. Local politicians who had until then put on standby the relocation of the *Les Halles* wholesale market that would have allowed the construction of the MIN Paris-Rungis, saw their influence power concentrated in the hands of CGP officials and in the national government's executive power. Merchants, wholesalers, and workers involved in the handling of goods in the wholesale market, the so-called *forts des Halles*, no longer found an outlet in the decision-making arenas, and thus lost their influence in favour of maintaining the market in the urban centre of the capital.

However, I will highlight how, within Semmaris, a process of institutionalization of relations between management companies and professional associations, had allowed the

consolidation of a common organisational culture, which functioned as a breeding ground for the socialisation of wholesalers to economic policy priorities established at national level. This phenomenon eased actors' coordination within the MIN Paris-Rungis and prevented the emergence of conflictual dynamics, as opposed to the case of Milan where the conflict between actors has accompanied the whole history of the infrastructure.

Social conflict prevention was accomplished through three complementary strategies, that were proper of the normative framework shaping the *nouvelle politique industrielle*: masking individual loss with the veneer of common interest, presenting expulsion from the market of corporate actors as economic euthanasia, and tying present sacrifice to future gains for the incumbent (Hall 1986). These principles were indeed followed during the first years of the MIN Paris-Rungis operation. The prevalence of the collective interest was embodied in the introduction of a double perimeter of protection against wholesalers challengers in order to compensate for the economic *trauma* of leaving the city centre for a peripheral location. Urban infrastructure relocation entailed the closure of a relevant number of wholesalers. This sacrifice was compensated with economic subsidies and represented as necessary for the modernisation of the wholesaling sector. The sacrifice of abandoning the city centre, with severe short-term impacts over Paris's urban economy, was framed as necessary for retailers in order to have better bargain conditions in economic transactions purged by wholesalers' rent position and speculative behaviours.

This very same idea was mobilised during the 1980s for wholesalers with the aim of legitimising consecutive tariff increases imposed by the State to Semmaris in order to reinforce its economic viability.

## ***1.2 The role of political institutions in shaping infrastructure and industrial policy paradigm.***

In the French case, political order had been (re)produced, at least until the decentralisation process started in 1982, through a centralized State organisation. The (almost) uncontested sovereignty of the central State was considered as the only force “*that could orchestrate political order and hold the nation together*” (Dobbin, 1994: 2). The system of ideas allowing political order and stability during time influenced the policy

paradigm to produce stable economic growth and industrial rationality for the sake of the nation's wealth development. Civil servants and technocrats employed within central administration were those controlling the power to design industrial policy, and in a similar way the national government had the power to control political order through State territorialised administration. State institutions provide not only principles of how power and decision-making resources should be distributed but also principles of causality to policymakers. Here, it is important to discuss the institutional sources of the policy paradigm that had steered the formulation and implementation of MINs national policy. Features of the policy paradigm influenced policy goals, the type of actors, and the policy development steering MIN Paris-Rungis's development, as well as actors' configuration and processes involved in the relocation of *Les Halles*. I use the concept 'policy paradigm' as defined by Hall (1993), analysing how policymakers operate within a general framework of ideas and standards that shape the goals of public policy, the policy instruments to achieve them and, most importantly, the nature of problems that are to be addressed through public policies.

The physical dimension of the MIN Paris-Rungis was majorly influenced by the policy paradigm that had supported the infrastructure development and other French industrial policies since the 19<sup>th</sup> century (Dobbin 1993; 1994; 2001). To discuss the normative elements related to MINs' economic dimensions, I rely on the modernisation endeavour instead, aimed at promoting economic growth, developed by national government after WWII (Hall 1986). This was then translated by a process of institutionalisation of the space (Raymond, 2004) structuring wholesaling economic geography through norms and rules, a policy feature that was part of the attempts to solve issues raised at policymakers' attention from the functioning of *Les Halles*.

In order to support his argument, Dobbin focused his attention on the railway infrastructure development (Dobbin, 1994; 2001) and on industrial policies after the crisis in 1929 (Dobbin 1993). According to him, industrial policies of nations implemented to achieve economic growth and industrial rationality during the 19<sup>th</sup> and 20<sup>th</sup> centuries reflected the rationality at work behind state institutions to achieve political order. French industrial policy guided infrastructural development from above, following the normative frame of the political-institutional configuration: only the central administration could support the national political order pursuing a collective interest. In the same way, the State should "*prevent self-interested entrepreneurs and market irrationalities*" from putting

progress and economic growth at risk (Dobbin 1994: 4). Therefore, the governing of infrastructural development was built on the competences of expert technocrats controlled by public administration, who guided the economic development better than self-interested actors could. Their expertise and the mandate of pursuing the collective national interest was the ground to assign them the control of policies for economic growth.

Local authorities and local interest groups were excluded from the policy process concerning the agriculture and food distribution modernisation, as for other policy domains. Considering agri-food production and distribution, the national context after World War II suffered from the lack of rule setting to orient economic behaviour of actors along the supply and the value chain. This generated a lack of information about local market factors (demand and offer), as well as speculative behaviours of intermediate men in detriment to producers, retailers, and consumers. According to the civil servants and professionals employed for the elaboration of the National Plan, within the newly established *Commissariat General du Plan (CGP)*, the uncertainty for producers and shippers about market factors was the main cause for produce distribution problems. Uncertainty favoured the proliferation of intermediate actors as a compensation factor. This market organisation gave them the power to provide producers and shippers with access to local consumer markets, and the control over information on local market conditions. The gate-keeping role of intermediate actors eventually provided them with a disproportionate influence on supply and value chain, which resulted as detrimental to all the other actors (Raymond 2004).

In order to face this economic issue, the modernisation pressure expressed by CGP functionaries over national economic, industrial and infrastructural policy, contributed to formulating a new policy program for agri-food distribution. This policy program entailed two goals: the construction of a national market driven by a market competition mechanism, thus eliminating gate-keeping roles along the supply and value chain, and the construction of a national network of wholesale markets that could work as technical tools for producers to put their produce into consumer markets.

The device imagined to attain both goals was the *Marché d'Interet National (MIN)*. State technocrats designed a network of physical infrastructures to be built close to both production and consumption areas. Three normative principles defined the features of these infrastructures. One of the fundamental ideas was the need to concentrate all food wholesalers in the same place, secluded and separate from other economic transactions so

that they could regulate and control their purchases from carriers and producers as well as their sales activities with the economic operators admitted to the MIN. The State did not only express a desire to rationalise the spatial organisation of distribution circuits or apply rules to ensure fair economic relations. The idea was to also plan a new system of wholesale marketing of perishable products in order to get as close as possible to the ideal type of ideal market. This social construction of economic exchanges is described by economic theory through the concept of pure and perfect competition: it constitutes a place where a large number of atomised sellers and buyers are gathered and benefit from "perfect" information about the factors of supply and demand. These two ideas are legitimised by the representation that the French State has of itself as responsible for the food supply of large urban areas under optimal market conditions and quality, and therefore equally responsible for the implementation of technical, legal, regulatory and economic means to achieve this goal.

From a political economy perspective, the State intervened in the economic realm to set and implement rules that can orient and constrain behaviours of economic actors in order to favour some specific categories: producers, which are object of a modernising effort, and consumers, which were suffering from price, goods availability and quality instability (Fligstein, Dauter 2007). The political will of the State, embodied in the prescription of the First National Plan (1946 – 1952), led to the approval of the national decree n° 53-959, 30<sup>th</sup> September 1953<sup>9</sup>, that entailed the construction of MINs network. Each wholesale market was equipped with logistics assets such as warehouses and cold-chain facilities, railways and road networks connection pursuing the objective of<sup>10</sup>:

- supply chain shortening;
- promotion of best price along the value chain;
- rationalisation of the distribution system.

Considering the kind of relations between the State and the market in the case of French dirigist state, I can say that the former pursued the goal of designing economic sectors in order to steer them towards a goal to be politically defined at a national level.

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<sup>9</sup> The decree n° 53-959 du 30/09/1953 is available, as most of the legislation concerning the MINs on the website [www.legifrance.gouv.fr](http://www.legifrance.gouv.fr).

<sup>10</sup> See the Report submitted to the Conseil économique in June 1953 by the Commission d'étude des marchés gares: « Les marchés gares et la réorganisation de la commercialisation des fruits et légumes »



Between the 1950s and the 1970s, the goal was the modernisation of the agricultural sector, the rationalisation of the produce supply chain, and the liberation of consumer economic resources, through food price reduction, in order to foster economic growth in other sectors.

High-level civil servants guided and supported the modernisation process with their normative representations, implemented thanks to the State's organisational capacity (Billow, Viallet-Thevenin 2016). In the case of the agricultural sector modernisation process, these representations were shared by producers' national professional organisations, which supported modernisation ideas, nurturing the awareness that this would have guaranteed economic development (Muller 2000).

The condition to implement this modernisation policy was a degree of closeness between economic actors and public administration, with the aim of overseeing and orienting their behaviour. In my case, this was accomplished by designing mixed economy companies for the operation of most MINs, while smaller infrastructures were operated directly by local administrations. Mixed economy companies oversaw their behaviour and eligibility criteria to have access within the infrastructure, while public actors controlled their administrative boards with the shareholding majority. Furthermore, local prefects, who represented State authority on the territory, are charged with the enforcement of management and policy rules.

In the case of MIN Paris-Rungis, the link between State power and this national champion is shaped by the engagement of State administration on two levels. The first level is the formal control of the shareholding structure by the State, which since the beginning controlled 66% of Semmaris social capital, instead of local authorities, as for all the other MINs. The second level is the direct control of Semmaris's executive management via the selection of Libert Bou (1965 – 1974) as president. He was a long-running high-rank civil servant, member of the *Commissariat au Plan*, and entitled with executive powers equivalent to Prime Minister's ones.

### ***1.3 The premises of the MIN Rungis policy***

The first step of analysing a policy is understanding what made policymakers decide that a problem deserved to be considered as a public problem and what oriented them towards a certain solution. Before World War II, public actors governed the perishable food supply of Paris urban region almost entirely by their direct action (Bognon, Marty 2015). The State was the main actor who shaped the economic transactions and the organisation of the supply chain structure. Different state bodies were involved. The parliament and government took charge of legislative production to design the rules, while the Seine prefect and the Police prefect were in charge of the enforcement of those rules and of the operation of the wholesale market infrastructure, the middle-age market *Les Halles*. The Seine prefect also controlled some executive bodies of the Seine Department, which at the time included Paris and the current extension of the so-called *petite couronne*.

This urban infrastructure was located in Paris's urban centre, in the same area where I now find one of the main public transport hubs of Ile-de-France: the RER and Metro station *Chatelet – Les Halles*. At the time, it was the main economic infrastructure for local food distribution of the urban region. The last major renovation before its relocation took place in 1866 with the construction of Baltard's pavilions. This structure showed its physical limits relatively soon, for it was not able to host the growing number of economic actors involved in daily transactions. This wholesale market provided nearly the entirety of the food provisions consumed within the Paris region, hosting both local producers and wholesalers selling goods to both retailers and final consumers. *Les Halles* worked as the gate of access for perishable goods into the Parisian consumption market, accomplishing the double task of the wholesale market during night hours, and the main retail marketplace of the capital during morning hours (Bognon, Marty 2015).

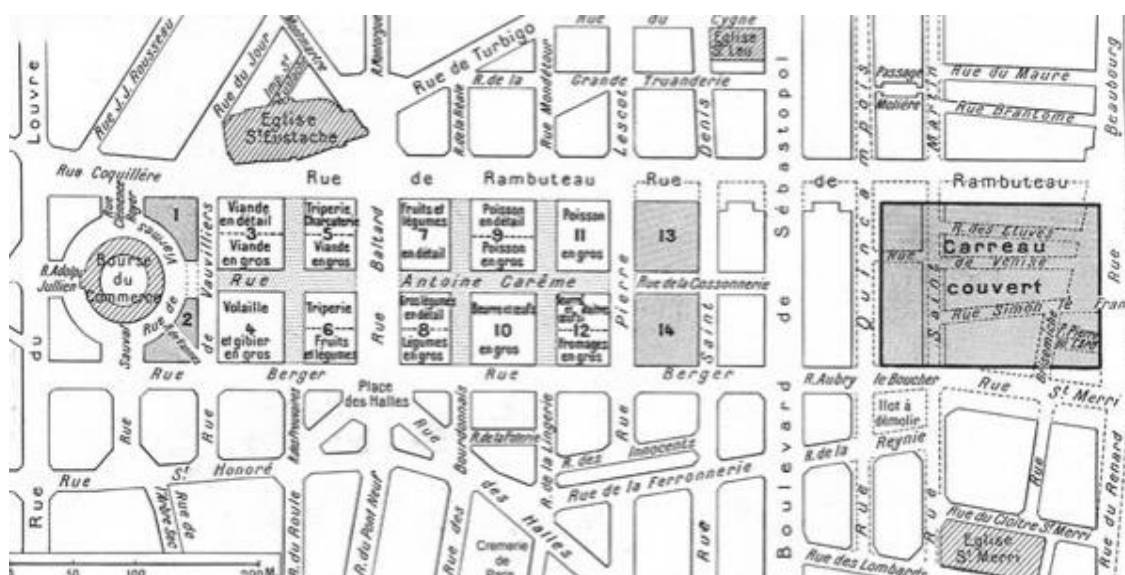
The economic dynamics that characterised the functioning of *Les Halles* after the construction of Baltard's Pavilion saw growing importance of informal economic practices and a series of complaints submitted by the producers' professional organisation to the parliament demanding to fix them. The subject of contention concerned ongoing opaque economic transactions occurring within the market at the expense of the farmers, favoured by the gatekeeping position occupied by wholesalers.

In 1891, the parliament established a commission to debate the problem and find a solution. The parliament was invested with the task of regulating *Les Halles* because this

infrastructure was one of the main nodes of the agri-food distribution system, and because Paris's government organisation was vertically integrated into State administration, leaving voice and room of action to officials locally elected through the vertical channels defined by the *cumuls des mandats* (Goldsmith, Page 1987). The commission mainly highlighted two aspects for *Les Halles*' regulation reform: on one side, the need to better qualify actors entitled for trading activities and administrative control on their economic behaviour; on the other side, the spatial definition of the market that should define the limits for rule enforcement (Raymond 2004). The political economy's goal was to design a marketplace regulated by public authorities in order to improve transparency and protect the interest of actors along the supply chain. Producers, who could not be present on the market and had to rely on intermediates to sell their produce, had too little control of the trading conditions. Retailers and consumers were affected by a malicious price dynamic when wholesalers used to alter fictively the actual offer of produce. New regulations focused on the relations between producers and wholesalers and between the latter and retailers. Two positions were expressed during the law debate (Raymond 2004). One suggested the need for stricter administrative regulation in order to stop disloyal practices, which also meant to define the role of wholesalers within the supply chain regulating their room of action in the value chain. Instead, supporters of a liberal position considered the institutionalisation of wholesalers' role as a risk to avoid. Providing them with a clear statute would have also meant reinforcing their rental position towards both producers and retailers (Raymond 2004). According to liberals, the solution would have been to define an administratively regulated market, dropping the possibility of a 'free market'. In the best-case scenario, the 'regulated' one would play the role of a benchmark influencing the 'free' one, or, in any case, the competition between them would eliminate the deceitful actors. Politicians representing producers and rural constituencies were in favour of a stricter regulation instead, in order to gain control over economic transactions between wholesalers and geographically distant producers, who had no possibility to verify daily market conditions and demand/offer dynamics. Eventually, after the reform's approval in 1896, only trading activities were regulated, whereas the spatial limits of the marketplace remained underspecified to bypass cross veto positions among national political groups. To neutralise the thick structure of veto players, which blocked the decision-making process in a 5-year stalemate, decisions were left open to further interpretation. The Police prefect assumed the rules enforcement role, while the Seine prefect controlled the provision of

authorisation to operate within the Pavilions, and was entitled with the daily cleansing task. The regulated market was organised in two areas. Within Baltard's pavilions, there were wholesalers, whom the regulation prevented from selling goods according to market mechanisms, but they were obliged to stick to an administratively fixed price mark-up. Alongside the pavilions lied the so-called *carreau des producteurs*, where the producers who managed to personally reach the market could trade their own produce (Fig. 1.1).

**Fig. 1.1 Map of the official market regulated by the 1896 law.**



Source: <https://exploratricedesaveurs.files.wordpress.com/2012/02/plan-des-halles-de-paris1.jpg>

Two main issues are related to the lack of ‘institutional qualification’ of the wholesale market space. One concerned the actual spatial extension of economic activities associated with the *Les Halles* operation, and the second concerned the fact that wholesalers’ economic geography lay not only within *Les Halles* or its premises but was dispersed within and around Paris. The first feature was the main element of contention during the implementation of the 1896 law due to its lack of specification which left unclear if the rules should be enforced only within the physical structure (see Fig. 1.1) or including all the economic activities in the premises (see Fig. 1.2).

**Fig. 1.2 View on one the streets around *Les Halles* during the daily trading activities.**



**Source:** <http://france.jeditoo.com/IleDeFrance/Paris/1er/les%20halles.htm>

Due to the importance it had for the whole Paris region, *Les Halles* can be considered from a sociological point of view as a complete market: “a social structure characterised by extensive social relationships between firms, workers, suppliers, customers and governments” (Fligstein, Dauter 2007: 105). Within this societal arrangement, the establishment of new rules affects members entitled to participate, defines the features and the behaviours incumbents should have, as well as the type of entry barriers for challengers who are willing to join the market. The rules of market operation<sup>11</sup> are a resource for actors to anticipate the behaviours of others, to orient their activities and eventually produce and re-produce the social structure that a market is. I cannot assume their impact on individual behaviour as an automatic process: it always works in an empirical context that is already made of previous norms, habits and power relations (Fligstein, Dauter 2007).

The perceived centrality of *Les Halles* as the main, if not only, commercial hub for perishable food in France produced distortion in the national distributive system: the lack of information about demand trends triggered an unreasonable concentration of perishable

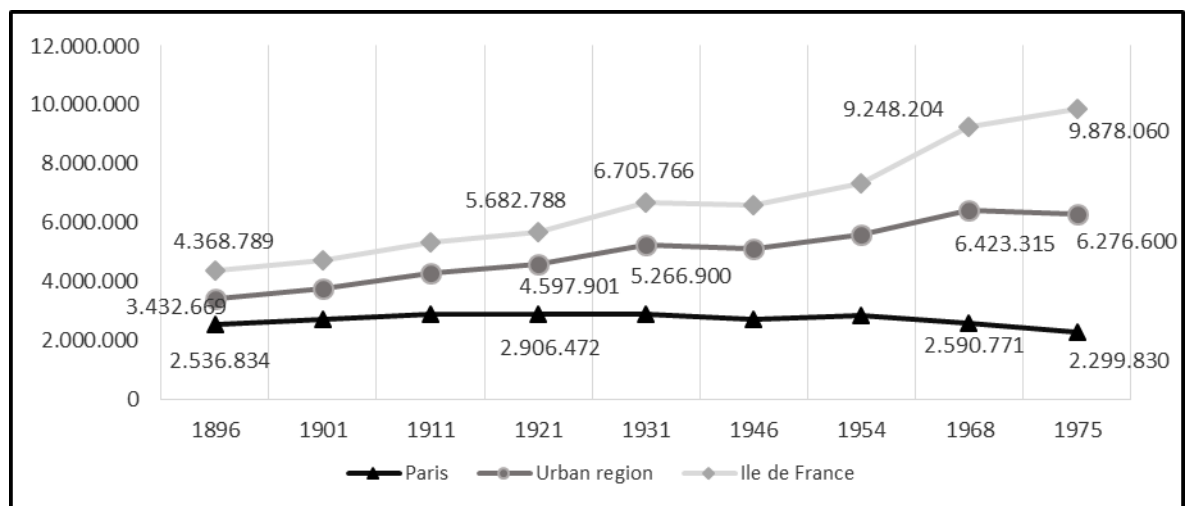
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<sup>11</sup> In order to avoid confusion in the reader, with the term market I always refer to its sociological conception while the terms *Les Halles*, Baltard’s Pavillon, or ‘wholesale market’ I refer to its physical and spatial features.

food into the Paris market, as an irrational aggregated result of individually rational choices of producers and shippers. Without any notion about market conditions, they used to consider Paris’s urban agglomeration as a consumption market with better chances to make profits (Raymond 2004). The result was a produce bulge in *Les Halles* market and in many cases the penuries of perishable food in other regions.

The uncontrolled flow of goods provoked a saturation of all the space available within the physical infrastructure. During the first decades of the 20<sup>th</sup> century, the problem worsened<sup>12</sup>: the fruit and vegetables volumes sent towards *Les Halles* augmented from 12125t in 1900 to 50000t in 1936 (Raymond 2004: 38, Note 18). The demographic trend constantly increased the tension upon the operation of *Les Halles* and the related impact on its urban surroundings, also after WWII (Fig. 1.3).

**Fig.1.3 Demographic trends in the Paris area from 1896 to 1975**



Source: Cassinis Database, EHESS.

Given these structural tensions, the consequence of the law was to provide economic actors outside *Les Halles* with a competitive advantage over those within the ‘official’ market. Actors trading in the surrounding streets were not constrained by limits on the price dynamic or by scheduled opening hours. This allowed them to manage goods offer in a deliberate way in order to affect price dynamics. Moreover, the physical blockage of the streets prevented many customers from easily reaching the wholesalers inside Baltard’s

<sup>12</sup> For instance, only considering the freight sent towards the operators within the *Les Halles*, fruits and vegetable volumes passed from 12 125t in 1900 up to 50 000t in 1936 (de Raymond 2004: 38, Note 18), while in 1961 reached 1.000.000t.

Pavillions, giving the 'free market' wholesalers a competitive advantage based on better accessibility.

The tensions concerning the increasing freight volume, the limited accessibility for some economic actors, the lack of transparency in the economic transaction and the ambiguity of the rules, favoured the spreading of more intermediates, profoundly altering local value chain figured by national policymakers, with the new *Les Halles* regulation. Despite the fact that the law did not regulate nor accept the professional groups actually operating within the wholesale market, public authorities tolerated their activities. The daily operation of economic transactions was possible thanks to the so-called *forts des Halles*, freight-carriers who had the task to handle goods within the area occupied by the market, from sellers to buyers. They, together with the free market wholesalers, were influential in playing a veto role during the delocalisation debate that started already immediately after World War II. Pierre Hamp (1951) described the economic distortions due to the spatial configuration of the market as follows:

« *Par mauvais temps [le marchand du Carreau] vend à tout prix. Ce qu'il remporte serait perdu le lendemain. Le Carreau obstrue l'accès aux pavillons et filtre leur clientèle à travers le rabais de sa marchandise de plein vent. Aux intempéries, le Carreau vend et le pavillon chôme* »

[Quotation from Krzyzanowski 2013 : 38]

Despite this uneven distribution of competitive advantages among the economic actors of Paris food distribution system, the positions of local economic institutions, such as the Paris *Chambre de Commerce*, remained supportive of a weakly regulated market (Raymond 2004). The argument was one in favour of free entrepreneurship and the free market but, in the actual regulative and institutional context, the result was rather the protection of acquired rent positions.

Together with the value chain regulation, urban issues raised along the 20<sup>th</sup> century. The inner city was monopolised by daily trading activities. The traffic was affected every night and morning by the incoming and outgoing freight flows. Road congestion was not only an urban problem: it also brought economic consequences. According to the *Comité des Usagers des Halles* and to the *Chambre de Commerce*, almost half of the daily working time was spent stuck in traffic, losing productivity for carriers and rising costs for wholesalers and retailers (Krzyzanowski 2013). Due to these issues, the delocalisation of

the wholesale market was already present within the agenda of state territorial and national administrations before World War II. The explosion of the war blocked the policy process. Political priorities changed: being more urgent than a solution for the Paris food-wholesaling sector, economic and infrastructural development, as well as modernisation of strategic industries and national food distribution featured at the top of the national government's agenda. This agenda was then translated by the First National Plan into the MINs policy.

#### ***1.4 The persisting problems in Les Halles operation as the main source for the national MINs policy cognitive framework***

In this economic sector, modernisation is framed by policymakers as a reduction process for the number of intermediate actors along the supply chain and of rational produce allocation according to local consumption demands. The rational allocation should be made possible thanks to the reorganisation of the distributive system at a national level. Consistently until 1973, policy makers left the development of big retailers unregulated, promoting their development introducing regulation against the practice of trade refusal that producers and wholesalers adopted as a way to boycott these emerging corporate actors. Their penetration in the retail sector was seen as a way to modernise food distribution, thanks to their prospective ability to build economies of scale. Indeed, during the 1950s and the 1960s, supply channels from producers to retailers started being direct, due to the spreading of big retailers that started bypassing all the intermediates operating between them. However, during the 1960s, namely the decade when *Les Halles* was relocated and many MINs around France were built, traditional retailers were still the dominant actors in the distribution system: they still controlled 80% of food distribution (Villermet 1991).

Once more focusing the attention on the preliminary debates that led to MIN Paris-Rungis construction I can consider the 1949 *Conseil Économique* (CE)<sup>13</sup> report, which concerned the main problems at stake in the supply chain and proposed an array of

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<sup>13</sup> The *Conseil Économique*, today labelled as *Conseil Économique, social et environmental* is part of the Constitutional bodies of the French Republic. At the time it was composed by 164 member representing entrepreneurs' and workers' interest groups such as professional organisations and trade unions.



solutions. The report framed *Les Halles* as an economic infrastructure with local and national impacts, having the capability of influencing the prices of agri-food products on the entire national economy (See Krzyzanowski 2013: 58-68). The report suggested three structural elements the new Paris wholesale market should have:

- It should occupy a large parcel of land in order to facilitate the presentation of the offer so that it would be possible to improve the transparency of demand/offer dynamic.
- The location should not affect the urban road network and should facilitate the circulation of goods in their arrival and shipping in order to guarantee the complete supply of the market before the beginning of trade operation, and thus provide the complete information about the offer.
- The new infrastructure should comply with the '*unity of place and time*' principle for the sake, again, of transparency in price dynamics.

This last point caused the need to implement a different institutionalisation of the space dedicated to wholesaling activities. The causal principle that links a strictly defined unity of time and place with the capacity of regulating price dynamic was the normative premise for the conception of an economic *perimeter of protection* around most important French MINs, including of course the Parisian, which had established the largest one. Such regulation of perishable food wholesaling economic geography will become a crucial element for the institutionalisation of the relationships between policymakers and wholesalers located within and outside the new MINs.

From a political economy perspective, it posited the premise for the cognitive framework mobilised for the national MIN's policy, approved four years later. This administrative document is among the very first formalisations of the need for *Les Halles*' delocalisation, as a public policy issue. I can here recognise the beginning of a long-lasting political construction of a national urban infrastructures development programme, highlighting its potential for the national economic modernisation, the main political priority at the time, over other dimensions. I define it as a 'political construction' because *Les Halles* had serious implication for the structure of political cleavages among local collective actors, for the reproduction of political consent within different constituencies, as well as economic, social, and cultural value for the urban society. Framing it as a

national issue prepared the ground for the subsequent up-taking of its development and regulation by the state, leaving local interests on a second stage.

In the same document, we also find a list of four different solutions for the reorganisation of *Les Halles*. I will present them synthetically highlighting those elements that can give us clues about the configuration of the actors mobilised by this topic before the formulation of the MINs' national policy.

- The first solution entailed the spatial re-organisation of wholesaling activities through the building of three different wholesale markets located in the outskirts of Paris. Each infrastructure would be designed to host a specific product type: fruit and vegetables in the South, seafood in the west and meat in the north. The driving idea was to locate each one along main physical supply chains from production regions and to eliminate the congestion within Paris. This solution saw the opposition of unspecialised retailers and restaurateurs who would have had their procurement resources spatially dispersed. It was opposed by wholesalers too, who stressed the risk of raising operational costs on their shoulders. Moreover, the lack of unity of place and time would not fully comply with the insights of the *Conseil Economique*.
- The second solution established the partial transfer of the fruit and vegetable sector from *Les Halles* towards the SNCF-owned land of *Gare de Lyon* in the Southeast section of the city. The main argument for this solution, proposed and supported by SNCF itself, was to better manage the freight flows designated to other consumption areas. One of the main cons of this idea was, again, the rupture of the principle of a unity of place and time, which would have favoured price speculation. Only the SNCF member represented in the CE voted for it.
- The third solution designed the localisation outside the city borders. The position of the *Conseil Economique* highlighted the costs of this operation and suggested to postpone this engagement to give priority to other economic development projects. Four criteria were considered as compulsory to retain this solution.
  - 1) The new market should measure at least 130he in order to allow the rational distribution of goods.
  - 2) The market should be placed in the North section of Paris's agglomeration, close to the majority of consumers, despite fruit and vegetables coming from the South of France.

- 3) It should be accessible by the four railway networks serving Paris.
- 4) It should be placed close to the city where most retailers are located.

The *Conseil Economique* (CE) added a list of further arguments having the common traits of maintaining Paris as the symbolic and physical centre for food wholesaling, the concern of eradicating an important resource for the urban economy, the fact that daily displacements for retailers and restaurateurs would affect the price dynamic for consumers. If I join these arguments with the fact that the local administration was among the main opponents to the relocation I can infer the presence of a local interest group coalition, represented within the *Conseil Economique*, between state territorial administration (the Seine Department) and professional groups. The former would have lost the revenues issuing from the trading activities and the possibility to mobilise the market as a source of political consent reproduction, the latter would have needed to change, and probably abandon, the set of institutionalised economic practices that had guaranteed their entrepreneurial activity until then.

Eventually, the solution adopted by the *CE* was the fourth one: the maintenance of the infrastructure in the actual place, considering only a physical and rule setting revision. The decision was supported by the argument of the lack of public resources. After the issuing of the report, the professional associations of wholesalers, both from the ‘regulated’ and the ‘free’ market, presented a study sponsoring the rightness of maintaining *Les Halles* in the actual place in 1954.

In contrast with the National MINs policy, 1953 saw the start of a period of inertia of institutionalised practices and the intention of maintaining the social, economic, and eventually political configuration that had supported the regulation of *Les Halles* until then. I should keep this configuration in mind because I will find a similar situation in Milan during the attempt of reforming wholesale market governance during the 1980s presented in chapter 4, with the relevant difference that the state never played a significant role within the policy process.

Numerous years of debates among different actors, political, economic and institutional, both national and local, have created a ground of knowledge about problems and possible solutions. Although the cognitive elements were available to all actors and were in favour of the third solution presented above, the institutional configuration gave priority to the normative representations and priorities of local stakeholders. The process of

relocating an urban function so deeply rooted in the economic, social, cultural and political fabric required a change in the context in which the actors were operating in order to be taken seriously.

### ***1.5 The state perspective and normative framework***

Some elements characterise the state interventionism in the economy for the implementation of industrial policies. French administration used to design monopolies that operated under state supervision. Accordingly, in the political realm, where political power represented the prevailing of local interests as a threat to collective well-being, industrial policymakers considered inadequate concentration and lack of coordination among actors as a problem to address. The promotion of monopolies was considered as a strategy to solve coordination problems since it promotes market stability supervising price dynamic and firms' coalition (Fligstein 1996). State administration is responsible for setting market rules, which are designed by state technocrats. The driving idea is that “*left alone, market forces are prone to destroy the vital firms*” (Dobbin 1993: 33-34) with the side effect of endangering economic growth. Together with market rules, a “*technically proficient cadre of State bureaucrats*” designed the key components to support industrial development and economic growth, such as railways, highways, bridges, tunnels, canals... and of course *Marchés d'Interet Nationale*. In fact, the design of the infrastructural policy of the MINs at national level put these regulatory principles at work. Particular attention is given to the establishment of public monopolies for major infrastructures, the stabilisation of wholesale companies by stimulating their concentration, leaving a wide margin of discretion in the decision-making process to administrative actors, officials within the CGP. I should remember that MINs are infrastructures in the term's full sense: they are human artifacts designed to organise flows with the goal of structuring human interactions around them in a certain way. They are defined in a precise way for their structural and operational features:

- they are enclosed spaces where only entitled economic actors can have access;
- they must be connected to railways and/or major road networks;
- they must be located close to production areas or major consumption areas;

- their operation is guaranteed by a *Société d'économie mixte* (SEM), where public institutions hold the shareholding majority, or by a *regie directe*, where a local government integrates the management into its administrative structure.

The second dimension of the normative framework for this infrastructural policy concerned the conception and implementation of competition policies in France. A competition policy refers to the public actions aimed at designing rules and conditions under which economic actors should interplay in economic arenas. The policy maker who is willing to foster competition is usually prone to avoid monopolistic and oligopolistic configuration of a given market and promotes the entrance of challengers setting low entry barriers to the market. Eventually, I can say that competition policy are connected to the type of relation existing between the state and the market(s) (Billow, Viallet-Thevenin 2016). Focusing the attention on the food distribution economic sector, and more specifically on the MINs as infrastructures concerned with the supply chain reorganisation, I take into account the competition policy designed for food wholesale sector, and how this policy supported or contrasted goals of the MIN's infrastructural policy.

The modernisation effort of the food distribution sector was pursued following some dominant assumptions. The low degree of concentration in the aftermath of World War II, consistently with the dominant 'national champion' approach, was represented as an issue to tackle in order to gain economic rationality, as to say better price condition and rational organisation within the supply chain. Given these premises, the stimulus towards concentration was seen as a strategy to guarantee stable profits for all actors with better prices for consumers. Within MINs' internal regulation a minimum quantity of traded freight was established, for wholesale companies willing to enter within those bounded markets. State administration designed this entry barrier with the agreement of the national professional organisation.

Unvarying from this policy framework, the construction of an infrastructure network was seen as a public compensation for the lack of investment resources that could be mobilised by corporate actors in a fragmented economic sector: fixed public capital is massively invested according to stated CGP priorities when a strategic economic sector shows a lack of capitalisation from corporate actors. The intention was to end the distortions due to lack of information and rent positions, thanks to new infrastructure that provided wholesalers with logistics assets, concentrate the demand and offer dynamic as

much as possible, and regulate the economic behaviour. Indeed, «*la loi de l'offre et de la demande ne s'applique d'une façon correcte que si les quantités apportées sur le marché ne sont pas artificiellement déterminées*<sup>14</sup> ». Therefore, on one side, public action favoured the concentration of producers with the agricultural modernisation policy (Muller 1984), on the other designed the wholesaling sector to favour price competition and reduce wholesalers monopolistic position against producers.

The competition policy for food distribution did not only concern wholesaling and MINs operation. The national government favoured the development of another distribution channel<sup>15</sup> that would comprise the direct purchase link between producers and big food retail companies (Raymond 2004). This was the premise for a profound restructuring of the food retail sector through concentration, between the 1950s and the 1980s. The competition between different distribution channels was regulated through different competition models during the time, according to Billows (2016). The first model is consistent with the national priorities about the need to stimulate economic development after World War II. Its regime of justification is based on the modernisation of economic structure and distribution infrastructures and on the contrast to inflation. It lasted from the 1950s to the 1970s. During the 1970s, a second model shaped competition policies focused on an abstract conception of the 'consumer'. All regulations and policy interventions were legitimised by the sake of consumer interest, defined in terms of better price conditions, which the state is responsible for. The third model was founded, according to Billows (2016), on a neo-liberal approach that coexisted with one based on loyalty in economic transactions. The institutional development of state administration responsible for drawing up competition policies helps us to understand where these arguments originated in the discourses of policymakers.

The public body aimed at designing this policy was the *Direction des Prix*, an administrative branch of the Ministry of Finance, established in 1940 to organise and control the supply procedures during the war (Billows 2016a). Its organisational assets, competencies and power of action defined the guiding principles for macroeconomic policies and aimed at keeping the inflation trend under control. During the 1970s, the attention towards the need to protect consumers is legitimised with the need of freeing

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<sup>14</sup> Avis du Conseil économique, dans sa séance du 8 octobre 1952, quoted in Raymond 2004

<sup>15</sup> Indeed, the first State regulation of retail chains was in 1973 when this parallel distribution channel was already established and started to endanger traditional retailers' economic stability.

economic resources at the micro-level. The aim of this was to redirect a growing quota of the individual revenue from food items towards other industrial goods, in order to sustain the modernisation process and economic development (TeenHoor 2007).

In summary, the CGP's normative framework shaped the way MIN were designed in their structural assets, their localisation, and the prescription of a 'national champion' to structure the operation of the whole network, as well as the national rationalisation of the distributive system. By contrast, the Ministry of Finance's normative framework shaped the operational guidelines of these infrastructures, while the closeness of the state with economic actors, expression of the dirigist approach, was guaranteed with the provision of mixed economy companies as operating bodies. Finally, these overlapping normative frameworks interplayed with the specific quality of MIN's goods: perishability. The MINs' national policy took about twenty years to be implemented if I consider the first government decree in 1953 and the inauguration of the last MIN in Lille in 1972. The decision-making process saw the prevalence of the *dirigiste* logic, which was already typical of the regulatory framework of French industrial policy, further strengthened by the institutional change of 1958 on the occasion of the transition from the Fourth to the Fifth Republic. Consistent with this logic, little, if any, space was given to interest groups to influence the implementation process. Both the production of the knowledge necessary to make decisions and the decision-making process itself are processes that took place within the state administration.

### ***1.6 The MINs' national policy design***

The fact that agri-food products lose their inner quality, and therefore their economic value, in an extremely short time span made wholesale markets being conceived not only as economic institutions but also as transport infrastructures with the objective of improving circulation of goods as well as information. For this reason, the main professional group advising and influencing policymakers were engineers, focused on infrastructure, and economists focused on products standardisation and market accessibility for actors and goods.

This framework is supported by the sedimentation of distributive rationality, where the pillar for market regulation lies in the conditions for freight flows management. The

use of the term “*distribution*” in policy documents and national law and decrees reflects the adoption of this policy approach, different from a more classical one based on the rationalisation of economic behaviours in each marketplace (Raymond 2015). Consistent with this framework, MINs’ objective was also to promote the development of wholesale corporate actors with transport organisational skills integrated, in order to avoid the need of further intermediate actors (e.g. transporters) to supply retailers and integrate into the wholesale company the transport function towards retailers through economies of scale. Therefore, MIN’s organisational settings, such as minimum standards for business volume, and structural setting, such as storage spaces to maintain the cold chain, the connection with major transport infrastructure, and the suburban location were all instrumental in the adoption of such distributive rationality.

Food distributive system was considered as one of the crucial national economic sectors to develop during time through public regulation. To accomplish this goal in 1953, the same year of the approval of the legislative framework for the MINs development, the *Institut technique des marches agricoles* (Technical Institute of agricultural markets) was created. This organisation involved the Ministry of Agriculture and the inter-professional business associations, which represented the professional categories composing the agri-food production chain (Lotte, 1955). It was reformed into a ministerial service within the Ministry of Agriculture in 1963: the *Service des Nouvelles des Marchés* (SNM)<sup>16</sup>. The service assisted MINs’ network development: its researchers gathered the price of the variety of products traded within them by retailers and wholesalers on a daily bases. The mission of this administrative body was thus to spread this information to all the corporate actors in the national distributive system in real time, in order to support and, as much as possible, equilibrate concurrence.

The MINs policy entailed the design of regional infrastructures in order to organise a distribution system on the regional scale to allow agricultural producers to easily access the local and national consumption market. The classification of a wholesale market was of national interest, therefore, as part of the national plan for the French economic development, could only be decided by the *Conseil d’Etat* after a report issued by different ministerial administrations<sup>17</sup>.

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<sup>16</sup> In 2009, this service adopted a different denomination. Today is named as Réseau des nouvelles des marchés (Rnm).

<sup>17</sup> Décret n° 53-959 du 30 septembre 1953.



To accomplish the goal of having close state supervision over the organisation of the supply chain, some local monopolies were established. In line with the causal principle that greater concentration of economic operators leads to greater market stability and better coordination, only the three largest MINs had a monopoly character: Paris-Rungis, Burdeaux-Brienne, and Strasbourg. The instrument chosen to make this principle operational was the definition of a perimeter of protection within which the location and development of wholesale food activities were regulated by the state. More precisely, this policy instrument took two forms. A positive perimeter prohibited the development and the relocation of wholesale activities concerning the products sold within the MIN. A negative perimeter prohibited all kinds of wholesale activities concerning products sold within the MIN: the consequence of its establishment was the forced closure of all existing wholesale activities within it. The monopolistic approach and the state supervision concerned the organisation of the wholesale sector, while the retail sector was not considered as a matter of public action until 1973 with the Royer Law. The decision to focus on the wholesale phase stems from the belief, generated and reinforced by the economic dynamics observed within *Les Halles*, that this passage of the supply chain was the main source of economic distortions and irrational resource allocation along the agri-food value chain.

The limited adoption of this policy instrument was due to the high economic cost of the measure for the state administration since it was needed to compensate all the businesses that were forced to close their activity and did not accept to move within the designated MIN infrastructure. For instance, the construction of the MIN Paris-Rungis cost 1104 million francs, of which 995 were used for the physical assets, while 119 million covered the compensation for professionals forced to close their business (Chemla 1980). The duration of these perimeters was foreseen for a maximum of 30 years foreseeing the possibility of a revision under different economic structural conditions of the economy in the future. As mentioned above, biggest MINs were, and still are, operated by a *SEM*: an organisation operating according to private law controlled by public actors, whose financial stability is overseen by state administrative services. With the exception of the MIN Rungis, these public actors are usually municipalities, departments or regions.

After the decree that designed the broad legal framework for the national wholesale market infrastructural policy in 1953, the first MIN was built in 1958 and in 1973 the

wholesale market network was completed with 17 Markets of National Interest<sup>18</sup> (see Tab 1.1). The MIN network was conceived with infrastructures located in southern regions, operating a goods gathering function, and close to metropolitan areas, operating as terminal markets (Fig 1.4). Among them, the Lyon market, classified as a MIN in 1966, was then declassified in 2009 after years of economic unsustainability of the infrastructure. After that, the WM management was privatised guaranteeing the persistence of the economic functions outlined above. Together with the 16 current MINs, the French wholesale market network also includes three regional markets located in Tours, Perpignan, and Rennes. Within this network, the MIN Paris-Rungis, built in 1969 and operated by the *Société d'économie Mixte* (SEM) Semmaris, is largely the most important one in terms of distributive capacities, controlling nearly half of all trading volume transactions of the whole network.

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<sup>18</sup> Lille, Rouen, Rungis, Strasbourg, Angers, Nantes, Bordeaux, Grenoble, Agen, Toulouse, Lyon, Montpellier, Avignon, Châteaurenard, Cavaillon, Marseille et Nice.

**Tab 1.1 The wholesale market network in France**

	Type of operating organisation	Market status	Year of construction	Traded quantity in tons in 2014
M.I.N d'Agen-Boé	SEM	MIN	1962	144.406
M.I.N. du Val de Loire (Angers)	SEM	MIN	1961	231.285
M.I.N. d'Avignon	SEM	MIN	1960	97.885 (2009)
M.I.N. de Bordeaux-Brienne	Régie à personnalité morale	MIN	1963	246.206
M.I.N. de Cavillon	Régie Municipale Autonome	MIN	1900 (MIN in 1965)	100.000
M.I.N. Chateaurenard	Régie personnalisée	MIN	1958	95.666
M.I.N. de Grenoble	Régie Communale	MIN	1963	27.418
M.I.N. Lille	SEM	MIN	1972	180.835
M.I.N.Marseille Province Metropole	SEM	MIN	1862 - 1908 (MIN in 1972)	273.183
M.I.N. Montpellier - Mercadis	SEM	MIN	1962	38.200
M.I.N. de Nantes	SEM	MIN	1938 (MIN in 1969)	200.000
M.I.N. d'Azur (Nice)	Régie Autonome Financière	MIN	1861 (MIN in 1965)	98.902
M.I.N. de Rouen	SEM	MIN	1969	80.868
M.I.N. de Rungis	SEM	MIN	1400 (MIN in 1969)	1.726.146 (2016)
M.I.N. de Strasbourg	SEM	MIN	1883 (MIN in 1965)	146.821
M.I.N. de Toulouse Metropole	SEM	MIN	1963	232.924
Lyon CORBAS	Association Syndicale Libre (ASL)	Private Market in 2009	1961 (MIN in 1966 declassified in 2009)	300.000 (2016)
Marché de Gros Perpignan - Mediterranée	Régie Directe	Regional Market	2010	60.000
M.I.R. Rennes	Délégation de Service Public	Regional Market	2005	17.429
Marché de Gros de Tours	SEM	Regional Market	1973	41.500

**Source:** Fédération des Marchés de Gros de France (FFMIN)

**Fig 1.4 Market of National Interest network and product categories traded in each infrastructure.**



**Source:** Fédération Française des Marchés de Gros

Even if everyday management practices remained under the responsibility of local authorities, with the exception of the MIN Paris-Rungis where the state maintained direct control until 2007, the supervision of the operational strategy was up to state territorial administrations. It was the state that decided all the guidelines to design a national scale infrastructure network:

- Per each MIN, the state decided which type of food products could be sold within it.
- A minimum quantity of freight volume to be handled once the MIN is established as defined by the *Comité de Tutelle des MIN* in 1966 (Kryzanowsky 2013). This deliberation was issued in the same year of its creation and was one of the first decisions of this institutional arena gathering civil servants from the Ministry of Commerce, the Ministry of Economy and Finance, the Ministry of Agriculture and the Ministry of the Interior.

- The minimum quantity of freight volume that a wholesale company had to guarantee to be considered eligible to locate its business within a MIN.
- State experts decided the location of each MIN. A MIN had to be connected to major road infrastructures, rail and any other transport infrastructures available on location (e.g. the Orly Airport for Paris-Rungis, the port in the case of the MIN Marseille). This criteria originated in policy proposals from the *Comité Permanent d'Études des MIN et de la Distribution des Produits Agricoles et Alimentaires* (one of the commissions operating within the CGP), which in turn accepted the suggestion of the *Société d'Économie et de Mathématiques Appliquées*, one of the organisations specialised in operational research and with close ties with state technical services. Here it is evident how the design for this infrastructural policy was the result of a tight interaction between public technocrats, political power and professional experts. Furthermore, the infrastructure had to be located in a parcel of public land in order to avoid any private speculation risk.
- The central state's bureaucracy also designed an informative network to connect all MINs in order to favour the formation of the best price in each local distributive system. The design of the MIN network was decided within government cabinets and the implementation of MIN Paris-Rungis was directed in a top-down approach by national bodies.

Between 1960 and 1970, the role of MINs as freight transport infrastructures developed partially. During the same period, *Mass Grocery Distribution* (MGD) was already developing reshaping food retail business structure: it developed an integrated control function on supply flows absorbing the whole supply function first (during the 1980s), then outsourcing the transport function, during the so-called logistics revolution (during the 1990s). Eventually, in Rungis's case, its infrastructural equipment, the promotion of service functions among wholesalers (as product transformation and transport), will be among the crucial factors that will promote its development as an actor in the governance of today's urban logistics.

### ***1.7 The translation of national policy into the Paris region's institutional and political environment.***

The MIN Paris-Rungis is the core of this new distribution infrastructure network and its policy design was influenced by it. The representation of MINs as infrastructures for goods circulation is a crucial dimension in their social construction, and it influenced the way the MIN Paris-Rungis has been governed during the time. As we will see in chapter 4, this dimension is important to account for the actual position of Semmaris as an actor in the developing of urban logistic policy in Ile-de-France.

The distributive rationality framework affected, for instance, the type of actors entitled to operate within the wholesale market. In order to reduce the necessity to move products manually, wholesalers' selling units were designed at the same height of lorries in order to assure rapid and cost-effective unloading operations. This structural shrewdness triggered the elimination from the new market of the so-called *forts des Halles*, a professional group that guaranteed freight circulation within *Les Halles* for centuries. According to P. Barre, one of the engineers that planned the market, Rungis was conceived as a freight terminal, not only as a marketplace: a hub where food products arrive to be then redistributed towards other destinations (TenHoor 2007). What was crucial in the idea behind the design of its structural features was the absence of material, social or urban resistance in its circulation.

Within the national policy, the MIN Paris-Rungis is considered as the 'national champion' of French wholesale market network. The state mobilised enormous organisational, political and economic resources from several national administrations. The centralising logic of its industrial policy paradigm became concrete in the appointment of a special commissioner entitled with extraordinary executive powers for the infrastructure construction. Moreover, this 'national champion' was designed as a pivot for the modernisation of the national distribution system and as a channel to launch the agri-food industry sector towards international markets, within the frame of the economic integration process that eventually led to the European common market.

During the elaboration of MINs national policy, problems within Paris were accruing. The CGP devised a two-dimension strategy to deal with the so-called '*Les Halles* issue' (Raymond 2004). On one side, it embedded a local problem within national policy, thus up-taking the framing power of the issue from local political and administrative actors towards technocrats gathered in CGP commissions. The prevalence of national public

interest and the intention of designing the MIN Paris-Rungis as the national champion were incompatible with the embeddedness of local government institutions within the tight web of local collective interests. Therefore, the negotiations took place only among national bodies. On the other side, it was the protagonist of deploying a policy learning mechanism because it introduced a shift in the way the market was regulated, at the time founded on the competition between ‘regulated’ and ‘free’ market.

A national government decree issued in 1954<sup>19</sup> merged the ‘regulated’ and the ‘free’ in one market. It established the first perimeter of reference for a wholesale market in France in order to submit all actors to the same regulation applied within Baltard’s Pavillons, despite their actual physical location. The perimeter included the whole Seine Department and four municipalities of the Seine-et-Oise Department. Within this economic limitations, the opening, the extension, the moving or the reorganisation of food wholesale activities were to pass by administrative authorisation of the state Prefects concerned. Two other decrees, in 1953<sup>20</sup> and 1954<sup>21</sup>, introduced a new administrative body established to enforce the new rule setting: the *Conseil Supérieur des Halles*. Its members included civil servants representatives of several state administrations. A representative of the Ministry of the Interior held the presidency, and one member was nominated by six other ministries<sup>22</sup>. Local interests were represented with six members from the Paris Council, two members from the Seine Department, and the Police Prefect. Even if this arena was designed to be representative of the intertwined national and local interests, the state members were majoritarian and the presence of such important Ministries mirrored the strong political pressure from the national government. Moreover, there was no room for local interest groups voice. Once the organisational and normative framework of the national policy was settled, public actors leaned towards the problem of *Les Halles*’ relocation. The relocation of *Les Halles* and the construction of MIN Paris-Rungis eventually excluded all potential interferences from local administrations and took the shape of a large-scale infrastructural policy directly designed, governed and implemented by state organisational branches.

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<sup>19</sup> Décret n° 54-484 du 11/05/1954, portant règlement d’administration publique sur *Les Halles* centrales de Paris

<sup>20</sup> Décret n° 53-944 du 30/09/1953, portant réglementation des Halles centrales de Paris

<sup>21</sup> Décret n° 54-484 du 11/05/1954, portant règlement d’administration publique sur *Les Halles* centrales de Paris

<sup>22</sup> The Ministry of Finance, the Ministry of Agriculture, the Ministry of Economic Affairs, the Ministry of Commerce, the Ministry of Public Works and Transports, the Ministry of Marine Commerce.

The complexity of the delocalisation endeavour discouraged public actors from taking the high risk of failure and the paying potential political price for decades. The panorama of different interest groups and political actors was successful in functioning as a thick network of veto players. The veto capacity was effective also due to national executives' high instability after World War II. Between 1946 and 1958, 24 different national governments took place, with terms extending from a few days to one and a half year as a maximum. Political instability gave the way for particular interests to defend their rent position. This dynamic within institutional arenas devoted to manage the decision-making process had an impact on two related policy dimensions: the political capacity of public actors to achieve a decision and the organisational capacity to implement it, taking into account (or not) their divergent positions, impacted on by the infrastructures. The interaction between the impacts of the infrastructure and the variety of actors affected by its implementation triggered a fragmentation of mobilised interests that, lacking a stable coalition of actors able to integrate them, made it difficult to succeed.

On 1<sup>st</sup> June 1958, the president of the Republic, René Coty, appointed Charles de Gaulle as Prime Minister. He received full powers to design a new constitutional law for the country, which was approved with a referendum on 28<sup>th</sup> September 1958. Charles de Gaulle was then elected as president of the Republic on 21<sup>st</sup> December of the same year (1959 – 1969), and he appointed Michel Debré as Prime Minister (1959 – 1962). In the new state organisation, labelled as the Fifth Republic, the Prime Minister and the president of Republic embodied executive powers. Under the Prime Minister's direction, and the consequent political agenda defined by the president, the government started facing *Les Halles'* policy issue through a renovated paradigm and institutional configuration. From then on, the state has been supported by the planning expertise of CGP, the main actor of the relocation process.

### **1.7.1 The debate about *Les Halles* relocation**

In 1957, the *Comité Permanent d'Études des Marchés d'Intérêt National et de Réforme de la Distribution des Produits Agricoles Alimentaires* had already prepared a list of possible locations that were assessed as possible solutions for the relocation of *Les Halles*. In the report, 11 places were described but only two of them were thoroughly



discussed as valuable solutions: the municipality of Rungis and the municipality of Valenton.

- In Rungis, the market would be located on the edge of Orly airport on the Belle-Epine area, which is located 7.2 km from Paris's administrative borders. The available land parcel, measuring 220 hectares, could not be used for residential functions due to proximity to airport runways and was mainly occupied by agricultural activities. The future MIN Paris-Rungis was initially imagined to be built occupying between 20-40 hectares. Thereafter, an enlargement was considered possible. The main disadvantage of the Rungis location was the expensive connection of the site to the Juvisy railway line, which would require a significant financial investment by the state and the SNCF.
- In the case of Valenton, the area received support from all national actors involved in the discussion of possible locations. More than 100 hectares were available for the construction of the MIN, leaving possibilities for a further extension. The site was a few kilometers away from Orly airport. The connection with the railway line and the station of Juvisy would be much easier for Rungis. In addition, the city of Valenton is adjacent to the National Road 20, the National Road 186, and will ultimately be a few kilometers from the future Southern Highway.

Consistently with the infrastructural dimension of the national MINs policy, the access to high capacity road infrastructures and railway networks was among the conditions for the construction of the MIN Paris-Rungis. Therefore, the availability of transport infrastructure and the payoff for their construction were among the main criteria for the location choice. With regards to road infrastructure development, the A6 highway was under construction next to the Rungis site at the time, and the Ministry of Public Works confirmed that foreseeing a deviation to connect a future MIN located in the Rungis area to Paris would pose no problem. Considering the railway, Valenton was in a position that eased the possible connection of the market with the close-by station of Juvisy, while the connection to Rungis posed important technical difficulties which were assessed by the SNCF as an additional cost of 3.3 billion of ancient francs, equivalent to 57.6 million euros nowadays. Therefore, the SNCF supported the choice for Valenton. However, this location raised concerns about enterprises exploiting the site for sand and gravel extraction. This

activity was crucial in the supply chain of the real estate market, a sector under strong demand pressure due to the urbanisation process that was heavily transforming the Paris region agglomeration in those years. Indeed, the *Commissariat à la Construction et à l'Urbanisme de la Région Parisienne* (1955 – 1961), an administrative department issued by the *Ministre de la Construction*, worked for the promotion of a large residential units construction site around Paris to steer the urbanisation process with a top-down approach. These urban development projects acted as forerunners of the future approval of the *Plan d'aménagement et d'organisation générale de la région parisienne* (PADOG) in 1960 (Valade 2008). Sand and gravel exploiters made their voice heard from the national government through their professional organisation, the *Syndicat des Producteurs de Sables et Gravier de la region de Paris*, which sent two letters to the CGP in 1959, raising arguments against the choice of Valenton<sup>23</sup>. The construction of new residential units in the Paris agglomeration was at the time a clear priority for the national government (Couzon 1997) and was also part of the main objectives to achieve with the implementation of the Third National Plan, which required the construction of 300.000 residential units per year from 1958 to 1961. On its side, the *Comité National Routier*<sup>24</sup> also opposed to the choice of Valenton. This decision would oblige the lorries to cross a series of small towns augmenting the transport time and cost, together with a remarkable impact on the local road congestion (Kryzanowsky 2013). The mobilisation of these companies, as well as the coincidence of interests between them, the Ministry of Construction, the Ministry of Public Works and the CGP, was effective in directing the choice towards Rungis. 3<sup>rd</sup> December 1959 marks the conclusion of the *Comité Permanente*, with Rungis as the chosen location. Thereafter, the decree n° 62-765, 13<sup>th</sup> July 1962, officially established the MIN Paris-Rungis. Prime Minister George Pompidou, under the Presidency of Charles de Gaulle, subscribed it.

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<sup>23</sup> CAC 1977 0072 – 55, ministère de l'Intérieur — Lettre du Syndicat des Producteurs de Sables et Gravier de la région de Paris à Monsieur le Commissaire général du Plan d'Équipement et de la Productivité, 25/06/1959 and CAC 1977 0072 – 55, ministère de l'Intérieur — Lettre du Syndicat des Producteurs de Sables et Gravier de la région de Paris au Secrétariat d'État à l'Intérieur, 22/09/1959.

<sup>24</sup> The CNR is the French road freight transport economic committee. Its mission is “to participate in the observation of RFT market and disseminate to the professionals and public authorities the information we collect”, Source: [www.cnr.fr/en](http://www.cnr.fr/en)

### **1.7.2 Restructuring centre-periphery relations: reorganisation of local administrative and political actors' roles as part of policy and political change.**

The *Commissariat au Plan* was the arena where, in direct contact with Prime Minister Michel Debré, during the mandate of Charles de Gaulle as president of the Republic, decisions were taken with regards to policy priorities concerning economic, urban, and social national development. Since the *Second Plan* (1954 – 1957), a specific commission was established to elaborate the national policy for MIN's network development: the *Commission d'étude des marches gares*, which changed its name to *Comité Permanent d'Études des Marchés d'Intérêt National et de Réforme de la Distribution des Produits Agricoles Alimentaires* during the *Third Plan's* (1958 – 1961) formulation process. The need to reorganise the agri-food supply chain had featured in the planning agenda since the First National Plan (1946 – 1952) when the Chief of the Plan Jean Monnet appointed Mr. Libert Bou as the representative for that policy. Another national body was designed to steer and oversee the national policy development and, within it, specific features of the implementation of MIN Rungis: the *Comité de tutelle des MIN*, an inter-ministerial arena gathering civil servants in representation of the Ministry of Commerce, the Ministry of Finance, the Ministry of Agriculture, and the Ministry of the Interior. These state bodies had the task to implement the planned interventions, through mobilising different technical services, territorialised administrations, ministerial civil servants and private engineering companies. Often, similarly to the MIN Paris-Rungis case, infrastructure development included the role of the *Caisse de Dépôts et Consignations* as operative branch and funding source for the policy. In 1950 – 1980, the state had the monopoly of expertise through its technical services and almost the complete control over the allocation of funds (Epstein 2005). This configuration appeared to be true also for the implementation of MIN Rungis, when the authoritative power of the state was mobilised.

The policy framework was not the only element supporting the top-down approach. The reform of local government organisational setting was the premise to be channelled and transferred into the MIN Paris Rungis policy implementation. The new state organisation realised in 1958 and the associated stabilisation of political coalition at the national scale, allowed the dirigist and centralised policy paradigm for the economic growth promotion to take place. In 1961, Paris urban region passed through administrative reform, with the establishment of the Parisian District. The Parisian District covered the

same territory today defined by the Ile-de-France region, and, at the time, it grouped the so-called *petite couronne*, which was organised administratively by the Seine Department, and two other departments: Seine-et-Oise and Seine-et-Marne. Paul Delouvrier, the former member of the *Commissariat du Plan*, was called to channel a stricter control of the state over urban planning and urban and economic development of the Paris district.

The main issue at stake concerned center-periphery institutional relations between deliberative arenas and administrations. The first reaction of the city of Paris was a refusal of the governmental decision. In 1962, the City Council voted a resolution against the relocation process<sup>25</sup>. Opposing the project implied that Paris would take a stance against the role of the state in urban government and the setting of the local policy agenda. The vertical integration of different government levels operated through the accessibility to central resources, thanks to local politicians holding posts in national offices or having access to them thanks to personal networks. In this organisational setting, the city council negotiated with territorial state administration for a restructuring of local taxes revenues linked to the wholesale market.

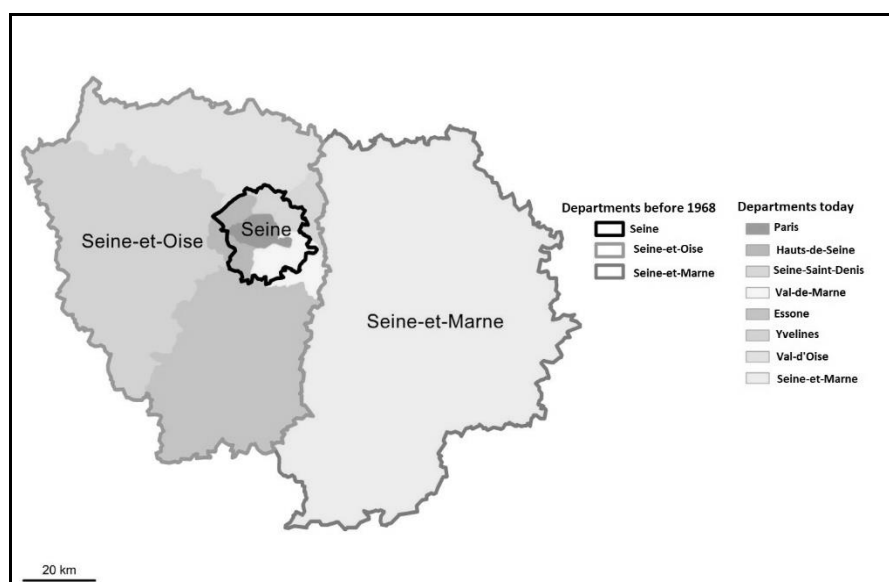
In 1964, a new law for the administrative division was approved, then enforced in 1968. This law organised the Paris district in eight departments. The Seine-et-Marne remained untouched. The Seine Department was re-organised in four departments that constitute today's Paris and its *petite couronne* (departments of Paris, Seine-Saint-Denis, Val-de-Marne, and Hauts-de-Seine). The Seine-et Oise Department was divided into three new ones: Essone, Val-d'Oise, and Yvelines. This design caused the Seine Department's political influence to weaken due to institutional fragmentation strategy, and the restraint of Communist political influence, that the government wished, after a clever electoral division, to confine to the Seine-Saint-Denis Department alone (Bellanger 2013). This second reorganisation was linked with Paul Delouvrier's intention and ambition of imposing the Parisian district created in 1961 as the main institution entitled with the implementation of national policies for the development of this urban region. This local institution was part of the negotiation with national administrations, but always acting and integrating its agenda within national priorities. To achieve the goal of making the Parisian District the main local government institution, a first step was to eliminate the institutional ambiguity and duality due to the co-existence of two important government bodies. The

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<sup>25</sup> CAC 1991 0020 – 15, ministère du Commerce et de l'Artisanat -- Délibération du Conseil Municipal de Paris, 22/03/1962

Paris region dealt with the simultaneous presence of the Parisian District and the Seine Department, the latter represented by its council and, more importantly, by the Seine Prefect, directly emanated by state administrations as well (Fig. 1.5).

**Fig. 1.5 Paris region local government organisation before 1968 and today.**



**Source:** Author's elaboration of the image:  
<http://museedelaresistanceenligne.org/media4339-Ile-de-France-anciens-et-nouveaux-dA#zoom-tab>

The choice made by the national government, led by Prime Minister Georges Pompidou (1962 – 1968), and by president of Republic Charles de Gaulle, was of imposing this administrative reform with a top-down approach to local elected officials, who were in their majority against all attempts of reducing the political influence and public action capacities of the Seine Department. This reform was not only functional in order to have a direct channel of vertical integration for regional policy design and implementation, but also there were policy and political factors endorsing it. With regards to the policy, the goal was to integrate the Seine-et-Oise Department within the regional development framework that had targeted the Paris region in the years after the approval of the SDAURP in 1965, which called for major urban development and transport infrastructure policies at a regional scale. Considering political factors, the intention was to limit the possibility of communist and socialist parties could taking over the Seine Department council, thus avoiding the emergence of political counter power at the core of the Paris region. Indeed, this eventuality and the possibility to face its political consequences would

have been an obstacle for the vertical integration of regional policies, namely one of the Fifth Republic's political projects. To understand how the new local government organisation interplayed with the MIN Paris-Rungis policy, I consider factors that are directly connected with the empirical dimension of a wholesale market. One concerns *Les Halles*' urban impact. SDAURP 1965 was the first national planning document for the urban and economic development of the Paris urban region. As far as the development of transport infrastructures was concerned, a new high-capacity road network was designed, mainly of a radial nature, which should have ensured greater car accessibility of the capital, perceived as the heart of regional economic development. Along with it, the development of railway-based public transport infrastructure (local trains and underground) was planned. In this picture, the daily blockage of the city core caused by *Les Halles* related freight flows and economic transactions was a problem to be solved for the sake of regional urban development national priorities. The administrative redesign of the Parisian District came along with a policy of reorganisation of the urban economic geography, entailing development of economic poles outside the city. Within the Val-de-Marne department, SDAURP 1965 imposed three structuring poles to answer to the under-provision of infrastructures and administrative services: the economic pole of Orly-Rungis, the administrative pole of Crèteil with the establishment of the department prefectural offices, and one cultural pole in the area of Champigny-sur-Marne.

This process of infrastructural provision for the new administrative territory of Val-de-Marne was implemented by state administrations with the support of high-rank professional bodies that were at the core of the cognitive production for infrastructure and economic policies: the *ingénieurs de ponts et chaussées*. These civil servants covered a wide range of planning issues, related to urban planning, construction, transport and road safety, energy or the environment. They were skilled in providing professional support for design, financing, realisation or operation of projects within these areas of expertise. Despite the role of Paris as the capital, as well as its historical, social, urban, and economic entanglement with the *Les Halles* organisation, and the vibrant opposition to the complete closure and relocation of this economic hub, the state administration did not consider any local representatives' protests.

The relocation of *Les Halles* outside the city contributed in shaping urban functions and economy of the neighbourhood, and opened a window for the political dramatisation of centre-periphery relations in urban policies, especially after the reorganisation of Paris

local government in 1977. Freeing inner Paris from the bulky presence of *Les Halles* offered the opportunity to redesign regional transport infrastructures. At city scale, it began transforming the area where *Les Halles* was located into a symbolic place, a process which is still underway today, as if it was highlighting the weight of a choice that, even if necessary, had touched the foundations of representations concerning the heart of the capital, the ‘belly of Paris’, as *Les Halles* used to be called. From its very first design in 1968 (Wood 1981), the project of *Les Halles* station was characterised by the vertical relationship between the national government and the local polity, pursuing centralisation of the decision-making process as the only mode of governing the economic transformations for the sake of collective interest. If the heart of the French capital was first a trading pole, it then assumed the feature of people's mobility pole, maintaining the role of infrastructure node for the economic development of the city. The transfer of this function outside of the city can be read as public action's response to the new conditions of distribution that, as I have pointed out above, were structured around the idea of building up distribution rationality at the national level.

### **1.7.3 Normative imperative in centralising decision power**

The French industrial policy paradigm outlined by Dobbin and mentioned above presents the idea of decision-making centralisation as a main normative pillar (Scott 2013) in French industrial and infrastructure policy design. This normative pillar mirrored the centralisation of political power that characterised France between the 19<sup>th</sup> and 20<sup>th</sup> century, and that was revitalised with the advent of the Fifth Republic in 1958, which concentrated more power upon executive bodies.

Considering the policy design for the MIN Paris-Rungis, this guiding principle was substantiated with the appointment of a *Commissaire à l'aménagement di MIN de la région Parisienne*. On 22<sup>nd</sup> July 1961, Prime Minister Michel Debré issued the decree n° 61-836<sup>26</sup>, which designed this new role in the policy setting appointing Mr Libert Bou as *Commissarie* (1961 – 1984) at the same time. Before holding this mandate and being then nominated Semmaris president (1965 – 1974), he was the president of the *Comité Permanent d'Étude des Marchés d'Intérêt National et de la Distribution des Produits*

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<sup>26</sup> Décret n° 61-836 du 22/07/1961, instituant un commissaire à l'aménagement du Marché d'Intérêt National de la région parisienne.

*Agricoles* since its establishment within the CGP in 1956. Therefore, he had a wider range of knowledge about food distribution problems, with a particular focus on *Les Halles'* issues, and he was socialised for the normative pillar of industrial policy paradigm pursued by the CGP. During the first five years of the MIN's operation (1969 – 1974), he also played a key role for governing the spatial concentration on the Rungis site for the meat wholesaling sector, which followed the policy failure of *La Villete* meat wholesale market. In short, Libert Bou had been the person directly responsible for the formulation and the full implementation processes of this infrastructural policy. A policy that had changed the economic, urban, social and political landscape of the Paris agglomeration.

The entire professional life of Bou was focused on food distribution organisation. After superior studies concerning agronomy<sup>27</sup>, he held a post in the *Office Algérien d'Action Économique et Touristique* in 1934 in Algeria, where he was born in 1910. His task was to oversee the quality of Algerian agri-food products exported towards France. During this office, he was already exposed to the distribution issues concerning *Les Halles*, which was the main gateway for food imported from the colonies. After a couple of years, he was nominated as responsible for the economic service of the *Office Algérien d'Action Économique et Touristique* in the branch opened in Paris. During this period, he used to have frequent and direct contacts with *Les Halles'* professionals, developing a closer awareness of their problems and issues, and how they could be improved through the market organisation. During that time, he had the opportunity to accumulate knowledge about how the infrastructure worked, what were the practices of different economic actors, their representations about economic transactions, and the role of the market in the supply chain in building personal relationships with professionals. This experience revealed itself to be crucial when it came to integrating wholesalers within a new-space institutionalisation process after *Les Halles'* relocation. In 1944, he became director of the Ministry of Agriculture cabinet. He thus started to be interested in *Les Halles'* dossier from a new perspective, embedded in the modernisation endeavour for the agricultural sector and the food distribution system. Bou's professional experience was crucial when Jean Monnet guided the elaboration and the implementation of the First National Plan. Answering his call, Libert Bou accepted the role of *Conseiller technique du commissaire*

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<sup>27</sup> CAC 1991 0020 – 23, ministère du Commerce et de l'Artisanat — Remise à M. Bou, des insignes d'officier de la Légion d'Honneur par M. Valéry Giscard d'Estaing, ministre de l'Économie et des Finances, le 10/03/1970 (notice biographique)



*général au Plan* in 1947. This position allowed him to work within the CGP at the same time remaining in charge within the Ministry of Agriculture. During this period, he had the opportunity to play as policy broker between the CGP and the Ministerial bureaucratic organisation. This was of fundamental help for him to understand how to interact within a compartmentalised administration and the institutional competition among different ministries that characterised the French dirigist approach (Schimdt 1996). The role of Libert Bou as a policy broker among different state administrations was also, at least according to his words<sup>28</sup>, the fruit of a learning process regarding the normative approach of the CGP. This institutional arena was conceived by Jean Monnet as a steering force in the context of the national government's public action efforts. Its capacity of action did not depend on some formal attributions but rather on the capacity of individuals to set the agenda within each Ministry and gathering in this way the organisational and financial resources needed. Libert Bou described this policy approach<sup>29</sup> in an interview:

*« Un jour, je lui avais dit [à Monnet] : “On a fait un Plan, mais pour l'exécuter je suis bien obligé de passer par les services administratifs de l'Agriculture. Au Plan, nous n'avons pas force de Loi. Il faudrait qu'il y ait un décret qui nous autorise à...”*

*Ce à quoi Monnet répondit : “Vous croyez qu'on va vous donner des Pouvoirs ? Vous ne les aurez jamais ! Ce qu'il faut, c'est convaincre les autres et si vous y arrivez, c'est vous et personne d'autre qui fera le Plan. Si vous ne les convainquez pas, le Plan ne se fera pas. Si vous avez convaincu les délégués agricoles, les professionnels, les services administratifs... ; il faut aller les voir, faire antichambre dans les cabinets des ministres, dans les services. Il faut arriver au but, les convaincre de ce qu'il faut faire, alors seulement vous aurez réussi.” C'était la grande philosophie du Plan [...].*

*Je me suis inspiré de cette technique d'intervention pour Rungis. Il y avait un décret qui me donnait tous les pouvoirs, mais je ne m'en suis jamais servi, car je savais qu'il était illusoire de brandir un décret. Par contre, je me suis astreint à aller voir les gens, à discuter avec eux, à les convaincre qu'il fallait venir à Rungis, qu'il fallait transférer les Halles. C'est l'école de Monnet qui m'a appris cela ».*

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<sup>28</sup> Mares, A. (1981) *Entretien avec M. Libert Bou*, Fondation Jean Monnet pour l'Europe, 9 novembre as quoted in Kryzanowki 2013.

<sup>29</sup> Mares, A. (1981), *Entretien avec M. Libert Bou*, Fondation Jean Monnet pour l'Europe, 9 novembre 1981 as quoted in Kryzanowki 2013.

In 1961 he was appointed as *commissaire à l'aménagement du Marché d'Interet National de Rungis*. His tasks included the supervision of both the MIN administrative and construction processes. These were carried on by mobilising Semmaris's organisational resources through his presidency of the company (1965 – 1974), founded in 1965, that was, and still is today, the mixed economy company responsible for the construction and operation of the wholesale market.

The choice of concentrating the implementation process in the hands of a single person was considered as a solution to avoid probable conflicts among different ministerial administrative branches. The logic behind this feature of the policy setting is again ascribable to the normative policy framework marking French infrastructure policy approach. Within this approach, verticalisation is considered as one of the preferred means-end links to favour coordination among actors during decision-making processes. Indeed, the MIN construction cross-cut different policy sectors, and state administration bodies used to experience a rather conflictual attitude in the implementation policies, not always coordinating for the sake of a smooth and straightforward concretisation of public action (Bezes 2009). The problem of institutional coordination was thus real. To concrete the coordination role of Libert Bou, he received the “*délégation permanente de signature des ministres intéressés*”<sup>30</sup> as commissioner. Thanks to this broad delegation of powers Mr Bou could exert his authority mobilising and overseeing the activity of all ministerial services engaged in the construction process, working as an integration point.

#### **1.7.4 The role of interest groups**

Thus far, I have focused my analysis on the role of actors who refer to different state administrative branches, institutions and decision-making arenas rooted at the national level. The wide space dedicated to these actors is justified by the fact that almost all policy resources in the formulation and implementation phases linked to the construction of the MIN Paris-Rungis are controlled by them. In fact, the production and implementation of the regulatory framework, and therefore of the policy ideas, the decision on delocalisation, the financing of the policy intervention, and the management of the infrastructure construction, are all elements controlled by the state actors without the participation of

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<sup>30</sup> Art. 3 Décret n° 61-836 du 22/07/1961, instituant un commissaire à l'aménagement du Marché d'Intérêt National de la région parisienne.

interest groups or institutional and political actors of the subnational government levels. The only exception could be found in the decision-making process concerning the location of the MIN, where some professional associations have tried to influence the final decision. However, also in this case, the choice was made on the basis of the urban and economic development priorities of the Paris region already identified by the executive, and not on the basis of contingent political consensus-building mechanisms.

Although the state has controlled the policy process, it does not mean that it has taken place without dissent from other actors. The municipal council of Paris, the Seine Prefect, *Les Halles* users and Paris dwellers, in general, showed different opinions about *Les Halles*' relocation. Wholesale market professionals firmly opposed to all relocation proposals. They mobilised different arguments to legitimise their opposition, including the concern of losing influence within the supply chain organisation and the opposition against the strict regulation of economic transactions. A survey from 1964<sup>31</sup>, administered by the Ministry of Finance and Economic Affairs, namely the most engaged within state administration in the overview of concurrence policy in the distribution system, highlighted some concerns raised by wholesalers:

- The strong competition within MINs will eliminate the smaller companies.
- They want to maintain their work conditions within the wholesale market without a rise of tariffs.
- Despite the prospective augmented profits, they are against the increase of tariffs in case of structural improvements of the market.
- They ask for higher barriers against challengers within the supply chain.

A market is not only the coming together of different economic actors: it is a socially constructed arena. Each actor brings their representations, habits, capital of knowledge and social networks into the market dynamics. During economic transactions, all these resources are mobilised in order to obtain a profit on one side, and as an answer to expected behaviours of other actors on the other. Daily repeated exchanges occur under a set of formal and informal rules, the shared understanding of which governs relations,

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<sup>31</sup> CAC 1977 0241 – 21, ministère du Commerce et de l'Artisanat — Enquête conjointe du Ministère des Finances et des Affaires Économiques et du Ministère de l'Agriculture sur les Marchés d'Intérêt National, juin 1964.

guides interactions, and facilitates trade in a stable social environment (Fligstein, Calder 2001).

All these local customs, habits and institutions taken over by Paris municipal administrations were in fact still a legacy of the ‘old days’, when wholesale markets were self-governing bodies under the authority of a complex system of corporations. These features became stable over time and assumed institutionalised dimensions that guided the socialisation of newcomers into the market (Machado-da-Silva *et al.*, 2005). Its nationalisation and centralisation within the framework of a policy aiming at giving wholesale markets the appearance of a real national "public service" changed the nature of a highly institutionalised economic environment. New regulations for economic actors and transactions required to abandon institutionalised habits, opening a period of uncertainty for all actors and endangering profitable practices that were considered as natural and granted for that specific market. In other words, the establishment of a new infrastructure for food wholesaling and the implementation of new regulation of this economic sector meant, from an analytical point of view, the need to start a new process of institutionalisation in order to stabilise the functioning of a new market. The new social order would entail winners and losers, but would not have clear consequences, thus triggering contentious dynamics from established interest groups relations.

Retailers opposed *Les Halles*’ relocation too. They were represented by a professional organisation that gathered up to 25 different sectoral organisations of food retailers of Paris. In a context where all the food distribution of the French capital depended on these professional groups, they were able to exert a political influence both at a local and national scale, at least until before the state reorganisation occurred in 1958 with the establishment of the Fifth Republic. Producers were in favour of the realisation of the MIN since they expected to see their profits margins improve thanks to the differential regulation of transactions and the elimination of the lack of transaction transparency<sup>32</sup>. Their position was consistent with the national policy’s goals. Indeed, the MIN network was designed as a tool to modernise the agricultural sector providing access channels to consumer markets, stimulating the concentration of wholesale business and regulating the role of the wholesaler within the supply and the value chains.

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<sup>32</sup> CAC 1986 0391 – 40, ministère de l’Agriculture – Réorganisation des Halles Centrales, F.N.S.E.A., Commission de coordination des associations spécialisées (date inconnue)

I want to clear up how, even if the dirigist organisational setting did not allow interest groups to affect decision-making processes, the operation of an economic infrastructure that affected multi-layered collective interests needed to engage with and integrate the variety of social groups concerned. For this reason, the policy design, especially in the part that would guide the policy management of the infrastructure, provided for the integration of interest groups rooted in the local food distribution system. This integration took place at two distinct times and in two different ways. The first stage took place during the executive planning of MIN's structural assets so that structural assets facilities could correspond to wholesale companies' business organisation needs. The second stage coincided with the moment of defining the management of the new wholesale market when wholesalers' professional organisations were all included within the shareholding structure of the operating company Semmaris. In this regard, it is important to remember that also during the definition of organisational rules for the MIN's management company, fundamental decisions are made by state actors. For example, with regard to the statute, the adoption of internal regulations and their amendment, even for minor alterations, must be approved by centralised acts (decrees in the Council of state). Decisions such as those setting trading hours, conditions of access for traders and users, as well as the tariffs applied to them, admission procedures for new operators, their placement on waiting lists, allocation of slots.... need to be automatically submitted to the Prefects for approval.

### **1.7.5 The establishing of Semmaris as a local policy arena and resource for interest group integration**

Mr. Bou's experience working at the CGP was useful in terms of policy learning in developing strategies to integrate contrasting interests towards a common goal. Among these strategies, I find the use of the mixed-economy company Semmaris in order to bypass the potential resistances of state administration technical services. This organisation, embedded in the institutional configuration of the time, worked at once as a verticalisation and concentration resource to integrate different and contrasting interests within the policy process.

« Les Halles, c'est un aménagement régional et j'ai entrepris cette affaire dans cette optique-là, avec une société d'économie mixte. Aucune administration n'était compétente dans cette affaire : ni la ville de Paris, ni le ministère de l'Agriculture ou celui du Commerce. Personne ne savait ce qu'étaient les Halles et de qui elles dépendaient. Comme d'ailleurs la ville de Paris ne voulait pas transférer les Halles, il fallait bien construire un organisme qui a fonctionné malgré même les réserves de départ de la ville de Paris [...] »<sup>33</sup>.

In 1965, Semmaris was established following the prescription of article n°12 from the *Ordonnance n°58-766 du 25 août 1958*<sup>34</sup>, that assigned the operation of a MIN to local authorities, to a special public body or to a *société d'économie mixte* (SEM). Oppositions from different public and private actors punctuated the implementation of MIN Paris-Rungis:

*Alors j'ai fait à nouveau ce que Jean Monnet m'avait appris à faire, c'est-à-dire réunir les professionnels, les intéresser, les convaincre et avancer pas à pas jusqu'à ce qu'un consensus général emporte la décision et permette ensuite la réalisation de l'ouvrage. Je me suis souvenu de ce que Monnet disait : "Vous avez le pouvoir de convaincre, alors servez-vous-en ! Le Plan ne se fera pas si les activités vivantes du pays ne considèrent pas le Plan comme leur chose." [...] Quand j'ai fait le transfert des Halles, cela s'est fait tout seul, parce que les gens voulaient le faire. C'était leur affaire. Ils y avaient pensé, ils y avaient travaillé »*<sup>35</sup>.

Libert Bou, to at least obtain the mitigation of Paris's opposition to the policy program, proposed to to the City Council that they economically participated in the construction of the MIN , in exchange of being proportionally overrepresented within the shareholding structure (Chemla 1994). The choice for Paris was between losing control over the implementation of the new food distribution hub, or entering in the policy network in order to maintain an institutional channel to make its voice heard. The compromise reached on this front was the participation of Paris in exchange of the control of 15% of the shareholding structure. Bou's approach towards the local authority harvested support and

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<sup>33</sup> MARES, Antoine, *Entretien avec M. Libert Bou*, Fondation Jean Monnet pour l'Europe, 9 novembre 1981 as quoted in Kryzanowki 2013.

<sup>34</sup> Ordonnance n° 58-766 du 25/08/1958 tendant à compléter le décret n° 53-959 du 30/09/1953 modifié relatif aux Marchés d'Intérêt National.

<sup>35</sup> MARES, Antoine, *Entretien avec M. Libert Bou*, Fondation Jean Monnet pour l'Europe, 9 novembre 1981 as quoted in Kryzanowki 2013.

recognition from the councillors opposing the policy. For instance, Victor Boucaille addressed the council with these words in 1963<sup>36</sup>:

« Je tiens à m'associer aux éloges que, tout à l'heure, M. Moscovitch a faits de celui qui, après la décision de l'État, a été nommé commissaire à l'aménagement du Marché d'Intérêt National de la région parisienne, en qui nous n'avons pas seulement trouvé compétence et courtoisie, mais qui s'est montré l'inlassable avocat d'une cause difficile et auprès duquel nous avons trouvé une aide pour permettre la plus large représentation possible de la ville de Paris [...] ; j'ai nommé M. Bou et je voudrais que l'hommage de cette Assemblée soit pour lui, en quelque sorte unanime ».

A similar strategy was adopted towards *Les Halles'* professionals and affected interest groups: to have the possibility to guide the infrastructural policy closely, he used Semmaris as a tool of political integration supporting a process of consent manufacturing. Without the compliance of local economic actors, it would have been difficult to achieve the goals of transparency and loyalty in economic transactions that were pursued as a way to establish a price dynamic based on market competition.

The establishment of the positive and negative perimeter was a policy instrument that allowed a double movement within the contentious dynamic (See Fig. 1.7). On one side, it recognised as legitimate the concerns of wholesalers about the entrepreneurial future giving them the assurance of controlling almost all incoming food flows within the core of the Paris region. On the other, it limited their room of action regarding future claims since the positive perimeter, superposing more or less with the Seine Department, was an effective instrument to force the relocation within the wholesale market. In the territory defined by the perimeter, the wholesale trade of all foods marketed within the MIN (fruit and vegetables, fish products, dairy products, flowers, and plants) was prohibited. Furthermore, the negative perimeter constrained the development of wholesalers in the outer area of the region, giving a remarkable economic advantage to wholesalers planning to move into the new infrastructure. In this area, further away from the future MIN, wholesale activities were not forced to close, but any structural expansion of the outlets would have to obtain authorisation issued by the *Comité de Tutelle des*

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<sup>36</sup> CAC 1977 0320 – 36, ministère de l'Intérieur – Délibération du Conseil Municipal de Paris, Séance du mardi 12 novembre 1963, publiée au bulletin Municipal Officiel de la Ville de Paris le samedi 23 novembre 1963.

*MINs*, the national body in which the various ministries involved in their responsibilities by the operation of these infrastructures were represented. This administrative body was established in 1967, and since then it has been the main actor in regulating local economic competition within the food wholesale sector.

The purpose of these two policy instruments was to ensure the unity of time and place for wholesale marketing in order to produce that modernisation and rationalisation whose pursuit guided policymakers. The modernisation would be achieved thanks to the concentration of wholesalers under the supervision of Semmaris within the MIN. The management company had the aim of applying pressure on wholesalers to promote the concentration of the business structure and the development of integrated skills for the transport of goods. The rationalisation should have been achieved thanks to the greater transparency in the competition, allowed by the presence of a large number of economic actors in the same space.

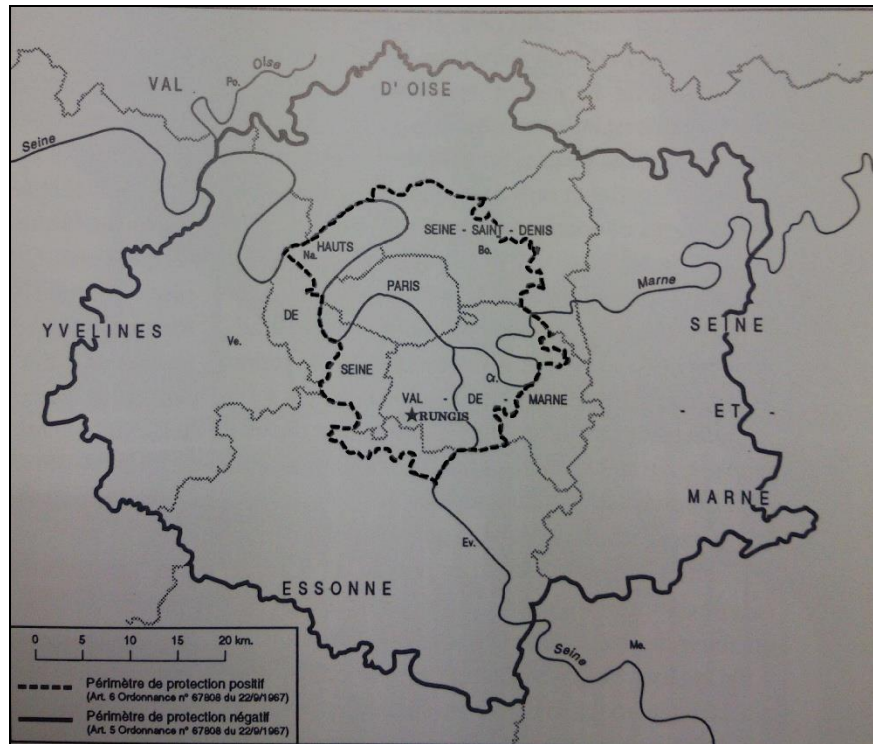
The way this tool is presented to wholesalers was also a way of promoting their political integration within the Semmaris, defusing the conflicting will. In fact, with their introduction, wholesalers would have also enjoyed an important instrument of public regulation of the economy that had the effect of defending the incumbents from future challengers.

The infrastructure of the MIN Paris-Rungis was paradigmatic from the point of view of the policy approach. Its ‘national champion’ character went hand in hand with the mobilisation of the causal principles that underpinned the modernisation of the economy and industrial policy. One of these principles was that of the creation of monopolies that could generate a structural change in the market, which is what allows us to explain the introduction of such extent perimeter of protection. In addition to being a reflection of the policy paradigm that shapes national policy, the introduction of the double perimeter has an effect with regards to the political economy (Fig. 1.6). Indeed, the spatial concentration of wholesalers encourages them to adapt their business practices to market mechanisms, resetting previous competitive advantages and disadvantages and reducing the rent position of individual wholesalers. Furthermore, spatial concentration is conducive to procurement practices by retailers who can quickly compare prices and find all categories of products in the same infrastructure. This rebalances the economic power relations in the supply chain in favour of retailers. From a political point of view, it was a question of assuring increased



legitimation in exchange of stricter regulation of their behaviours by the public power, because of the new ‘institutionalisation of the economic space’ (Raymond 2004)

**Fig. 1.6 Positive and negative perimeters of protection around the MIN Rungis in 1967.**



Source: Chemla (1994)

In this context, Bou offered participation in the Semmaris shareholding structure (Tab 1.2) to different professional organisations active within *Les Halles*' economic sectors. At this stage, the meat sectors were not included since the project of the wholesale meat market at *La Villette*, operated by another mixed economy, SEMVI, was still pursuing its troublesome implementation.

**Tab. 1.2 Semmaris shareholding structure 1965 – 1988**

	1965	1973	1981
<i>Val-de-Marne Department</i>		6,87%	6,90%
<i>City of Paris</i>	16,50%	16,50%	16,50%
<i>State</i>	51%	53,21%	53,20%
<i>National administrative bodies</i>	-	-	-
<i>Meat professionals</i>	-	-	-
<i>Caisse de Dépôts et Consignations</i>	16,50%	5,50%	5,50%
<i>Sagamaris*</i>	2%	3,73%	-
<i>Chambre d'Agriculture</i>	-	-	3,80%
<i>Wholesalers professional organisations</i>	13,80%	14,19%	14,10%
	100%	100%	100%

\* Societe d'économie mixte d'Aménagement et de Gestion des Annexes du Marche d'Intérêt National de Rungis

**Sources :** Press review, Semmaris administrative board's minutes

Since the inauguration of the MIN Paris-Rungis in 1969, the political integration role of Semmaris has been active not only in its shareholding structure, or in the over-compensation of company revenues in favour of Paris, but also in the composition of its administrative board. Twelve members composed the deliberative arena of the company:

- four representatives of the state, including the President,
- four representatives of local governments and the *Caisse de Depots et Consignations*,
- four representatives of the economic actors active within the infrastructure.

Professionals were overrepresented with one-third of administrative board members against the control of around 14% of the shareholding. Given the context of tensions that preceded MIN inauguration, this can be assessed as another complementary strategy to integrate the voice of economic actors within the policy process so to reduce the degree of conflict. A *société d'économie mixte* operates within the frame of private law and is equivalent to an anonymous company. Therefore, its legal status gives rise to the greater room for action compared to public companies or in-house management mode. Lastly, SEMs constitute a hybrid legal object that combines two totally different legal orders, the public (since the public shareholders are in the majority), and the private sector (Deves *et*

al, 1991). Its organisational design can assume either the shape of a *société d'économie mixte locale*, in the case local authorities are majoritarian in its shareholding or a *société d'économie mixte d'Etat* when the majoritarian shareholder is the state. In both cases, the control of the company is in public power's hands. The capital of the company is shared between at least two shareholders of which at least one is private. Public actors can hold between 50% and 85% of the capital while private actors can range from 15% to less than 50%<sup>37</sup>. One of the advantages of a Mixed Economy Society is that it allows the contribution of private capital while preserving the public hand on a mission that is in the public interest, like in the case of the MIN Rungis. The SEM also enables state and local authorities to be engaged together on a single project. In the case of Rungis, sharing the infrastructure management is not merely the state's desire to associate the local authority with a national project, but carrying it out is presented as a necessity. This necessity is the result of the policy approach pursued by the MIN Rungis Commissioner, Libert Bou, who employed co-optation mechanisms in order to integrate contrasting interests in the infrastructural project. The co-optation was successful also for the disproportion of resources among different actors where the state had the “*regulatory authority, legal supervision over local authorities, a monopoly of expertise and almost all financial resources.*” (Espestein 2005: 98).

The pivotal role of the state was constant not only to solve conflicts, to set up negotiations but also to intervene directly in the social, economic, and planning policy field. The state was the main actor distributing resources (whether social, economic, organisational or political) and deciding the criteria of distribution. The fact that Semmaris included these actors in the shareholding structure makes it a privileged point of observation when investigating how the changing configuration in state organisation, and in the relationship between the state, market forces, and interest groups (both national and local) have had an impact in the operation of the infrastructure and in its role in the Paris agglomeration. Looking at the organisational changes over time, two dimensions emerged and will be further analysed in chapter 4: the financial and strategic development of Semmaris's autonomy, issuing from being a private law entity, and the dependence on external legitimation source for very basic tasks, such as inclusion and sanction, which remained under the formal control of state administration through the role of local Prefects.

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<sup>37</sup> Fédération des Entreprises Publiques Locales, *Grille de comparaison entre les différentes structures*, 01/05/2013, <http://www.lesepl.fr/>

The state also acted as the regulator of entry barriers for this institutionalised space operated by Semmaris. A second function was the competence for sanction enforcement on those actors that did not respect the rules of the market. This made explicit that the state is the main source of legitimation for the infrastructure's role and, more importantly, it established a distance between the operating company and infrastructure users, limiting in this way the space for capture phenomena which will be so relevant in the Milan case (Laffont, Tirole 1991).

Semmaris was not the only *société d'économie mixte* established for the operation and development of the MIN Paris-Rungis. This infrastructure policy did not only entail the construction of the wholesale market. Five other interventions were implemented around it, pursuing the two-fold goal of supporting wholesalers' entrepreneurial development and the overall economic development of Paris's southern suburb. Namely, four out of five were logistics infrastructures and one was a department store. These four logistics assets have contributed over time to the qualification of this location, that occupies altogether 600he of urban land, as one of the main hubs for freight flow organisation at the regional and national scale. A second SEM was established with the task of coordinating their development in synergy: the SAGAMIRIS.

### ***1.8 Politicisation of retail sector regulation in the Paris region***

Before analysing the way the infrastructural policy of MIN Paris-Rungis was actually implemented and the way its operation was regulated, it is useful to consider another aspect. The operation of this type of infrastructure is linked to the food retail business structure and to the organisation of the supply and value chains. Thus, it is important to consider if the regulation of this economic sector has been functional to the national policy plan. This consideration can be done looking at the way the market regulation is made in Paris, analysing whether the regulatory logic responds to interests other than traditional retailers' and wholesalers'. There is a common element between these two policies. They share the policy approach that steers public action toward a strategy of commercial endowment modernisation at the national level, in order to promote food distribution rationality and achieve better price dynamics. However, this commonality

present at the national level is lacking when considering the city of Paris. In this local context, at least since the election of Jacques Chirac as mayor in 1977, the logic of political consent manufacturing from traditional retailers has prevailed.

In this context, the MIN Paris-Rungis was governed in a way that was separate from the logic of local policies. The distance between national and local regulatory references was explained both by the institutional configuration that guided the implementation of the two public policies and by the territorial articulation of their purpose. Let us look at the second aspect first. The policy of regulating the retail network was conceived as a way to rebalance the local shortcomings of the commercial apparatus, while the MINs were used to structure the entire national distribution system, at least according to the policymakers' intentions. These different aims constituted the origin of the different institutional setting. The policy of the MINs kept the centre of its coordination in the hands of national-level institutions, while, after the approval of *Loi Royer* in 1973, the regulation of the retail sector has taken place at the departmental level. Only when local conflicts between corporate actors and the departmental retail commission occurred, the law entails for the involvement of the Ministry of Commerce.

Although the MINs government of Paris-Rungis and the Parisian commerce sector have positioned themselves on two paths of public action that are distinct from each other and not formally coordinated, the outcome was favourable to both. The presence of Europe's largest wholesale market, whose turnover was comparable with that of the infrastructure in Milan at the time, was a strategic asset for guaranteeing a stable source of supply at competitive prices for traditional retailers in Paris. On the MIN side, the presence of such a dense pool of users within Ile-de-France allowed a gradual adaptation to the development of the MGD (See chapter 3), which was meanwhile proceeding at a rapid pace throughout the country.

### **1.8.1 Retail interest groups in dynamic interaction with retail economic policy and institutional reforms**

After an initial phase in which the national government promoted the development of the MGD as a strategy to promote the modernisation of the food retail trade, the mobilisations of traditional retailers, culminating with a short-term strike in 1973, push policymakers to adopt a different regulatory approach. This outcome was also possible due

to the initiation of a process of politicisation of public action in economic matters, which I mentioned above. The concentration of greater capacity for public action in the hands of the ministries and the reduction of the CGP's influence designed better opportunities for interest groups to influence policies. Indeed, CGP's technocrats were typically less prone to give legitimation to particular groups, while politicians could integrate specific interest groups' claims within public policy as a strategy to secure political consensus.

The traditional retailers were one of the socio-professional groups upon which the reproduction of the consensus for the republican political coalition was organised (Mayer, Michelat 1981). The rapid increase of the presence of big retailers in the retail market triggered the reaction of traditional retailers at the end of the 1960s. Traditional retailers also mobilised with radical demonstrations between 1969 and 1973, claiming for state intervention to prevent further MGD development. In particular, the role of CID-UNATI (*Comité d'Information et de Défense – Union Nationale des Travailleurs Indépendants*) is worth mentioning: in those years it claimed 200.000 associates and the capacity to mobilise up to 600.000. The need to answer to these social tensions with potentially relevant political consequences pushed the national government to take action. The increasing economic endangerment of traditional retailers caused by these new distribution forms pushed state administrations to add the retail sector regulation to the various policy domains characterised by the pervasive state intervention at that time. The political regulation of this economic sector was presented as a way to reduce tensions between MGD companies, an economic institution growing in economic relevance, and traditional retailers (Desse, 2013). The law's rationale also included the pre-existing concept of urban commercial planning, protecting on one side traditional retailers' interests and consumer purchasing power on the other, both within the normative frame of a more harmonious urban development (Cliquet *et al* 2008).

The institutional arenas for its regulation were the CDUC<sup>38</sup> and the CNUC<sup>39</sup>, the latter with an appealing role managed by the Ministry of Commerce. The formal goal of the regulation was to guarantee an equilibrium between traditional and big retailers' retail formats, at the same time facing the rising inflation rate which shifted from 5,7% in 1971 to 13,7% in 1974. Traditional retailers guaranteed their supply through a longer supply chain than MGD. The presence of a higher number of intermediaries had the consequence

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<sup>38</sup> Commission Départementale d'Urbanisme Commercial

<sup>39</sup> Commission Nationale d'Urbanisme Commercial

of a higher average price in traditional retailers, making it difficult to find an equilibrium between their protection from MGD challengers and the goal of lower prices for consumers. Public actors tried to find the point of equilibrium between these two retail formats not only within departmental commissions via the regulation of retail equipment but also with the MIN network infrastructural policy. The operative conditions of wholesale markets in France were designed with the idea of favouring a more price-effective supply chain for perishable food. Ile de France departmental commissions and the development of the MIN Paris-Rungis thus became the institutional and infrastructural focuses of the food distribution system regulation. Departmental commissions (CDUC), were controlled by local elected officials (9 members) and traditional retailers (7 members), with a marginal role for consumers (2 members) and other commercial activities (2 members). The Law Royer entailed the need for an administrative authorisation to open a retail business unit with a surface of over 1000m<sup>2</sup> for cities with less than 40.000 inhabitants and 1500m<sup>2</sup> for more populated municipalities. However, the implementation of the law and its amendments were not effective in limiting the opening of big retailers' selling points in France, with the exception of Paris. Local politicians used to publicly support the defence of traditional retailers, commonly better considered in public opinion, but they were also attracted by the source of local revenues represented by a MGD company. To say it roughly, the retailers wanted to protect themselves from the competition of supermarkets and hypermarkets, while politicians were in many cases stuck in ambiguous discourses with explicit positions in favour of traditional retailers and active support for MGD during the secret vote procedure in CDUC (Tinard, Tinard 2003). This was especially true in underequipped suburban areas. Also for this reason, and for the relatively high surface threshold that activated the authorisation process, the Law Royer was generally ineffective in preventing big retailers' development. The most important impact was its endorsement for the development of supermarkets rather than hypermarkets.

From the 1980s onwards, the acceleration of the MGD development triggered a public debate over the efficiency of the Law Royer. This debate was not only based on socio-economic arguments, such as the concerns of small retailers' dramatic retrenchment within urban centres and the disproportionate bargaining influence of big retailers in relation to producers. Also, the problem of corruption within the CDUC and the CNUC, adopted as a mean to informally fund political parties, entered the political agenda. A first

adjustment of the legislation was introduced in 1993, with the Law Sapin<sup>40</sup>. The main impact of this law on the retail regulation was the CDUC reform into the *Commissions départementale d'équipement commercial* – CDEC in order to reduce the influence of interest groups within it. The need and the perceived urgency to prevent further expansion of big retailer weight in the retail market also led to the adoption of a moratorium for a new authorisation in 1993. This evolution in public actors' attitude towards traditional retailers resulted in even stricter regulation with the Law Raffarin<sup>41</sup> in 1996. The main innovation concerned a reduction of the surface threshold that activated the need for a commission examination of the dossier for the opening of a new selling unit. CDECs were entitled to provide administrative authorisation, preliminary to the request of a building permission, for all the new openings, transfers and enlargements of selling units of more than 300m<sup>2</sup>. Finally, the *Loi de modernisation de l'économie* in 2008 aimed at favouring the entry of new economic actors in the retail sector and at the economic development of the incumbent in order to foster competition dynamics, looking for a positive impact on final prices. In this case, the interest explicitly defended was the purchasing power of households.

The evolution of the economic regulation of the trade sector in France was the result of the interaction between a regulatory dimension and the effects that its application generated in terms of political economy. The dominant ideas have always remained those of modernisation, in order to promote the best market conditions for consumers, and rationalisation, in order to reduce the positions of income within the value chain. The way in which these ideas were then translated into laws and the way in which these laws were administered depended on the ability to mobilise and influence the different interest groups instead. The role of interest groups has become greater since the 1970s, when the influence on the economic policy of the CGP was reduced in intensity. The outcome is the constant growth of MGD at the national level which, despite the proclamations of political actors, is not as limited as one would like to believe. The effects of the change in the economic structure will be taken into account in chapter 3, but here it is useful to highlight how the particular institutional configuration of economic regulation has allowed the consolidation

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<sup>40</sup> Loi n°93-122 du 29 janvier 1993 relative à la prévention de la corruption et à la transparence de la vie économique et des procédures publiques.

<sup>41</sup> Loi n°96-603 du 5 juillet 1996 relative au développement et à la promotion du commerce et de l'artisanat.



of traditional retail within Paris, while the rest of the country was undergoing a profound economic change.

### **1.8.2 Paris retail regulation through political consensus reproduction**

The choice of the city scale to analyse the link between retail and MIN's policy has to do with at least three reasons. The local authority maintained a formal link with Semmaris, holding a quota in the shareholding structure after the relocation from *Les Halles* to the MIN Rungis. Secondly, municipal borders overlapped with the institutional arena entitled with market regulation. Since its institution as an autonomous local authority in 1975, there has been an institutional integration between the Department of Paris and the City of Paris administrations: the president of the Department corresponded with the mayor as well as the elective assemblies (the municipal council and the departmental council). Eventually, there was, and there still is, a profound social bond and economic link between the local society and the wholesale market.

Once elected mayor in 1977, one of the first of Chirac's initiatives was to establish an extra-municipal commission composed by representatives from the retail and artisan economic sector. The committee was chaired by the Commerce deputy mayor Gabriel Kaspereit<sup>42</sup>. Its composition included elected political representatives from the municipal council, delegates of the craftsmen's professional organisations, members of the CID-UNATI and representatives of the *Chambre des Metiers*, largely controlled by elected members belonging to the CID-UNATI. There was, therefore, a strategy, at least a symbolic one, for political integration of the collective actors representing the interests of this sector of the urban economy. The retailers are therefore recognised as actors and interlocutors in the process of building and governing the territory in order to gain political legitimacy.

Within the city of Paris, the presence of small traditional retailers has remained more stable over time than in the rest of France. The political role of traditional retailers has been especially visible in the early 1970s with momentum in the retailers' strike of 1973. Before the Law Royer's collective action, channelled through different professional organisations structured according to the specialisation in trading different goods, they had the national government as the main counterpart. After the introduction of departmental

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<sup>42</sup> *Le Monde* "Pour les artisans de Paris", *missing page*, 2<sup>nd</sup> July 1977

commissions to regulate retail development through administrative authorisation, their political role was possible thanks to the scale of the regulation, which, a unique case in the country, coincided with the city borders and there with the constituency for local elections.

During the 1950s and the early 1960s, Paris agglomeration, which can be roughly identified with the actual administrative borders of the Ile-de-France region, had a striking demographic development due to a quick process of urbanisation linked to incoming internal migration flows from other French regions, with most of this trend concerning the so-called *grande couronne*. Public actors discussed measures to counterbalance it, and pursued the attempt of planning a comprehensive urban development of the region (Marret 1976). The rapid urban growth impacted on the national political agenda with major problems of lack of urban functions, such as commerce equipment and transport infrastructures, for new fast-growing urban settlements. The lack of food retailers caused a disequilibrium for the distributive system, which was mainly focused on the core of the agglomeration, the city of Paris, nourishing debates within territorial state administrative branches that were governing economic and urban local development policies at that time. The edge of the agglomeration's urban core was the perfect location to deploy a retail restructuring process that was about profoundly reshaping the regional distribution system (Metton 1982). Some structural factors were the main driving causes for this locational choice:

- land availability and its low price;
- car accessibility that was crucial to allow the economic success of the “everything-under-one-roof” retail format proposed by Mass Grocery Distribution (MGD) companies;
- dramatic needs of retail units within new urban settlements.

The spreading of MGD selling units remodelled the commercial landscape outside Paris between 1968 and 1973, profiting from a rapid urban development pace. This was not the case for the city of Paris. The superposition of two functions, regulative and political, made the interests of local politicians and those of traditional retailers coincide more often. The stable presence of a right-wing political coalition led by Jacques Chirac (1977 – 1995), followed by Jean Tiberi (1995 – 2000), had a relevant role in preventing MGD development. Already before being elected mayor, Jacques Chirac cultivated a personal political relationship with traditional retailers business organisations: for instance, while he

was Minister of Agriculture during the retailers' strike in 1973. This mobilisation was a reaction to a new tax system and the contentious involved a stopping of purchases from producers and wholesalers. The strike mainly concerned the Paris urban region with a high rate of participation among fruit and vegetable retailers<sup>43</sup>, and the interruption of the activity for the MIN of Rungis, where retailers on strike prevented lorries carrying supplies from entering the infrastructure<sup>44</sup>. During this political conflict, Chirac established a direct and personal relationship with the professional organisation leading the protest, and proposed himself as an ally within the national government, committing them to soften fiscal controls in exchange of the interruption of the strike, succeeding in his attempt (Giesbert 2016). Once elected, the high number of retailers within Paris recognised them as an important socio-economic group in the political consensus reproduction process for local government coalitions. The results of Paris municipal elections in 1977, 1983 and 1989 showed a stable vote basin for conservative political parties, allowing us to consider Parisian traditional retailers as a source of political consent for the urban government coalition led by Jacques Chirac (Mayer, Michelat 1981, Mayer 1986). In 1978, Chirac reaffirmed his electoral promises: Paris will not be the conquest ground for big box store operators, especially for food ones<sup>45</sup>. In this way, he confirmed the political link between his position and retailers interest groups on the regulation of this specific economic sector<sup>46</sup>, consistent with the Malthusian attitude French conservative parties had in retail regulation until the 1990s.

<sup>43</sup> *Le Monde* "La grève de commerçants est quasi générale dans la région parisienne", 16<sup>th</sup> novembre 1973. Accessed via Europresse.

<sup>44</sup> *Le Monde*, "Grossistes et producteurs souhaitent l'arrete de la grève des détaillants parisiens", 12<sup>th</sup> November 1973. Accessed via Europresse.

<sup>45</sup> *Les Echos*, "Le maire promet au commerce indépendant qu'il ne pâtira plus des grandes surfaces", 16<sup>th</sup> November 1978

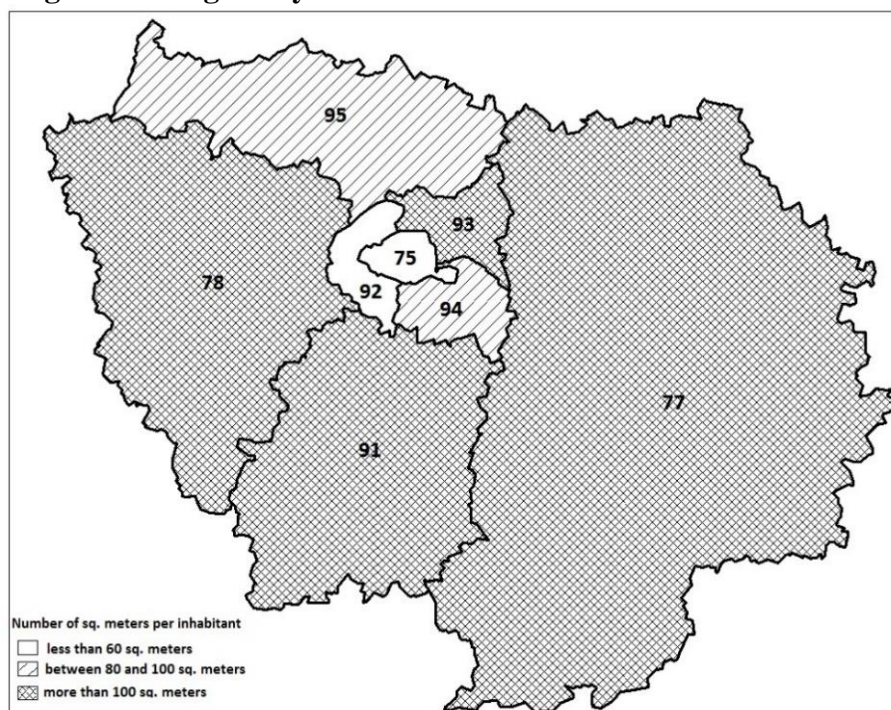
<sup>46</sup> Between 1995 and 1996, the highest representative of the national government have pushed forward a number of political statements against the economic, social and urban impact of big retailers. According to Chirac (French President between 1995 and 2007) « *La grande distribution, phénomène purement français qui n'existe pratiquement nulle part d'ailleurs, peut faire état d'un bilan extraordinairement négatif, s'agissant de la distribution, de l'équilibre de l'aménagement de notre territoire et de la convivialité* » (Le Figaro Economie 2<sup>nd</sup> May 1996 p.41). His claims on this topic were similar during his mandates as Mayor of Paris, since he has « *toujours élevé un rempart autour de la capitale, contrant un grand nombre de projets d'implantations de grandes enseignes* » (Le Figaro Economie 2<sup>nd</sup> May 1996, p. 41). In the same way, Alain Juppé, Prime Minister at the time, stated his « *ras de bol vis-à-vis de la dérive* » of the multiplying big retailers' selling points which he labelled as "hangars ne respectant aucune prescription d'urbanisme en general" (Liberation 24<sup>th</sup> October 1995 p.23, Les Echos 24<sup>th</sup> October 1995, p.18; Les Echos 25<sup>th</sup> October 1995, p. 16) [quoted in Tinard, Tinard 2003: pg 213 - 214].

### 1.8.3 The institutional setting as the key driving factor in Paris retail regulation

If the right-wing positions are usually considered to be more liberal in economic regulation, this was not the case in France for the retail sector (Tinard, Tinard 2003: pg 213 - 214). Considering MGD's development pace in Ile de France departments, I can observe how the political coalitions led by socialists were more favourable to big retailers' development, while Republicans tried, not always in an effective way, to slow down its rhythm of improvement (see Fig. 1). This apparently unusual cleavage had been valid until the end of the 1990s. Between 1973 and 1996, I count four periods when a directive stopping the delivery of authorisations for MGD was issued: in 1979, 1981, 1993, and 1996. In all these cases, the national government was led by a Republican coalition.

In 1981, the result of the interaction between political coalition and institutional configuration led to a very specific shape of the retail economic geography in Ile-de-France. On one side, there were 63 hypermarkets operating in Ile de France out of the 400 operating in the whole country, while only three within the southern districts of Paris opened before Chirac's first mayor mandate (Metton 1982; Mayer 1986). Moreover, considering the incidence of supermarkets and hypermarkets together, the *grand couronne* departments showed a strong penetration within the food distributive system, while Paris and Hauts-de-Seine departments both had the lowest, together with few others in France (See Fig. 1.7). These same departments are the only ones that were permanently governed by conservative coalitions between the 1960s and 1981, with Paris being governed by state administrative branches until 1977.

**Fig. 1.7 Mass grocery distribution in Ile de France in 1981.**



**Source:** Metton (1982), translation of the author

It is possible to argue that the persistence of traditional retailers in the urban core of Paris agglomeration was important to allow the development of the MIN Rungis during the first decade of its implantation (1969 – 1979), while the economic structure of food retailing was changing in the rest of the country. At the beginning of the 1970s, street markets and traditional retailers controlled 82% of food consumption within Paris. The retailers' strike in 1973 pushed the consumption patterns towards supermarkets but, still at the beginning of the 1980s, 65% of food consumption passed through traditional retail channels, and, within it, the biggest market share was of the street markets. I do not claim that the regulatory policy in Paris and Hauts-de-Seine department was directly influenced by the intention of guaranteeing a consumption market for the MIN. However, the local context resulted favourable for providing a ground for the subsequent development path of the infrastructure.

While in France MGD companies were gradually controlling the vast majority of the food retail market share, Paris still maintained a diverse and dense network of traditional retailers in the 1990s, with a lower presence of MGD selling units compared to the average of Ile de France (See Tab 3). In the sole city of Paris, whose surface of 105 km<sup>2</sup> concentrated almost half of the food retail units operating within Ile de France (12.012

km<sup>2</sup>). This retail density was a heritage of the former disequilibrium in retail economic geography that was maintained thanks to political regulation pursued by conservative political coalitions. At least until the end of the 1990s, the main strategy for internal growth of MGD companies was to open hypermarkets (equal or more than 2500 m<sup>2</sup>) and large surface supermarkets (that ranged between 400 m<sup>2</sup> and 2499 m<sup>2</sup>).

**Tab. 1.3 Retail network business structure in Paris and Ile de France departments 1993 - 1999**

	1993	1995	1997	1999
Paris (75)				
<i>% MGD units in food retail network</i>	8%	10%	12%	13%
<i>Total food retail units</i>	5246	4732	4417	4276
Ile de France				
<i>% MGD units in retail network</i>	11%	13%	15%	18%
<i>Total food retail units</i>	16101	14579	13536	12585

**Source:** Stocks d'entreprises et établissements (REE/Sirene) : Tabulation sur mesure, INSEE [producteur], ADISP-CMH [diffuseur].

Differently from Paris, this regulative setting was not effective in preventing a profound transformation of the food retail sector in the French economy. During the 1990s, the public discourse about this economic change switched from being structured by urban planning arguments to being marked by arguments concerning the loss of job places associated with big retailers development (Bischoff 1996). During his first presidential electoral campaign, Jacques Chirac confirmed on different occasions that he would introduce a new regulation to stop the development of big retail surfaces during his mandate. Once elected, in a moment of rising unemployment and limited economic growth, the arguments led to an agenda-setting where the need for a new regulation at the national scale was pursued, aimed at stronger protection of small retailers: the outcome was the Law Raffarin, mentioned above.

The institutional reforms that affected the national level and the urban government of Paris designed a network of relations between the state and economic actors that has changed over time. The consolidation of the state technocracy's role in the 1950s and 1960s stimulated the reaction of interest groups linked to traditional trade. Towards the end of the 1960s, the same institutional environment, which had to maintain the capacity for action in the hands of state officials, saw political actors gain influence within it. The

growing role of political factors thus opened the policy window for new economic regulation of the retail trade. At the national level, this legislation failed to contain the development of MGD in line with the way in which it was represented by the national government. Its institutional design allowed local regulation of the economy in which local balances between different interest groups prevailed over formal intentions. In the case of Paris, this resulted in a policy of protection of traditional retailers, who became one of the components of the political consensus of the mayor and future president of the republic, Jacques Chirac. This outcome was disjointed from the policy choices related to the management of the MIN. This infrastructure, as I will analyse in the next paragraph, remains firmly vertically integrated into the state institutional structure, leaving little room for horizontal coordination at the local level. However, as we will see in chapters III and IV, the interaction between local trade regulation in Paris and the development of the MIN over time will produce an environment conducive to adapting the infrastructure to market changes.

### ***1.9 The implementation of distribution rationality through political integration and vertical integration of policy management.***

In this section, I will consider how the construction and operation of the MIN Paris-Rungis was managed during the first ten years or so. The policy decisions related to the structural endowments of the MIN, the criteria for selecting the management company's leadership and the pressure exerted on Semmaris to adapt its organisational agenda to national priorities are three reflections of the regulatory principles that guided the debate. An unforeseen element that will play a very important role in the infrastructure policy path was the rooting of the trend towards centralisation of decision-making in the organisational culture of Semmaris. This worked as a factor that favoured the functioning of a buffer mechanism between the pressures coming from the government and the national administrations, in favour of integration of the interest groups active in the MIN within the organisational agenda of Semmaris.

### 1.9.1 The structural side of top-down imposed distributive rationality

The MIN infrastructural policy triggered a comprehensive territorial transformation of an area characterised by low-density urbanisation and agricultural land towards one of the most important economic basin and freight flows nodes of the Paris metropolis. The location of the MIN and its infrastructural annexes played a major role in the modification of the urban and economic functions of the southern Paris suburbs (Chemla 1980). The set of infrastructural annexes designed to support MIN Paris-Rungis activity are here summarised:

- The S.E.N.I.A (*Secteur des Entrepôts et Industries Alimentaires*). The area consisted of a warehouse complex created at the end of the 1960s with the idea of offering stocking facilities to wholesalers within the MIN. The ownership and the operation of the area have always been wholly private and the frequent change of companies who settled in the warehouse facilities hindered the regulation of collective areas, leading to a dysfunctional degradation.
- The S.O.G.A.R.I.S (*Société anonyme d'économie mixte de la gare routière de Rungis*), a logistics platform opened in 1967 and designed to be a logistic asset for the economic activities within the MIN Paris-Rungis and work as an urban logistics platform to regulate freight flows directed towards Paris.
- The S.I.L.I.C (*Société Immobilière de Location pour Industrie et le Commerce*), an area committed to providing tertiary facilities. The original idea was to give wholesalers the opportunity to develop their commercial activity somewhere close to the MIN. The destination was not designed as rigidly devoted to MIN's wholesalers and today it hosts a large variety of businesses.
- The DELTA area was created with the original intention to develop it trying to reproduce the lively environment typical of *Les Halles*, but the project was not implemented (Chemla, 1980). Nevertheless, this area has been an important asset for land development, and therefore an economic asset for Semmaris. Today, this area is mainly occupied by tertiary sector activities, such as offices and hotels. In 2006, Semmaris oversaw the development of an infrastructure labelled Euro Delta aimed at improving the cold-chain warehouse assets for logistics companies playing as third logistics parties for MGD, and for wholesalers active within the



MIN that could use this infrastructure as a tool to develop their exchanges with MGD<sup>47</sup>.

- The Belle Epine C.A.R. (*Centre Affaires Régional*), a commercial area including 120 retail units and service activities of a variety of sectors.

All of them, with the exception of Sogaris that was an autonomous SEM, were developed by the *Société d'Economie Mixte d'Aménagement et de Gestion des Annexes du Marché d'Intérêt National de Rungis* (Sagamiris), founded with the decree n° 65-325, 27<sup>th</sup> April 1965, in order to develop and manage land parcels and infrastructures annexed to the MIN. Libert Bou held the presidency of the organisation for the same period that he guided Semmaris's management. The Sagamiris had in its shareholding structure the state, Semmaris and an Intercommunal Association (*Syndicat Intercommunal*) gathering the cities of Thias, Rungis, and Chevilly-Larue, the same municipalities concerned by the MIN infrastructure.

The construction of the new wholesale market started in 1966 when Libert Bou used Semmaris to acquire 350 out of the 600 hectares of land for an amount of 107 million francs, equivalent to around 138,8 million euros<sup>48</sup> in 2017, and most of the transactions were achieved via amicable agreements. The MIN comprehensively required 4 years and a half of work before its doors could be opened. The overall investments amount for its construction reached 995 million francs, which corresponded to around 1,1 billion euro in 2017. The majority of this amount was funded with credit loans (676 million F – 767 million € in 2017), while around one third was covered by public subsidises (319 million F – 362 million € in 2017).

Considering its transport assets, roads and railways unloading docks were built at the same height of lorries and trains in order to limit labour intensive haulage of goods as much as possible, operating in that way the principle of distributive rationality. Following the same principle, structuring value was given to the railway freight terminal as a tool to

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<sup>47</sup> Communiqué de presse Une nouvelle zone logistique et commerciale sur le Marché International de Rungis Paris, le 6 décembre 2006

<sup>48</sup> Actualisation of the monetary value at 2016, using the INSEE euro-franc converter to measure monetary erosion due to inflation. Available here: <https://www.insee.fr/fr/information/2417794>

gain efficiency and reduce costs, especially in a context of still limited development of lorry haulage. The freight terminal featured a beam track to compose new freight trains, and railways redirecting wagons towards each sector of the wholesale market. In total, 33 km of railways and 3 km of docks were built (Chemla 1980). Considering the road transport mode, the MIN is connected with RN 186 on the south side, with the highway A6 on the west side, linking also the MIN with its main consumption market, Paris, the core of the urban region. In the same way, this highway is one of the main accessibility assets for both retailers and producers.

The buildings for wholesalers had, and still do today, a linear form resembling warehouses. Again, this choices made by CGP engineers were coherent with the distributive rationality. First of all, a market of this type facilitated management operations for incoming and outgoing freight flows. Other logistics assets were an integral part of the original plan, such as refrigerated warehouses to guarantee a constant cold chain and ripening facilities for bananas, and were seen as a collective good to support wholesalers in developing economies of scale with imports from overseas.

The relocation of *Les Halles*, therefore, was not limited to changing the economic geography of the urban economy for wholesale food trade and reorganising the geography of supply flows. This intervention then had profound consequences for the political economy over time. It marked the urban and economic development of Val-de-Marne, creating the so-called *Pole Orly-Rungis* as the second basin of employment, after the ‘*Defense*’ business district, within Ile-de-France, the first region for GDP at European level. The MIN and its infrastructural annexes developed as the largest logistical junction of the urban region in the so-called *Petite Couronne*. The presence of labour-intensive infrastructures helped to structure the political agenda of the Val-de-Marne department, while the high density of enterprises guaranteed by the MIN and the annexed infrastructures affected the horizontal coordination strategies of the local authorities involved, encouraging them to avoid the creation of forms of sharing of local taxation. Finally, the presence of this tertiary economic pole structured the requests on the development of local transport in the 1980s and 1990s and for the policies of urban transformation in the 2000s and 2010s.

So far, I still have not mentioned the policy process that led the meat wholesale market to be placed within the MIN Rungis. In order to account for it, I will step back in time. Before policymakers started to deal with *Les Halles*’ relocation, meat wholesaling

activity was organised over two sites: the meat wholesale market and the public slaughterhouse of *La Villette*, located at the North-East periphery of the city, and the same *Les Halles*. The city council of Paris opposed the relocation of the meat market from *Les Halles*, claiming that the relocation of all other sectors would have solved the transport, urban and hygienic problems that were been mobilised as legitimating arguments for the construction of Rungis. This argument did not consider one of the main policy issues that structured the policy framework at the national level: the price regulation and the establishment of national level infrastructures to foster modernisation of the agri-food sector and economic development. In this policy framework, one of the essential preconditions was the ‘unity of place and of time’ of wholesaling economic activities in order to avoid distortion from the ‘best price’, achievable through a transparent competition among economic actors.

Eventually, also in this case, state administrations were the actors deciding for the future organisation of the meat product wholesaling. After political pressures on the city council to accept the concentration of the meat market from *Les Halles* to La Villette, the state offered to support the funding of the modernisation of the old wholesale market and slaughterhouse, within the framework of MINs’ national policy. At that point, on December 18<sup>th</sup>, 1958, the city of Paris, following the pressure of the government, approved the reconstruction of the slaughterhouses of La Villette and the transfer of meat products from *Les Halles* of Paris to La Villette site (Goudeau, Bou 1977). The national government confirmed this decision only a few days later. On 6<sup>th</sup> January 1959, two national decrees transformed La Villette in a MIN specialised in meat products and operated by a *société d’économie mixte*: the *Société d’économie mixte de la Villette* - SEMVI.

SEMVI was a SEM only on the formal side. Indeed, public actors, with almost no contribution from private actors, controlled almost the entire social capital. The result was the use of public funds under the regime of private law, without the system of controls that were typically put in place for public investments. Moreover, the peculiar organisation of Paris as a local authority, with the heavy tutoring role of local Prefects over local public action, worked as a filter and lack of accountability toward the council, a democratically-elected deliberative arena. The combination of lack of accountability and loose controls on funds allocation led to a policy failure due to massive economic resource mismanagement, despite La Villette’s new wholesale market and slaughterhouse never being completed. The financial scandal, defined as such in the press and in books accounting for the history

of corruption in France (Monier 2011; Denoel 2014) or the administrative history of Paris (Nivet 1994), is interesting for us since it reveals the dynamics of centre-periphery relationships. A first factor that marked the destiny of the policy implementation was the institutional inertia of policymakers in redesigning the infrastructural policy due to structural changes of the context. Indeed, the Fourth Plan (1962-1965) made a clear point about meat production sector economic trends, and about the public interventions needed to support its development. Within the main document for orientation macro-economic policies, new guidelines were established for the development of slaughterhouses. Due to the diffusion of new processing technologies, namely the development of cold chain assets from production to consumption areas, these infrastructures were not any more profitable to be built close to urban areas, but they needed to be promoted in production areas<sup>49</sup>. Already during the 1960s, big retailers were developing the first buyer groups for processed meat and producers were responding to national government policies in favour of their concentration process (de Bourdonnaye 1970).

Given this economic context, the under-construction La Villette slaughterhouse was an absolutely obsolete economic instrument with little chances of being economically viable. The Fourth Plan was approved on the 4<sup>th</sup> August 1962, while just one year before an inter-ministerial committee, under the supervision of the Prime Minister, confirmed and approved the technical conditions for Paris's slaughterhouse. The episode shows how fragmented could the state administration be impeding the overview of each administration's activity, with the result of limiting the democratic control on the public action. In 1963, the reaction to the evident discrepancy between La Villette policy and the Fourth Plan did not lead to the suspension of the implementation process. Rather, the adopted solution was to update the project, with the goal of producing such an advanced infrastructure to result attractive despite the irrational location. That year, the cost rose to the equivalent of 500,5 million, two years later, in 1965, the cost reached the equivalent of 791 million euros, being approved in 1966 by the national government. Only in 1966 SEMVI's president, Michel de Grailly, who took the Presidency over from Ribera in 1965,

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<sup>49</sup> RAPPORT fait en conclusion des travaux de la commission d'enquête parlementaire (2), créée en vertu de la résolution adoptée par le Sénat le 14 décembre 1970, sur les conditions techniques, économiques et financières de conception, de construction, d'aménagement et de gestion des abattoirs et du marché d'intérêt national de Paris-La Villette, Annexe au procès-verbal de la séance du 22 avril 1971

shared the financial state of the art with the city council, which appeared to be unaware (at least officially) of the last six years' financial issues, despite the city being the majoritarian shareholder (Nivet 1994).

In 1969, the meat wholesale market and the slaughterhouse were inaugurated, while modernisation works were still far from being finished. In the same year, the foreseen cost to complete the infrastructure raised up to the equivalent of 1,1 billion euros, as to say more than five times the initial project. Eventually, in 1970, the final cost assessment reached 1,3 billion euros, equivalent to 1,4 billion euro in 2017. The construction works were finally stopped in May 1970. In December of the same year, the Senate decided to establish a parliamentary commission of inquiry for the technical, economic and financial conditions concerning the design, construction, planning, and management of the slaughterhouses and the meat wholesale market in Paris. The commission submitted the report of its inquiry in April 1971. The Senate unanimously decided to make the report public. After the issuing, the future of La Villette was in the national Government's hands.

A couple of months after the publication of the report by the commission of inquiry, on 1<sup>st</sup> July 1971, the Government decided that the wholesale meat market of Paris, as well as the few professionals still working within *Les Halles*, had to join Rungis's facilities as soon as possible<sup>50</sup>. The decision of the government was not in line with the meat wholesalers' interests. The arguments mobilised by meat wholesalers were similar to those mobilised by other sectors during the contentious dynamic that marked the relocation from *Les Halles* to Rungis.

Libert Bou was appointed with the responsibility of operating the transfer of the meat market to the Rungis site, designing, planning and constructing the structure to host it. In 1973, the operating company Semmaris claimed that the meat sector could be realised within the time and cost limits imposed by the state<sup>51</sup>. The transfer to Rungis was accompanied, as for other sectors, by a concentration process among wholesalers. Some wholesalers refused to join the MIN and ceased their activities, while others did not have an annual tonnage that sufficed to survive economically and to be accepted in the market of Rungis. Eventually, about fifty companies did not undertake the relocation from La

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<sup>50</sup> CAC 1983 0358 – 05, ministère de l'Agriculture — Communication du président sur l'ouverture du marché des produits carnés et l'achèvement du transfert des Halles, Conseil d'Administration de la SEMMARIS, 6<sup>th</sup> February 1973

<sup>51</sup> CAC 1983 0358 – 05, ministère de l'Agriculture – Conseil d'Administration de la SEMMARIS, 22<sup>nd</sup> April 1974

Villette to Rungis. Five years were necessary to transfer the wholesale sector to Rungis: since the opening of the MIN on 3<sup>rd</sup> March 1969, until when the remaining meat wholesalers were relocated on 15<sup>th</sup> March 1974.

The spatial concentration of all wholesale marketing activities within the MIN Rungis infrastructure was an important step. This choice of policy, from the point of view of the policy setting, permitted both spatial concentration and organisational unit. The first aspect is important in relation to the dynamics of reorganisation of the distribution market that will occur over the following decades due to the development of Mass Grocery Distribution as a dominant food retail format, and the development of the food logistics sector. The fact of constituting a single infrastructure for all perishable products allowed Semmaris to have at its disposal both the economic resources deriving from the tariffs applied to the operators, and the legitimacy towards the national public actors to receive the necessary financing for the development of services and structures suitable for defending the competitive advantage in a changing market. The second aspect is crucial for the regulation of intermediation with interest groups affected by the operation of the MIN and for the management of institutional relations with the public, national and sub-national actors. In the strategy of intermediation with the interest groups, the management of Semmaris will adopt over time the approach defined by Mr. Bou. The high legitimacy and wide authority he was granted will give him the necessary room for action to buffer the pressures coming from the national government and allow wholesalers to be more flexible in the process of reorganising their economic practices according to the policy objectives. These objectives included:

- Rapid concentration in the business structure by eliminating smaller economic operators, based on the principle of modernisation.
- The strict application of the criterion of the minimum sales volume for each operator as a criterion for the inclusion and expulsion of wholesalers from the MIN, according to the principle of rationalisation.
- The rapid development of organisational skills for the transition from wholesalers who operate simple economic transactions (wholesalers *au carreau*) to wholesalers who are able to offer the delivery service to all their customers, based on the principle of rational distribution.

The buffering role that Libert Bou and the successive presidents of Semmaris were able to play opened the way for a non-conflictual political integration of the interests of wholesalers, allowing in the following decades the consolidation of a process of institutionalisation of relations within the operating company.

### **1.9.2 The buffering role of Semmaris against national policy pressures**

The committee for the MIN tutorship (*Comité de Tutelle des MIN*) commissioned an evaluation of the national MIN policy to the *Direction Générale du Commerce Intérieur et des Prix* in January 1970. The choice of that ministerial office was, of course, not casual. MIN policy was the result from the intertwining of two policy paradigms: the industrial policy paradigm for its infrastructural dimension, and the competition policy paradigm for its operational dimension. The mobilisation of both normative and cognitive pillars guided the policy goal definition into the modernisation and rationalisation of the national food distributive system. Choosing this administrative unit among the diverse, and compartmentalised, national administrations is explained with the growing influence the macroeconomic regulation of price was acquiring in that period. Its first section clearly stated the scope of the report<sup>52</sup> and defined it as the link between the national MIN policy and the structural changes of produce distribution.

*« Le présent rapport a pour but de dresser un premier bilan de dix ans d'expérience des Marchés d'Intérêt National et d'en esquisser les perspectives d'essor économique, compte tenu de l'évolution actuelle de la distribution des denrées agricoles »*

In 1970, wholesale markets had a relevant role within the supply chain. For instance, considering the more important sector within MINs' wholesale activity, of the 5 million tons of fruits and vegetables traded in 1967 around 3 million passed by one of these infrastructures, controlling then 60% of the national market (Krzyzanowski 2013). Considering the example of Rungis, the 'national champion' of this national policy, Michel

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<sup>52</sup> CAC 1977 0241 – 18, ministère du Commerce et de l'Artisanat — Bilan de l'expérience et perspectives d'avenir des Marchés d'Intérêt National dans la distribution des denrées agricoles, Rapport de Michel Begon, administrateur civil à la Direction Générale du Commerce intérieur et des Prix, remis au Comité de Tutelle des Marchés d'Intérêt National, janvier 1970.

Begon highlighted that fruit and vegetables freight volume increased by 20%, if compared with the ancient *Les Halles*. Technical facilities and infrastructures attracted buyers, who previously avoided the wholesale market because of the constraints imposed by the archaic structures within the city centres (circulation, hygiene, conservation, etc.). The report is straightforward on this issue: quality road and rail infrastructure were crucial for the success of the MIN.

Another feature that is crucial for the *Direction des Prix* and the *Commission de Tutelle des MIN* is the development of transport and logistics skills among wholesalers. The premise for the success of these infrastructures, in a changing context where big retailers were gaining weight, was the implementation of corporate services to make MINs susceptible to be integrated in big retailers' supply chains strategy. The business profile that was promoted was the so-called 'complete service wholesaler' (*grossiste à service complet*): a wholesale company that has the assets to organise the complete supply process for a buyer from product selection, and the customised processing of it, to the expedition to the final selling point. Without the reinforcing of the presence of these corporate actors within the MINs, it would be difficult for a buyer group or a big retailer to use a MIN as a supply infrastructure. Small wholesalers cannot provide this kind of service because it requires significant investment. According to Michel Begon, emerging procurement strategies among MGD will force MINs' operating companies and public authorities to rethink their future strategic development. Focusing on one of the policy objectives, Michel Begon assessed the impacts of MIN's constitution over the wholesale business structure. In many cases, they led to a concentration of wholesale companies but the trend was unsatisfactory. In the case of Rungis, despite an initial impact on companies' dimension and number, during years following the inauguration, this trend was less marked than expected. The decrease in the number of wholesalers was especially marked in the fruit and vegetable sector (Tab. 1.4). At the very early stage of the relocation process, when *Les Halles* was still operating, an institutional filter had been implemented to favour the modernisation of the perishable wholesaling sector in the Paris region. Those wholesalers whose enterprises were assessed as of too small dimension, those who could not guarantee the continuity of the enterprises because of being too old and without a certain generational transfer were labelled as *non-trasferable*. These enterprises were excluded from the forthcoming MIN infrastructure after economic compensation (Goudeau, Bou 1977). This delicate passage of the delocalisation was personally led by



Libert Bou, who used the knowledge accumulated in the previous assignments related to the functioning of *Les Halles* to negotiate the conditions of the transfer with the wholesalers.

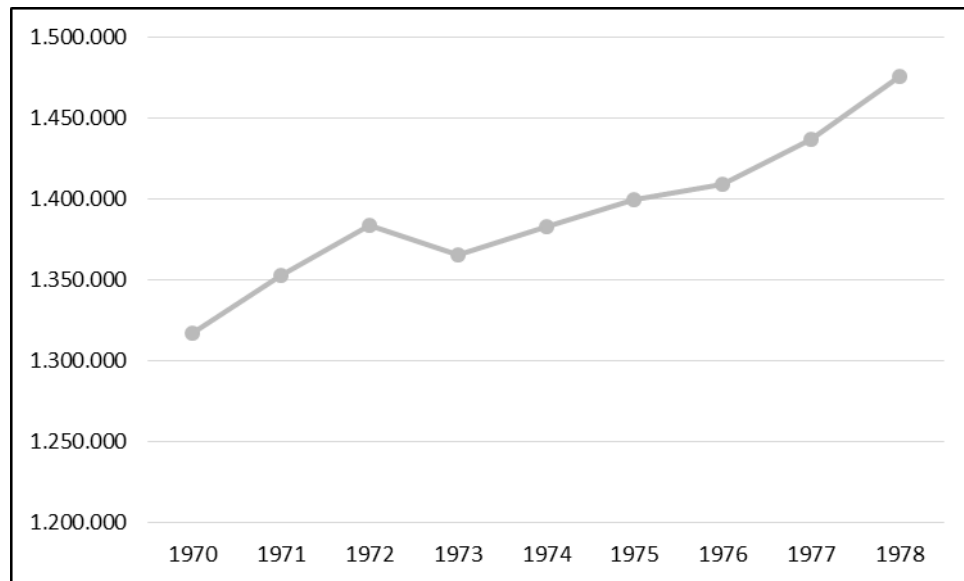
**Tab. 1.4 Number of wholesalers active within the MIN Paris - Rungis**

	1970	1978*
<i>Fruit and Vegetables</i>	442	370
<i>Meat products</i>	--	160
<i>Milk products</i>	111	90
<i>Seafood</i>	104	110
<i>Flowers and Plants</i>	206	200
<i>General food</i>		28

**Sources:** \*Press analysis; Chemla 1980

Public authorities noted that wholesalers were too fragmented to sustain the rationalisation of the produce supply chain, eliminating distortions in goods distribution and price dynamics due to reduced enterprises dimension. The report highlighted the rapporteurs' disappointment in small entrepreneur's permanence within wholesale markets boundaries. The MIN Committee, which issued the report, encouraged operating companies, and especially Semmaris, which managed the main structural pillar of the national MIN network, to enforce the rules that permitted to modify or suppress the locations of wholesalers who did not guarantee sufficient activity. In spite of the reduction in the number of wholesalers that took place during delocalisation, the flow of goods sold within MIN Paris-Rungis was constantly growing (Fig. 1.8). This result should be seen in conjunction with the combination of the structural assets which act as a pull factor for product flows and the constraints on the spatial concentration of all food wholesalers active in the Paris region via the double perimeter of protection. This output reinforced, since 1969, the legitimacy of the decision to proceed with the spatial concentration of the meat sector. At the same time, it fed the authoritativeness of Libert Bou, who is represented in the local and national press as the promoter of "*grand deménagement des Halles*" without this having provoked any major conflict dynamics.

**Fig. 1.8 Fruits and vegetable freight volumes in tons, within MIN Paris-Rungis**



**Sources:** Elaboration of the Author on Press releases, Semmaris, Chemla (1980)

The *Comité de Tutelle* regretted that until 1970 SEMs and local authorities operating the MINs had enforced concentration constraints with reluctance. We can easily imagine the reason for this lack of enforcing efforts. The operation of such infrastructures is possible only in case of compliance of the hosted economic actors. The rigid implementation of such a norm could cause internal conflicts both within the operating company, when wholesalers are present in the social capital structure and within the daily operations of the wholesale market. An increased conflict might then lead to an undermined collective capacity that is crucial especially when undertaking strategic decisions, or, as in this case, to stabilise a brand-new market.

The management of Semmaris will not be exempt from certain prudence in the application of the constraints indicated by the officials of the Ministry of Finance. Avoiding the application of invented standards to wholesalers was a characteristic feature of its management. Rather, its priority was to ensure the stability of the operation of the new infrastructure, thereby promoting a sharing of intent between the management company and the interests of the wholesalers present. Mr. Bou used the strong symbolic legitimisation deriving from the success of the relocation and the strong institutional legitimisation deriving from his commissioner role to act as a buffer between the pressure of state officials and the interests of wholesalers.

### **1.9.3 The organisational embeddedness within the local institutional setting.**

The institutional reforms that redesigned the organisation of territorial government in the Paris region were accompanied by politicisation of relations between the centre and the periphery. The growing role of political actors in centre-periphery relations was accompanied by the questioning of the centrality of the CGP officials in the definition of priorities and measures of economic policy (Hall 1986).

The election of Valéry Giscard d'Estaing as president of Republic (1974-1981) and the formation of the government with Jacques Chirac as Prime Minister (1974-1976) led to the non-renewal of Libert Bou (1965-1974) as president of Semmaris. In his place, Chirac appointed Michel Giraud (1974 - 1977), politically closer to him: so much that when Chirac decided to found a new party and stand as a candidate to lead the government of Paris in opposition to the candidate endorsed by Mr. Giscard d'Estaing, Giraud followed him joining Chirac's new party. Giraud's career was purely entrepreneurial and political and clearly differed from Bou's, who was a long-lasting high-rank civil servant instead. When Giraud was appointed as Semmaris president he was 46 years old and had already held a managerial position in the international timber trade sector. He joined his professional experience with a political career in the ranks of the UDR, until the foundation of the RPR. He was already mayor of the municipality of Perreux-sur-Marne (1971 – 1992), and General Councillor of Val-de-Marne (1967 – 1985). Furthermore, he had previously been a member of the board of directors of the Paris District, where he held the chair in 1972. The leading role of Giraud in local politics was reflected in the way the MIN Paris-Rungis was represented in the territorial economy. With respect to the mandate of Bou, exactly, I can point out that Giraud considered the MIN not only as infrastructure at the service of the national economy but also raised the point of how this infrastructure was a resource for economic development in the Paris urban region. In other words, he represented MIN as a competitive advantage of the urban area of Paris in comparison with the role of other European cities in governing the food supply chain.

The change that took place in the 1970s concerns a redefinition of the channel of integration of policy management within national priorities: the most important channel becomes the one organised by political factors and taking the space previously occupied by high-rank civil servants of the state bureaucracy.

During the 1970s, the Ministry of Finance began to gain more weight in the process of formulating economic policy, with repercussions in the way the relationship between the state and Semmaris was governed as well. These repercussions concerned the criteria for Semmaris's president selection and the definition of its organisational agenda. The result of politicisation was a greater vertical integration of Semmaris in an attempt to guide the development of the MIN Paris-Rungis in line with the policy objectives set by the ministerial offices. The oil shock of 1973 marked the beginning of a new economic phase in which economic growth and productivity in various sectors were slowing down, marking the end of the so-called '30 glorieuses' characterised by steady economic growth. On the national agenda, a new priority for the development of MIN Rungis emerged to define the guidelines for the organisational action of Semmaris: its financial consolidation. In 1974, a report by the National Audit Office highlighted Semmaris' growing debt and its financial instability. This report stressed that there was no provision for adequate funding of Semmaris by public authorities. This led to Semmaris seeking the resources necessary for its operation and development in its first years of activity from the financial market. The subscription of several loans began to weigh heavily on Semmaris's balance sheet, in particular, because of the accumulation of debt interests. Throughout the 1970s, the main actor subsidising Semmaris was the state. In 1978, the operating company accumulated 116.5 million francs in subsidies, most of which (105.2 million francs) from the Ministry of Agriculture's budget.

Towards the end of the 1970s, the policy issue of price formation dynamics joined the urgency of a new national budgetary policy made necessary by structural economic changes following 1973's crisis. It is within this new normative framework that I must incorporate and interpret the report commissioned by the *Inspection Générale des Finances* in 1977 and drafted by Bertrand Eveno, Hervé Hannoun, Pascal Lamy and Alain Minc. In the so-called *Rapport Eveno* Semmaris' organisational strategy, which protected the presence of small wholesalers privileging their political integration rather than a business restructuring action, was criticised. The Eveno report focuses its criticisms precisely on: wholesalers' commercial practices, especially in the fruit and vegetables and horticultural sectors, the transparency of information on supply and demand dynamics, and the constraint of the minimum volume of goods sold annually by each wholesaler as a rigid constraint in order to be present within the MIN.

The report had the effect of mobilising the national government to steer the organisational action of Semmaris more closely. The need to monitor Semmaris more closely so that it could adapt its organisational action to the priorities defined by the national government translated into the appointment of a new president at the end of Michel Giraud's three-year term of office (1974 - 1977): Emile Arrighi de Casanova (1977-1981). In this case, too, the political logic prevailed in management selection. The rift between Chirac and Giscard d'Estaing occurred the previous year and Giraud represented a direct political link with Chirac. Raymond Barre, the new Prime Minister appointed in 1976 after Chirac's resignation, chose Arrighi de Casanova among politicians close to the president of the Republic. New entrant de Casanova was the coordinator of the 1974 electoral campaign in Corsica. With this appointment, the influence of the administration of the Ministry of Finance on Semmaris's organisational agenda became evident. The appointment of Arrighi was accompanied by a clear mission for his mandate:

- Foster the concentration for wholesalers' business structure, with particular attention to the fruit and vegetables sector where operators were found to be too fragmented.
- Increased transparency on flows of goods within the MIN.
- The financial rebalancing of Semmaris.

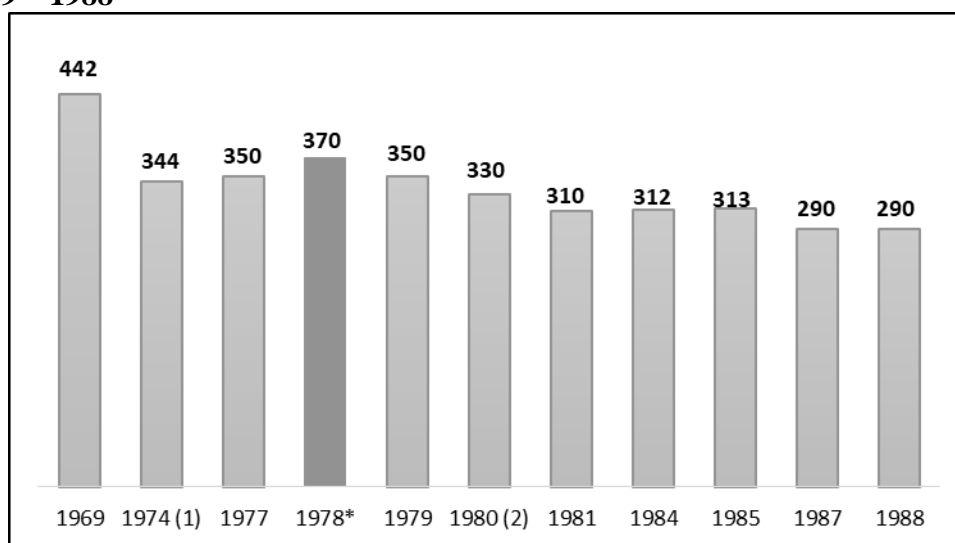
In 1978, Arrighi signed an agreement with the national government to reform the internal organisation of the MIN, the operational basis of wholesaling activities, to eliminate further subsidies from public actors. Although Arrighi had been appointed on the basis of political proximity and he had agreed to introduce the policy priorities defined by the Ministry of Finance, the objectives of financial stability and reform of the economic functioning of MIN were only partially achieved. Let us first consider the commitment to reduce the number of active wholesalers in MIN (Fig. 1.8). One of the first initiatives undertaken by Arrighi was the creation of a *Groupement d'Intérêt Economique* (G. I. E.) called GREFEL<sup>53</sup>, an organisation established involving wholesalers with the aim of compensating wholesalers who decided to abandon Rungis in order to leave a greater market share available to those who decided to invest in their business growth. The intention was to produce business concentration and promote economies of scale of

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<sup>53</sup> Groupement de restructuration du secteur des fruits et légumes.

wholesalers, which was never actually achieved, and eventually to support better price dynamics for consumers. In addition to encouraging the process of concentration of wholesalers, with a particular focus on the fruit and vegetables sector, GREFEL also aimed at offering subsidised loans to entrepreneurs willing to make investments in order to increase their turnover. The capital for this fund is paid up to a large extent by the wholesalers themselves, who subscribed to it through self-taxation.

**Fig. 1.8 Number of wholesale companies in the fruit and vegetables MIN Rungis sector 1969 – 1988**



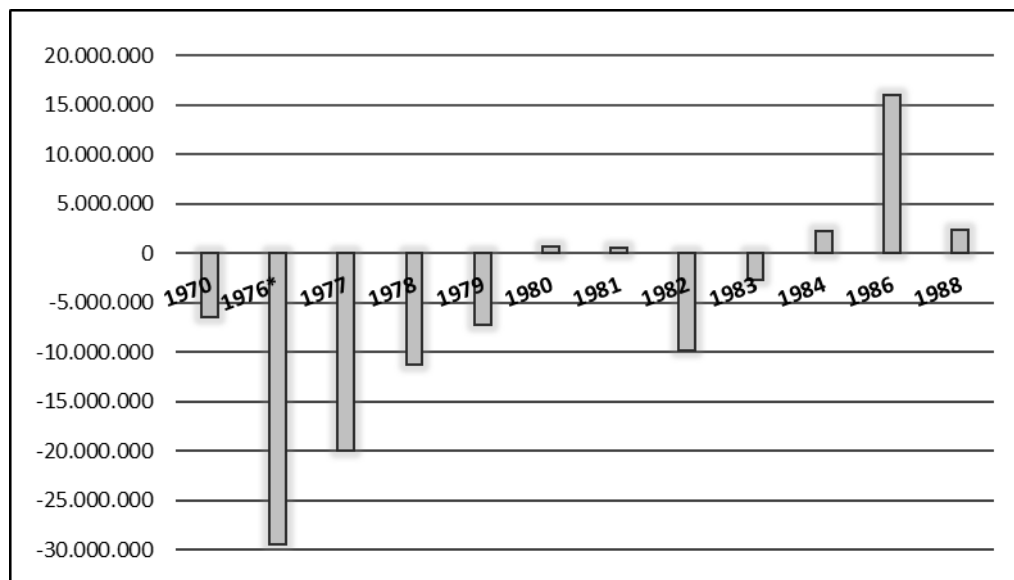
**Sources :** Semmaris, Activity reports ; \* Chemla (1980) ; (1) *Le Monde*, « Le Marché de Rungis » 7 décembre 1980 ; (2) *L'Unité*, « Visite guidée dans le ventre (exilé) de Paris » pg 12 - 13, 6 novembre 1981.

Arrighi's stated objective was to reduce by one-third the number of fruit and vegetable wholesalers in order to achieve a better balance between the flows of goods and the size of businesses<sup>54</sup>. As can be seen from the graph (Fig. 1.8), after the establishment of GREFEL in 1978, the reduction in the number of wholesalers did not achieve its objectives. Rather, the change was gradual and partial, even if the dirigist policy approach still dominated the normative references of the state officials and the national policy. Although detailed documentation on this process is not available, it is reasonable to argue that Semmaris's management preferred a cooperative approach with wholesalers' interest groups rather than a top-down approach of vertical application of econometric rules. The

<sup>54</sup> *Le Figaro*, “Rungis : plan de restructuration », 2<sup>nd</sup> March 1978

establishment of GREFEL must be understood as an instrument to favour a process of integration of wholesalers' interests with the priorities of Semmaris's organisational agenda. A strategy to produce a political integration of the relations between the operating company and wholesalers was put in place, in order to stabilise the development of MIN avoiding conflicting dynamics. As far as the financial equilibrium of Semmaris is concerned, the objective was only partially achieved, too. In fact, looking at the trend of the profit and loss account (See Fig. 1.9) it is possible to observe how, during Arrighi's mandate (1977 - 1981), only a fragile financial equilibrium was reached: after an equilibrium in 1980-1981 the deficit trend went on.

**Fig. 1.9 Semmaris's profit and loss values 1970 - 1988**



**Source:** Procès verbaux conseil administration Semmaris, elaboration of the author

In the analysis of the genesis of this infrastructural policy, I have highlighted how the relevant conflict dynamics took place only in the policy formulation process, delaying the decision to move *Les Halles* by many years. The institutional change of 1958 had the effect of reorganising the power relations between the different actors involved, concentrating the power of public action in the hands of the state actors. The central element in the case of the MIN Paris-Rungis was, therefore, the construction of the decision-making process, which saw the consolidation of the normative principles that guided Semmaris, also autonomously from the state.

As we shall see in the next chapter, the genesis of the Milanese infrastructure is associated with a policy dynamic that could be defined as specular: almost no conflict in the decisional phase and in the phase of construction of the infrastructure, hardly any debate on localisation choices and little elaboration of the causal principles that would have associated the construction of the infrastructure with the expected effects of economic regulation. The conflictual dynamics intensively developed with the inauguration of the new infrastructure and clearly characterised more than 15 years of activity following the inauguration.



## CHAPTER 2

### **Wholesale markets in Milan: spatially fragmented urban infrastructures embedded in conflictual dynamics.**

The policy management of wholesale markets in Milan presents elements that are different from those highlighted in Paris. These differences are primarily due to the different institutional environment driving centre-periphery relations. Furthermore, a different institutional configuration determined a different role for the actors involved: civil servants and public officials, political parties and interest groups. In the formulation of a wholesale market policy, the level of government that maintains control over the implementation of the policy and the subsequent governance of the infrastructure is the local level. What characterizes the Italian context is the municipal scale for the formulation, implementation and financing of these infrastructures, without direct influence and pressure from the state. The local policy process interacts with the multi-layered normative framework made up of the different national regulatory measures introduced during different political regimes. I identify three moments in which the national government intervened: in 1903, during the liberal political regime, during the fascist regime, and in 1959. Each local government makes its own choices in an autonomous way and without coordination with other local authorities. The first national

intervention aimed at drawing up a framework for coordinating local policies was not implemented until 1986.

This chapter, after a brief presentation of the history of each wholesale market active in Milan, focuses on the dynamics that shaped the development of the new fruit and vegetable market built in 1965. This choice is legitimate for two reasons. The first concerns the historical perspective of this urban infrastructure policy. This policy intervention was effectively the first step in a slow process of policy change completed in 2000, with the completion of the spatial and organizational unity of all the different wholesale markets in the city, until then divided by product group: fruit and vegetables, poultry, meat, fish, flowers and plants. The same spatial and organizational unity was reached for the MIN Paris-Rungis in 1974 after the move of the meat sector due to the failure of the *La Villette* policy. The second reason closely concerns the governance issue of wholesale markets investigated by this research project. The construction of the new infrastructure was an opportunity for the mobilization of different interest groups rooted in local society and active in influencing decision-making processes carried out by the local government. This allows us to highlight how and if the institutional configuration and strategies of political parties and interest groups have marked the policy path.

From the analysis of all these elements, it emerges that the corporatist elements which settled in the policy normative framework during the fascist regime were not been questioned during the post- World War II democratic regime and survived as structuring aspects of this local policy. The influence of food wholesalers in the management of the fruit and vegetable market was reinforced by the interaction between corporatist elements of the policy approach and the local institutional configuration. The latter was characterized by the pervasive role of political parties in social regulation, used for the distribution of resources, strategic for manufacturing political consent. The policy setting offered wholesalers a negotiating advantage that guaranteed a favourable position in distribution practices and resources to reduce the enforcement capacity of the policy rules by the operating company of the wholesale fruit and vegetable wholesale market (*Ortomercato*). The outcome of this configuration of actors and of how intermediation of the interests involved is a high internal conflict that involves both wholesalers and freight-handlers, and a substantial failure of the policy objectives developed by the municipality, focused on the regulation of the local value chain.

## ***2.1 Italian economic policy and its links with the infrastructural policy of Milan's wholesale market.***

The first element of national economic policy I want to highlight, which differs from the French case, is that of policy goals. We have seen that in France the priority was the modernisation of industrial sectors deemed strategic. In Italy, after the Second World War, the main objectives were to promote industrial productivity, industrialize regions where the primary sector was still dominant and create new jobs to absorb structural unemployment and the unemployment caused by increased productivity. As far as the food trade is concerned, it is useful to remember that food retailing and wholesaling were considered an economic sector useful for absorbing unemployed unskilled workers, without the formulation of a national plan to modernize it (Vitali 1970). The protection of traditional family-run trade and the lack of incentives for concentration in the wholesale sector were indeed part of a regulation strategy to compensate for unemployment linked to trends of industrialisation. Until the 1970s, the Italian macro-economic structure had been shaped by a sort of 'dualism'. On the one hand, some industrial sectors were unable to absorb the national labour force, alongside large economic areas of public and private services, including traditional retail, which structurally absorbed the excess labour force (Fuà, Sylos Sabini 1963; Cozzi 2005). Thus, the retail sector was not targeted by a productivity policy, but rather regulated to absorb some of industrialization externalities. The national government did not intervene with any partial measures to modernize the trade sector until the 1980s, when the first national plan of incentives for the construction of food and non-food wholesaling infrastructures was approved.

The way of pursuing the modernization of the targeted economic sector differed from the French one. In France, the strategy was based on economic planning through the involvement of private actors and interest groups in the framework of the CGP's priorities. In Italy, the chosen strategy was rather direct intervention by the state and a massive presence of public enterprises in the national economy (Shonfield, 1965). The management of public industrial groups, controlled by parliament and government, drew up strategies according to political priorities expressed by the governing coalition and the political compromises reached in the representative arenas. The deep interpenetration between parties and social regulation practices exposed them to pressure from interest groups that

acted both on companies' management and on political decision-makers. Eventually, the management of these pressures was possible due to the high administrative discretion in the Italian institutional environment (Shonfield 1965).

This strategy of action, as well as the industrial policy choices mentioned above, left open the structure of incentives to pressure exerted by interest groups, be they professional associations or workers' unions. The enunciation of these aspects of Italian political economy could seem distant from the object of my research. However, the reason why I am reporting them here is that they also influenced the way the new fruit and vegetable market in Milan was governed for the first 15 years of its operation.

In order to build and manage the new infrastructure, a joint public-private company, Ortomercato Spa, was set up. The time when the urban government and the municipal council had the greatest influence on the operating company coincided with the increase of conflict with the local interest groups. Their claims focused on policy rules: those concerning the functioning of economic transactions, and those distributing wealth generated within the infrastructure to wholesalers and freight-handlers. The management of Ortomercato Spa used wide discretion in the enforcement activity, in fact not applying those rules that more than others generated conflictual dynamics.

## ***2.2 A dominant party system struggling with local interest groups***

As in the French context, the institutional configuration is the main factor for the distribution of economic regulation frameworks at different levels of government, and among actors involved in the policy process, be they administrative actors, political actors, or interest groups.

The centre-periphery relations were structured by the organisational channels of political parties, which had control over political process, administrative decisions, and resource distribution practices, thus being the mediator between social groups and the state. Moreover, the parties were a channel of vertical integration between local and national government, as well as crucial actors in structuring the local political agenda. Political parties achieved a level of institutional authority that was hardly comparable in other Western European countries (Woods 1995). The party system had been, at least throughout what is known as the First Republic (1947 – 1993), a key factor to grasp the functioning of

state and local administrations, to account for resource allocation among policy sectors and territories, to support the explanation of policy processes, and to understand intergovernmental support configuration. The opportunities for locally-elected officials to access policy resources may include multiple electoral mandates, informal networks and parties, which work as an organizational environment that favour the link between political and economic elites at local, regional and national level (Page, Goldsmith 1987). mayors used to mobilise their personal links with the national level of party organization, established and stabilized throughout their party career (Tarrow 1977; Magnier 2004). Personal networks and party organizations were thus structures through which the local political agenda was shaped.

The stable presence of the Christian Democrat (DC) national governing coalitions (1948 – 1992), was accompanied and supported by its capacity to occupy governmental agencies and to present itself as the *'party of order'* during decades of radical political conflicts and cleavages in Italian society. The occupation of top, intermediary and low positions in administrative branches and at government level gave this party a comparative advantage for the control of investments and economic subsidizes, acting as a channel of intergovernmental support and integration. The strategy of political patronage put in place by the DC inspired other parties in merging their organizational structures with state administration in order to gain control over redistribution processes, either vertically to territories, or horizontally to local constituencies (Donolo 1980). Given the widespread presence of party personnel at all administrative levels, public agencies and public companies, party loyalty gave access to individual patronage, financing for territories, and political power under the direct control of parties (Savitch, *et al.*, 2002). Party loyalty was also reinforced by the direct contact between parties and intermediary organizations (Woods 1995) such as trade unions and business associations. The weight of parties in local and national administration is that both government and administrative actors aligned their agendas and practices with those of the parties controlling the political majority at that moment. At a time when parties were gaining or losing influence in government coalitions, I can observe in parallel that *"technocrats are replaced, policies change and so do the conditions of local development"* (Vicar, Molotch 1990: 617). The institutional configuration defined political parties as dominant actors and gatekeepers able to control access to decisional arenas, agenda setting and the determination of decisional outcomes (Morlino 1991: 19). Even although this picture of the relationship between political parties

and organized interests is confirmed in the case of Milan, for the policy sector dealing with the governance of the *Ortomercato*, things deployed differently. Wholesalers and freight-handlers were seen to be capable of influencing both the operations and the development of the infrastructure by dictating the party agenda and strategies. The explanation for this deviating outcome, even if in the same local context, is to be found in the policy rules stratified through different political regimes (liberal, fascist, democratic).

### **2.2.1 The multi-layered rule setting for the Milan policy of wholesale food markets.**

The last decade of the 19<sup>th</sup> century in Italy saw a rapid increase in the urban population; in Milan the result was a population increase of 55% (De Girolamo 2013). The new demographic structure raised the need for network utilities and other urban infrastructures that were not produced through market processes with enough effectiveness and affordability as needed by local communities. The orientation of the national government was to delegate municipalities of major urban areas with the task of improving their industrial capacities in producing them, which was also associated with the need to implement infrastructural policy at the local level, according to the specific needs of each city.

Development of wholesale food markets (WM) was left to city authorities and each of them designed an infrastructure policy according to the dynamics of the local agenda. Wholesale markets were regulated by the so-called *Giolitti Law* n°103 in 1903, as local public services just like other network utilities. These services were designed to be developed, regulated and managed at the municipal level by public municipal companies or directly by local administrations through *in house* management. This delegation of wholesaling infrastructure development continued the previous delegation to municipalities for the food commerce regulation in 1866<sup>55</sup>. The goal of the 1903 legislation was to reshape the urban economic geography of wholesaling activities, solving issues of hygiene, food quality and space as well. The idea behind this regulatory intervention is that the local public actor must take charge of the development of some urban infrastructures in order to coordinate their development according to an administrative logic, without considering economic dynamics or supervising trading practices by product (Giannini 1959). The

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<sup>55</sup> Law 17<sup>th</sup> May 1866, n° 2533

spatial dimension is regulated, including the possibility of managing WM under a public monopoly, obliging food wholesalers to exercise their profession only in public wholesale markets. The introduction of the municipal monopoly measure on the development and management of these infrastructures took up the national policy paradigm that, at the beginning of the century, had supported economic development through the establishment of a few companies protected by monopoly or quasi-monopoly positions, in order to ensure their development (Shonefield 1965: 178). Although this is a measure similar to that of the French reference perimeter, the logic that legitimised it is different. The idea behind the spatial institutionalization of wholesale markets was to govern the organization of urban space, while in the French case the driving idea was to have a tool for modernising the national economy.

Following the administrative logic, municipalities built separate infrastructures for each product that could be managed by compartmentalized bureaucratic units. Following the 1903 Law, Milan built a Public Slaughterhouse, a Livestock market equipped with a railway terminal, meat and the poultry WMs, all of which were located in the South-East periphery of the city, with the fruit and vegetable one located closer to the city centre along the same road axis. The fragmented administrative management was also pursued for the meat-related infrastructure despite their spatial proximity, and caused difficulty in coordinating policy measures regarding food wholesaling in time. Another contribution of this legislation was to promote the idea that wholesaling should be organized not as an integrated supply function for retailers but as an autonomous economic activity to be organized in the urban space. It has also firmly established the idea that this organisation should take place at local level without the need for national planning intervention. Due to this predominant local approach, in 2011, we could count 216 infrastructures considering all the WMs, although in some cases their size definitely appeared small and only a low number of wholesalers were housed in them. This striking dispersion over the territory of WMs is still one of the heritages of the concept of local public service of one century ago.

During the two decades of Fascism (1922 – 1943), the role of the local public actor was reinforced, by integrating the professional organizations representing the variety of professional categories operating in WMs with a corporatist approach. The very first, legal distinction between wholesale and retail activities was made in 1938 for fruits and

vegetable<sup>56</sup> and seafood<sup>57</sup> infrastructures. They were considered as policy tools to link the urban retail sector with the produce from the countryside, functioning as entry gates for the local consumption market, rather than as devices to regulate the organization of the supply process according to a distributive rationality as was the case for the MIN policy. The new regulation of WMs introduced a different organizational setting, foreseeing the *commissione mercato* (market commission). The operating idea behind this reform was to co-opt wholesaler interest groups in the management of these urban infrastructures, involving them in management practices, and facilitating a process of institutionalization of these infrastructures as exclusively dedicated to food wholesaling. The corporatist logic superimposed over the administrative and bureaucratic one, in coherence with same logic regulating retail sector at that time (Morris 1999).

WMs were thus transformed into a closed organization where particular interests could be integrated. Using the term “closed organization”, I do not refer to a physical separation of these public markets from the rest of the city. Rather I want to stress once more the corporatist approach followed in their management: strong entry barriers for wholesaling and related professions were established, and operational guidelines were set up to defend the particular interest of incumbents, with a functioning logic far from market competition (Amorosino 2011). This closed organization has favoured in time political nepotism between the wholesale market’s economic operators and the local political system. This aspect was important in determining the political integration processes of these interests in building up local political consensus, and in determining the form and importance of a veto player structure. In this framework, the public monopoly measure introduced with the 1903 law qualified even more the local status of these infrastructures, classifying them among the basic urban services to be implemented in order to guarantee the development of an urban society.

The wholesale food markets will see a third phase of attention from policy makers at the end of the 1950s. In 1959, one year after the approval of the infrastructure policy for the construction of Milan’s *Ortomercato*, a new national law regulating food wholesaling was passed (Law n°125/1959), producing the biggest change in its regulation until the present. The law was crucial for policy setting in Milan, since it regulated both wholesale trading and the development of wholesale market infrastructures. Food wholesaling was

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<sup>56</sup> Law 11 April 1938, n° 611

<sup>57</sup> Law 11 July 1938, n° 1487



liberalized suppressing the need for a previous administrative authorization, introduced during Fascism, repealing the municipal monopoly imposed on wholesalers that obliged them to locate their trading activities in WMs after 1903. During Fascism, the corporatist approach and the consequent institutionalization as a closed organization was instrumental to pursuing price formation through market competition mechanisms thanks to the spatial concentration of economic actors in them. In addition to economic geography, the power of initiative for the construction of wholesale markets is also liberalised. Since 1959, private actors, through their business organizations, have also been entitled to build and operate new WMs. Considering the impacts on the infrastructure development of wholesale markets, the reform confirmed the role of these infrastructures as important economic institutions, but limited their relevance, weakening the principle of unity of time and space that, for instance, in the same year, was at the core of MINs French policy design.

This intervention calls into question the idea of WM as instruments of organization of urban economic geography, instead promoting the idea that they can function as instruments of regulation of price dynamics. The causal principle mobilised by the Christian Democrats is similar to the one that prevailed in the debate on the regulation of Les Halles at the end of the 19th century: the regulated market would function as a reference for economic transactions and its effectiveness in terms of economic competition would be strengthened by competition between operators in the regulated market in the infrastructure and external operators.

Alongside liberalizing wholesaling, the corporatist approach of the policy setting was confirmed. Deputies of the *Partito Socialista Italiano - PSI* (Italian Socialist Party) criticized this corporatist approach during the debate in the parliamentary commission before its approval<sup>58</sup>. The argument concerned the risk of having the management of wholesale markets prone to serve the interest groups stakes admitted within the market commission, instead of focusing the effort on the dynamic of price control so to protect the purchasing power of consumers. Socialists demanded tighter control of the market commission by the municipality giving the mayor (or a delegate) its presidency of instead of giving it to the president (or a delegate) of the Chamber of Commerce. The

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<sup>58</sup> Bollettino Commissioni – Commissione permanente XII (Industry and Commerce) – session held in 11<sup>th</sup> March 1959

municipality, the Socialists argued, represents the interests of the entire local constituency and not just some particular, organized economic interests. On the other hand, Christian Democrats considered the support of a presidency assigned to the Chamber of Commerce as a viable solution against possible corporatist drifts. Both sides of the political spectrum did take into full consideration the effects of the interaction between a corporatist heritage such as the market commission, the local regulation of infrastructures via the operating company, and the Italian institutional configuration, which saw a strong interpenetration between political parties, interest groups, and the different levels of the administration.

To contextualize social conflicts, political debates, and policy measures implemented (and not implemented) that took place in the Milanese food distribution circuit of fresh produce, I need to discuss some structural economic features. As I have already seen in the French case, the structure of this sector of the economy assigns to the various actors operating along the food chain a certain income position that translates into the potential capacity to control the value created during the transactions necessary to take agricultural products from the places of production to the places of consumption. The way in which this potential capacity is translated into actual capacity to control the value chain depends on the institutional configuration that guides economic regulation. In the French case, the interaction between the structure and the institutions generated, on the one hand, economic distortions in supply practices and, on the other, difficulties in reforming the balance of power between economic actors. With the transition to the Fifth Republic and the establishment of a different institutional setting, it was then possible to implement the infrastructure policy of the MIN in the Parisian context, which triggered a redefinition of the role of individual economic actors (producers, wholesalers, retailers).

Between the 1960s and the 1970s, Italian agri-food supply chain had features that affected its organization with relevant consequences on the value chain. The inflation rate was a peculiarity in the Italian economy especially during the 1970s, and affected all sectors of mass consumption. The price dynamics of fresh produce, and namely of fruit and vegetables, followed an even more worrisome trend. Thus, one of the main policy issues since the second half of the 1960s was to regulate the value chain impacts on the local consumption market. However, the economic policy measures introduced at national level, at least as far as food distribution is concerned, did not focus on restructuring (modernising) the sector but only on implementing measures, which were, *inter alia*, ineffective, for the administrative regulation of consumption prices. Food price regulation

was in Milan, and in other big cities, a specific policy sector that mobilized local administrations to provide a certain amount of food to the local consumption market at controlled prices in order to affect the demand/offer dynamic. Similarly to other food policies, these maintained the corporatist normative approach of the fascist regime and were eventually managed to regulate local interest groups to integrate them politically in the production of political consensus.

In those years, the Italian agricultural sector was more fragmented than in France, which meant that producers lacked organizational skills to improve their economic position in the distribution system, due to the presence of small companies (Tab. 2.1).

**Tab. 2.1 The business structure of agricultural production according to the cultivated land surface**

	1970		1979	1982
	France <sup>1</sup>	Italy <sup>2</sup>	France <sup>1</sup>	Italy <sup>2</sup>
0 - 5 he	<b>31%</b>	<b>75%</b>	<b>28%</b>	<b>75%</b>
5 - 20 he	38%	20%	32%	19%
20 - 50 he	<b>24%</b>	<b>3%</b>	<b>28%</b>	<b>2%</b>
50 - 100 he	5%	0,8%	<b>9%</b>	2%
> 100 he	2%	0.6%	3%	1%

**Source:** <sup>1</sup> SCEES, recensements agriculture in Desriers 2007; <sup>2</sup> Istat, agriculture census

At the national level, there was a lack of effective incentives for setting up associations of producers that could improve their bargaining power with buyers or build up economies of scale allowing the development of added-value activities, contrasting thus with the French approach to agricultural policy which entailed efforts of the CGP to promote incentives for business concentration. Furthermore, after the establishment of regional governments in 1970, there were non-coordinated interventions on the regional scale to support producers in finding direct channels to consumption markets, contributing to hampering a national modernization policy. Considering distribution facilities in 1960s and 1970s, the main infrastructures that supported wholesaling activity, and therefore distribution processes, were public wholesale markets, with scarce development of private infrastructures. Wholesale markets were scattered throughout the national territory. They were numerous since their original purpose was to serve mainly local consumption

markets, and they did not support the rationalization of the supply chain organization on the national scale. On the contrary, they participated in increasing inefficiencies. There was no clear distinction between production, intermediate and terminal wholesale markets, and the freight flows followed more the immediate search for profit by the numerous intermediaries, than the actual demand of local consumption markets. This made the supply chain to the areas of consumption not linear and characterized by numerous intermediaries. Finally, another element affecting the supply chain was the presence of criminal networks, especially in production areas in Southern Italy. Criminal activities in this economic sector aimed for the control of the territories of production, and for the regulation of the first commercialization steps in order to make profits by the control of shipment flows towards consumption markets. These features of the supply chain organization had different consequences that affected both the national and the local distribution systems:

- a high number of intermediaries men, and the irrational shape of freight flows that could trigger the over-abundance of certain products and the lack of others on the local scale,
- a high number of transit points between the producers and the final consumers, produced price increases
- the limited added value to products in terms of selection, packaging, standardization, labelling, and the related difficulties in international competition both on the export and on the import side, produced lack of transparency in economic transactions.

How did the institutional setting interact with economic structural elements? In this structural context, fruit and vegetable wholesale markets are urban infrastructures that used to answer the local needs of wholesale regulation according to urban, social, hygienic and, only as a last stance, economic criteria. The abolition of the public monopoly on wholesaling in 1959 contributed to the reduction of the effectiveness of policy measures that local authorities could implement to regulate the price: if the wholesale market was no longer the only place where wholesaling could be practised, then all the purposes for the spatial concentration of economic actors to foster competition dynamics is deeply undermined. First, the presence of numerous intermediaries, and the low capacity of producers to directly organize the shipment for retailers, gave wholesalers the pivotal role

in the supply chain, with the greatest control on the value chain, thanks to their bottle-neck position. Second, the interaction between the liberalization of wholesaling, and the supply chain organization, left wholesalers a lot of space to manage the mark-up in the price formation dynamic. Third, the abolition of wholesale markets' public monopoly gave corporate actors a further bargaining resource towards local administration: they could threaten a massive exit from the infrastructure in order to obtain more favourable conditions to stay. A word should also be said for wholesalers' interest groups. The business community had not, and still does not have today, a strong national representation in a business organization. Rather, it is organized consistently with the supply chain organization, forming a variety of local organizations, often issuing and representing interests of wholesalers active in each wholesale market. One of the impacts of this configuration had been the lack of a drive for innovation and gain of productivity in the sake of increasing the competitiveness of the national system, but rather working for the protection and the promotion of rent positions in each local context so as to protect and guarantee their profits with the least individual effort possible.

These structural elements of the market have provided the conditions for wholesalers to act as pressure groups on the management of the new fruit and vegetable market. This component strengthened the negotiating power of this local interest group, which used the interpenetration of infrastructure management and the party system to achieve market management that was more favourable to its own interests. If I compare this outcome with the one observed in the case of the MIN Paris Rungis, I can observe how fairly similar economic structures (fragmentation and distortions within the supply chain) generated two different outcomes in the local government of the infrastructures. In the case of Paris, the foundations were laid for a process of institutionalisation, while in the case of Milan, all the premises were in place for the multiplication of veto points in favour of professional groups.

### ***2.3 The first national infrastructural policy for wholesale markets: new ideas but the same old practices.***

It was only in the 1980s that the economic policy approach concerning the economic structure of the supply chain was redefined. As I mentioned above, from the post-war period onwards, the lack of an overall desire to modernize and rationalize this sector was consistent with the objective, shared transversally by political actors and interest groups, of promoting for trade the function of absorbing unemployment. It was not until the 1980s that the need to introduce elements of rationalization and modernization of domestic trade entered the national political agenda. The decision was to intervene in the wholesale phase, which still maintained a bottle-neck position. To cope with this issue, a national policy framework was designed with Law 41/1986, the so-called “*Piano Mercati*”. The law opened a channel for funding of about 100 billion lira (120.5 million euros in 2017<sup>59</sup>), to finance projects for the construction or modernisation of infrastructures for the wholesale food and non-food trade. The goal of the *Piano Mercati* was to reduce the gap between the Italian distribution system and other important European countries in terms of national coordination (Papani 1993, Giacinti 1999).

Concerning WMs, the objective was to reform the wholesale market spatial organization within the city: they were often fragmented by product category, having in the same city *one* market for meat, *one* for seafood, *one* for fruit and vegetables, and managed by different administrative offices of local bureaucracies without coordination. The plan upheld the intention to design a new type of infrastructure, inspired by the features of French MINs as the backbone for the national wholesale market network labelled as “*mercato agroalimentare all’ingrosso*” (wholesale agri-food markets). The *Piano Mercati* entailed a system of incentives for sub-national government levels and entrepreneurial interest groups to reform the management, the structural assets and the services provided. Public subsidies were designed to target the operating company of wholesale markets with some competitive advantages within the highly fragmented Italian context, in order to promote a network similar to the French one, with a backbone of national leverage infrastructures. These infrastructures were framed as crucial not only as local gateways, but as logistics platforms to organize the perishable food distribution

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<sup>59</sup> Calculated with the historical translation of purchasing power according to Istat coefficients. Refer to: <http://rivaluta.istat.it/Rivaluta/>

system in Italy and on an international scale. The main criteria that oriented the decision of the Ministry of Trade were: the amount of goods handled in each applicant infrastructure, their role in the distribution system, their links with local producers, the levels of import and export flows. The guidelines adopted for access to the public funding concerned the organizational form of the operating companies of the wholesale markets, and the development of modern structural assets. Each local infrastructural project was presented to the Ministry of Trade, which was to implement this national policy. New operating companies would have a shareholding structure including the Region or the Municipality, the Chamber of Commerce if there is the request from its side, and wholesalers or business associations representing them.

The Plan was approved with a Ministerial Decree on 21<sup>st</sup> December 1990. Five years after its approval by the national government, none of the funds made available for WMs have been spent. This was not the case for the projects concerning wholesale trade centres for non-food goods, which were already operating. One of the main issues that contributed to slowing down the implementation was the institutional resistance by regional governments called into the management of such infrastructures and the difficulties in reorganizing the governance of these infrastructures after decades of corporatism. Despite the formal approach, the prevalent driving logic of this policy was to distribute resources to any organization that was able to present a project following the given criteria, privileging a capacity for local collective action more than a comprehensive integrated project on a national scale. The first wholesale market to open was in Bologna, at the end of the 1990s, while the last infrastructure funded by this policy gradually opened between 2011 and 2013 in Catania. Wholesale markets of national interest received less than half of the total amount of resources, while 52% of resources was eventually distributed to minor infrastructures contradicting the stated goal of promoting an integrated national network (Tab 2.2). On one hand, the intention was to promote the efficiency of the biggest market, on the other hand to use this policy window to distribute economic resources to support coalitions of local interests alongside efficiency goals, and following the guidelines of party politics. Eight WMs were designated of national interest, twelve of regional interest, and eighteen of provincial interest.

**Tab. 2.2 Final ranking for the *Piano Mercati* in 1990**

<i>WM city</i>	<i>Score</i>	<i>Financial support admitted Liras x 1000</i>
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**Markets of National interest in Northern and Central Italy**

<b>Milan</b>	<b>78</b>	<b>177.456.000</b>
Bologna	70	198.752.824
Rome	48	199.721.400
Turin	48	178.100.046
Verona	46	162.232.673

**Markets of National interest in Southern Italy**

Fondi	67	37.954.650
Catania	48	165.075.627
Naples	48	141.723.809

**Markets of Regional interest in Northern and Central Italy**

Padua	37	33.087.344
Rimini	30	56.989.967
Pordenone	27	25.536.651
Brescia	25	36.460.100

**Markets of Regional interest in Southern Italy**

S. Benedetto del Tronto	31	39.931.558
Palermo	31	65.540.852
Bari	29	65.679.969
Cosenza	29	3.783.576
Catanzaro	28	49.627.801
Messina	28	54.353.874
Fasano	23	30.991.632
Pescara	28	52.878.157

**Markets of Provincial interest in Northern and Central Italy**

Belluno	24	14.286.540
Parma	22	39.744.171
Arezzo	21	13.085.091
Crema	21	19.191.257
Viterbo	21	32.670.636
Macerata	19	22.897.875
Cuneo	18	58.859.930
Modena	18	15.039.547
Vignola	18	6.444.852
Sermide	15	24.559.205



**Markets of Provincial interest in Southern Italy**

Reggio Calabria	24	69.636.968
Fasano	23	31.971.646
Piano di Sorrento	22	6.658.311
Latina	20	31.461.334
Salerno	18	40.585.221
Benevento	15	9.899.178
Nuoro	15	11.087.720
Oristano	14	9.413.848
Total		2.233.371.840
<i>Total for Markets of National Interest</i>		1.068.337.005
%		48%

**Source:** Ministry of Industry, 1990

The attempts at homogenizing and coordinating the *Piano Mercati* have been undermined by some interacting factors. One factor was the absence of a national administrative office to overview and to steer the implementation of the plan at the local level, and to work for a more homogenous regional legislation. The operation of wholesale markets remained in the hands of local authorities with almost no or only marginal involvement of regional governments, weakening in this way the objective of promoting a regional integration among national, regional, and provincial wholesale markets. The scheduled Regional Plan for wholesale markets development, that was presented as a crucial innovation by law 41/1986 was not implemented in any region with the exception of Tuscany, which did so before the national infrastructural policy. All these factors led to the development of infrastructures with major differences between them in terms of structural assets and services provided to wholesalers and buyers (Massi 2012).

Although the policy design was intended to recompose the high fragmentation of the infrastructure network, the institutional configuration in which the policy implementation was rooted reproduced its characteristics in the outcome of the only national policy ever approved. The local regulation of this economic sector opened up the possibility of allocating most of the resources to smaller wholesale markets. This possibility was then abundantly exploited thanks to two elements: the influential role of local interest groups, and the influence of the party system on policy choices, especially when they concern the allocation of resources from the central to the local level. Institutional fragmentation, the stratification of regulatory approaches in the wholesale sector, therefore, made it easy to

distort policy in favour of a distribution of resources guided by the configuration of local actors and their ability to attract resources from the centre to the periphery through channels of vertical integration in political parties.

## ***2.4 Milan wholesale markets: tools for urban spatial reorganization***

In the city of Milan in between the 19<sup>th</sup> and the 20<sup>th</sup> century, the local government governs the construction of various infrastructure to regulate the wholesale trade of perishable food. Unlike in the case of Paris, the choice of policy makers is to build different infrastructures dispersed in the urban context for each individual commodity branch. Over the years have been built: a public slaughterhouse, a meat and a livestock market, a poultry market, a fish market, and a fruits and vegetable market. In the following paragraphs, I present a short account of the steps in the development of each wholesale market, from the first establishment of each physical infrastructure, up to the turning point of the relocation of fruit and vegetable market to its present site.

### **2.4.1 The meat wholesale market and the public slaughterhouse**

Milan's first public slaughterhouse opened in February 1863. The decision to build it followed the hygienic concerns of urban dwellers living close to butchers' shops that until then could slaughter animals on their own according to a minimal regulation issued by the municipality in 1828. A municipal engineer planned the infrastructure, which was then built by a private company: the *Società Anonima del Pubblico Macello*. The municipal executive body decided to delegate the operation of the infrastructure to this company for 41 years, in exchange for its taking charge of the whole construction process. In 1888, the mayor proposed to take over the infrastructure exerting this right included in the agreement with the private company. Different arguments were used to justify this economic service coming under direct public control. The main one was the prevailing public interest of controlling the compliance with hygienic prescriptions, to preserve public health, and to enforce the safety regulations for workers employed in slaughtering. It is worth highlighting here that the mayor had, among other competences, and still has, the role of

public health inspector, whose responsibility is to assure public health for the local community, and he has the power to take direct actions in order to accomplish it. Therefore, this extension of the municipal role in the local economy can be seen as linked with the institutionalization of the mayor's role in local society after national unification in 1861.

In 1882, the municipality took the decision to build a complementary infrastructure: the livestock market. The policy setting is similar to that of the Slaughterhouse: a private company, the *Società Anonima Mercato del Bestiame*, assumed the responsibility for the construction of the site. In exchange, it obtained the operation of the infrastructure for 21 years. In 1905, after the law on local utility services of 1903, the municipality took over the control of the meat wholesale market. Both infrastructures reached the limit of their operational capacity at the beginning of the 20<sup>th</sup> century (slaughtered animals increased from 170,595 in 1904 to 240.352 in 1913 (D'Amia 2015), and bigger infrastructures were needed to supply a growing local economy.

The city started to plan the relocation of these functions into a new spatially integrated infrastructure: the present-day site of the Public Slaughterhouse and Meat wholesale market in the South-East periphery of the city, where they are still located today (Fig. 2.1). The Municipality of Milan commissioned its own technical office, directed by the engineer Giovanni Masera, to design a new slaughterhouse, which was included in the extraordinary public works programme for the four-year period 1906-1910, eligible for the financing of 70 million granted by the public financial institution *Cassa Depositi e Prestiti* (D'Amia 2015). The construction of this urban infrastructure was part of the so-called Pavia-Masera Master Urban Plan, a document prepared in 1909 by two municipal engineers, Angelo Pavia and Giovanni Masera himself, and approved in 1910. Its goal was to organize the urban development of the city with particular attention to the location of important urban services and infrastructures.

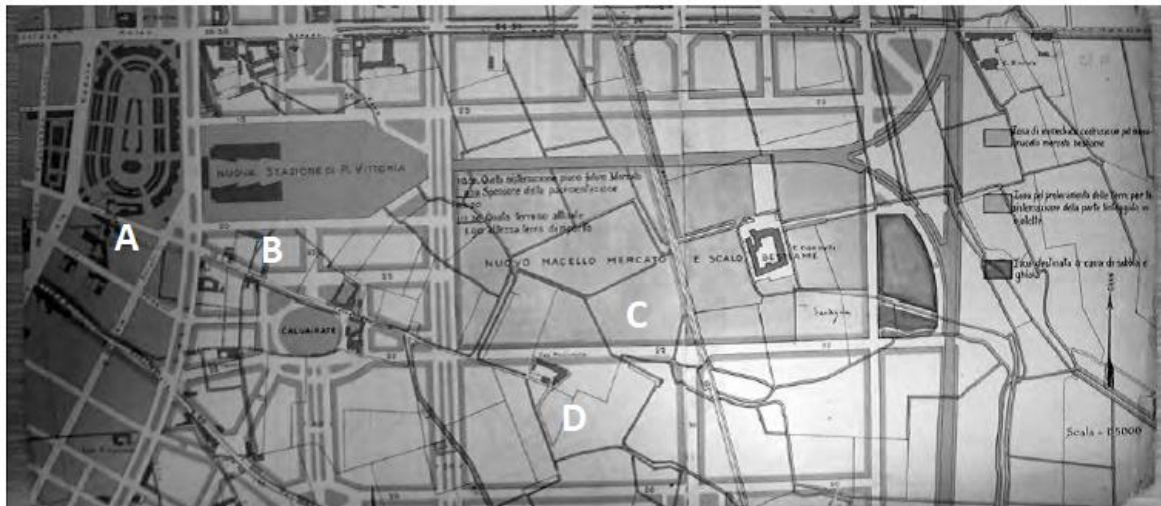
The first question to be addressed was the choice of the area where the slaughterhouse, the livestock market meat market were to be located. These urban services required large surface areas, great accessibility from the inner city and the possibility of a railway connection. Three possible locations were discussed. The first one concerned the possibility of building the infrastructure in the area where *Città Studi*<sup>60</sup> was eventually

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<sup>60</sup> *Città Studi* is a district of Milan that developed after the construction of the Milan Polytechnic started in 1915.

built: the location was discarded for the lack of direct connection with the railways. The other two hypotheses both focused on the available land around the Porta Vittoria freight terminal, in the Southeast periphery of the city.

**Fig. 2.1 Detail from Pavia-Masera Urban Plan with the insertion of the new meat wholesale infrastructures, 1914.**



- A: first wholesale fruit and vegetable market 1911 – 1965
- B: Porta Vittoria railway freight terminal 1911 – 1991
- C: area identified for the construction of the new Public slaughterhouse and the wholesale meat market by the Pavia-Masera urban plan 1930 – 2013
- D: area for the inauguration of the new wholesale poultry market 1925 – 2017

**Source:** Cittadella degli Archivi di Milano, in D’Amia (2015), graphic elaboration by the Author

In the final project, the livestock market and its railway terminal were integrated into the same site with the animals arriving via a direct railway branch. Construction works started in 1914, but after two years, they were interrupted due to the lack of supplies of material during the First World War. In 1924, the city council delegated to the mayor the power of directly managing the concessions of the last project bids in order to make the implementation of the policy more effective. In 1930, the new wholesale meat market and Public Slaughterhouse were finally opened. Important changes in the economic activity of butchers occurred. In order to gain in productivity and to reduce unitary costs in the slaughtering process, the activity went under the control of a consortium taking over these activities from the individual butchers. The organization of the activity was the result of a compromise with the butchers that were willing to maintain the direct control and supervision of the process. This compromise was not yet the result of the corporatist approach, which dominated during the fascist regime, but rather the outcome of liberal

ideas to give autonomy to economic actors. As I have highlighted, the goal was to organize urban space and not to regulate relations between interest groups or economic transactions.

During the 1950s, after the partial reconstruction of areas damaged by bombings, the site was concerned by different policy measures to modernize it and to gain in economic efficiency, productivity and hygienic standards. Around 1.5 billion lira were invested for its structural reorganization (22.8 million € in 2017). From 1961 to 1967, the number of slaughtered animals had decreased from 119.056 to 58.112 per year, which corresponded to 150 animals per day against a daily capacity of 4.000. Its productivity continued to drop until 2007 when eventually it was closed after decades of policies concerning the site never being implemented.

When the site was planned and built, the figure of meat wholesalers was rather marginal while the supply chain was characterized by the dominance of living animals that were killed close to the consumption market and then processed in many cases directly by butcher-shopkeepers. The structural changes of the supply chain depicted above were correctly anticipated by the local administration in the 1950s, when among the most important structural reforms, more space was given to the meat wholesalers while the livestock terminal was reduced. As for the wholesale fruit and vegetable market, these infrastructures were not only considered as urban services for economic actors, as they were part of the local distribution system. Their existence and their management had also been part of a parallel policy stream aimed at assuring affordable food for less affluent households. This framework was particularly present on the local political agenda during the 1970s. In the case of the wholesale meat market, it was translated into the organization of a ‘second-choice meat market’ in the infrastructure that could sell less popular cuts of the animals to private households at a wholesale price, while usually wholesale markets were exclusively for business-to-business transactions. During the 1980s, with the introduction of the offer of meat in mass grocery distribution retailers, this policy was abandoned. The construction of these infrastructures represents a good example of public policies that were discussed, designed, and implemented by the urban government, to show the entrenched political will of regulating the development of a publicly regulated local distribution system.

## 2.4.2 The wholesale poultry market

Following similar policy development, the wholesale poultry market, was also relocated in the south to the new meat sector. In 1870, the private company *Società Anonima Pollivendoli*, owned and operated this economic institution, which had been opened in Via Bligny, near the present location of the Bocconi University.

Two orders of reasons were behind the decision of relocation. The city's public health department certified the poor hygienic standards due both to structural problems and the volume of trade that was in excess of the infrastructure's capacity. The second reason was pressure from the local administration for the spatial reorganization of urban functions in the area in order to allow the further development of the residential function. The *Società anonima Pollivendoli*, bought a plot of land of 65.000 m<sup>2</sup> close to the already existing wholesale meat market, and inaugurated the new wholesale poultry market in 1925. At the time, that urban section had the appearance of a marginal urban area, outside Milan's urban fabric (see Fig. 2.1 above) and at the same time, it was well connected with transport infrastructures. Indeed, as we have seen for the case of the wholesale meat market, the presence of *Porta Vittoria* freight terminal was an important pull factor for the concentration of supply activities in the Southeast periphery.

Following the same policy approach I saw applied to the wholesale meat market; in July 1942, the city council approved a resolution to take over the infrastructure, negotiated the economic compensation for the operating company, and imposed the monopoly of the infrastructure over the wholesale poultry trade. After the Second World War, in 1948, the poultry market hosted 200 economic actors and around one thousand shopkeepers, street vendors and exporters used the market to procure their supplies. During the 1950s, the industrialization of the poultry sector increased the national production rate and guaranteed a greater and constant offer for the national distribution system: the traded volumes doubled between 1951 and 1965/67. This economic change is also reflected in the different composition of the import/export market share of products traded in the infrastructure: in 1954, the value of foreign products was three times the national one, while as early as 1959 the foreign market share was halved. Before the industrialization of the Italian poultry sector, imported goods dominated the national consumption market with 80% of the national demand being satisfied by importers from the Netherlands. Throughout the 1950s

and the 1960s, the modernization process made it possible for some Italian regions<sup>61</sup> to cover up to 90% of the national demand, favouring the shift from railway supply chain organization to road haulage flows. The economic structural change was not accompanied by investment in its structural assets. Improvements concerned only marginal aspects of the infrastructure like the mechanization of poultry slaughtering processes in 1958, and the reorganization of cold-chain assets during the 1990s in order to comply with new regulatory standards. The functioning of the market underwent major reshaping in 1991 with the inauguration of the poultry Commodity exchange service that today is the core of around 50% of all virtual transactions occurring in the national economy<sup>62</sup>.

The stability of the structural and organizational assets of the wholesale market is at the core of the gradual exhaustion of its economic function for the organization of the poultry supply chain. The development of Mass Grocery Distributors during the 1980s produced a gradual but constant reduction of freight volumes traded in the infrastructure. Big retailers and increasing numbers of street vendors developed different procurement practices buying their supplies directly from production sites, bypassing the wholesale step: they were substituted by local catering businesses as main users of the infrastructure. From 200 economic actors of the market immediately after the Second World War, the number of wholesalers reduced to 19 in 2002 and 12 in 2017.

### **2.4.3 The wholesale fish market**

In Milan, a wholesale fish market did not start to operate until 1930 and at the beginning it was organized as a temporary location and with precarious structural assets close to Porta Garibaldi. The wholesale market was operated by a private company, the *Società Anonima Esercizio Mercati del Pesce di Milano*, which operated according to a concession signed with the municipality that, as for all the other wholesale markets of the time, opted for the public monopoly of wholesale fish trade.

In October 1931, the local administration decided to construct a wholesale market in a more adequate location. The main criteria was, as for the other wholesale markets, the proximity to railway infrastructures, since at the time, this transport mode could best

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<sup>61</sup> Namely, Veneto, Piedmont, Lombardy, Emilia-Romagna took the place of Netherlands, Poland and Romania

<sup>62</sup> Source: <https://www.sogemispa.it/c95-mercato-avicunicolo/il-mercato-avicunicolo/> . Last access on 05/12/2017

guarantee a direct and reliable connection with fishing areas. Two other driving criteria for the new location were accessibility for users and the urbanisation of the area. These were eventually the reasons behind the relocation decision. The location in Porta Garibaldi was already densely urbanized at the time and a new one had to be found in a less urbanized area where trading activities would not directly affect city dwellers.

Eventually a private company bought the land in a suitable location, submitted the project proposal in 1933 to the administration and finalized the construction of the new infrastructure in 1934. In January 1935 the new infrastructure was inaugurated in Via Sammartini 71, on the west side of the railway's tracks arriving at the new train station of the city, *Stazione Centrale*, which had been inaugurated a few years earlier in 1931. Because of the improved accessibility for products from the sea, consumption of fish increased rapidly in the urban consumption market along with the freight flow traded by wholesalers, which increased from 1.7 tons in 1931 to 2.3 tons in 1934 (Fig. 2.2).

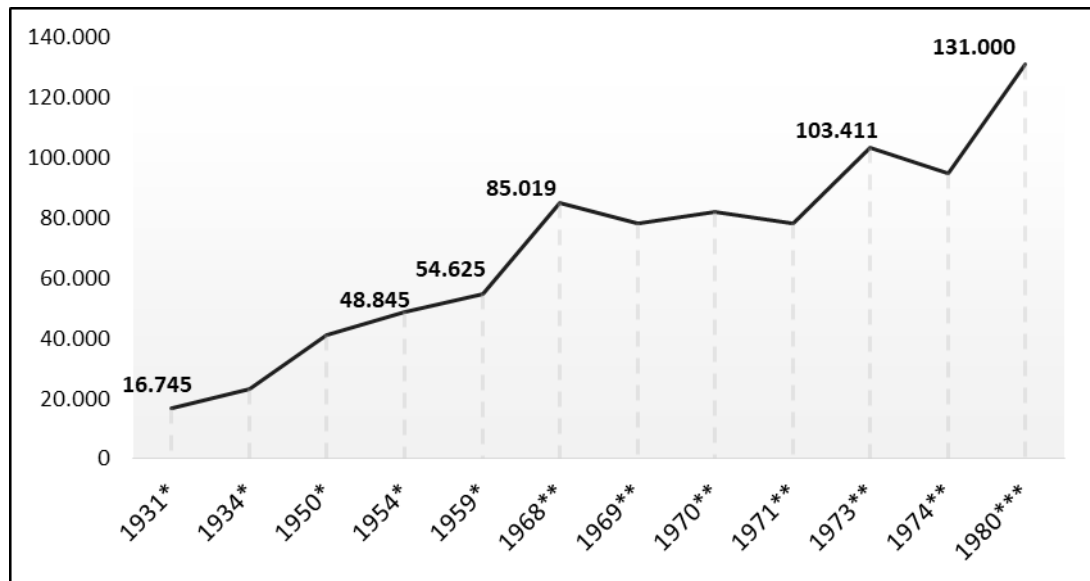
The lack of previous spatial settings where the wholesale fish trade was practised meant the lack of institutionalized practices, leaving local administrative offices entitled with the overview of economic transactions, more room for action in designing the tools to pursue the goal of price control. Two of them were important: the design of a descending price auction for all products entering the wholesale market, and the establishment of the so-called 'market cash-counter'. This was a service, still active today, usually operated by the Bank that overviews the liability of all economic transactions. This had at the time one important stabilizing effect for the market, and protected wholesalers from economic frauds perpetrated by retailers or other wholesalers. Considering the different wholesale markets in Milan, the fish market was the only one where this tool could be implemented, while in others, especially in the fruit and vegetable one, the innovation was, and still is, blocked by the veto of wholesalers. They prefer to maintain the degree of informality that has always characterised economic transactions rather than introduce systems of transparency.

Since the inauguration of the infrastructure, its trade volume never stopped increasing, at least until 1980 (Fig. 2.2). If the structural design of the market was adapted to the initial freight flow, at the beginning of the 1950s the need for refurbishment was evident to the local administration. In 1954, it was decided to enlarge the selling surface and to improve the cold-chain assets: this work started in 1955 and was finished in 1959. The structural improvements completed in 1959 had an impact on the attractiveness of the



wholesale market increasing by 55% the freight volume between 1959 and 1968. With this new peak, it was clear for the administration that the infrastructure needed either to be relocated or thoroughly refurbished (Aleni, Redaelli 2013).

**Fig. 2.2 Freight flow traded in Milan’s wholesale fish market between 1931 and 1980.**



**Sources:** \*Aleni, Redaelli (2013); \*\* Città di Milano, Rassegna Mensile del Comune e bollettino di statistica (1969 - 1975); \*\*\* Cescom survey estimate - in Irer (1993)

The decision taken in the 1970s was to include the function of the wholesale fish trade in the new infrastructure that began to be designed in that decade. As I shall see in Chapter 4, the construction of the Food City was an example of policy failure. Only during the second half of the 1980s did the urban government manage to start building the new fish market, which was finally inaugurated in 2000 in an area located east of the Public Slaughterhouse.

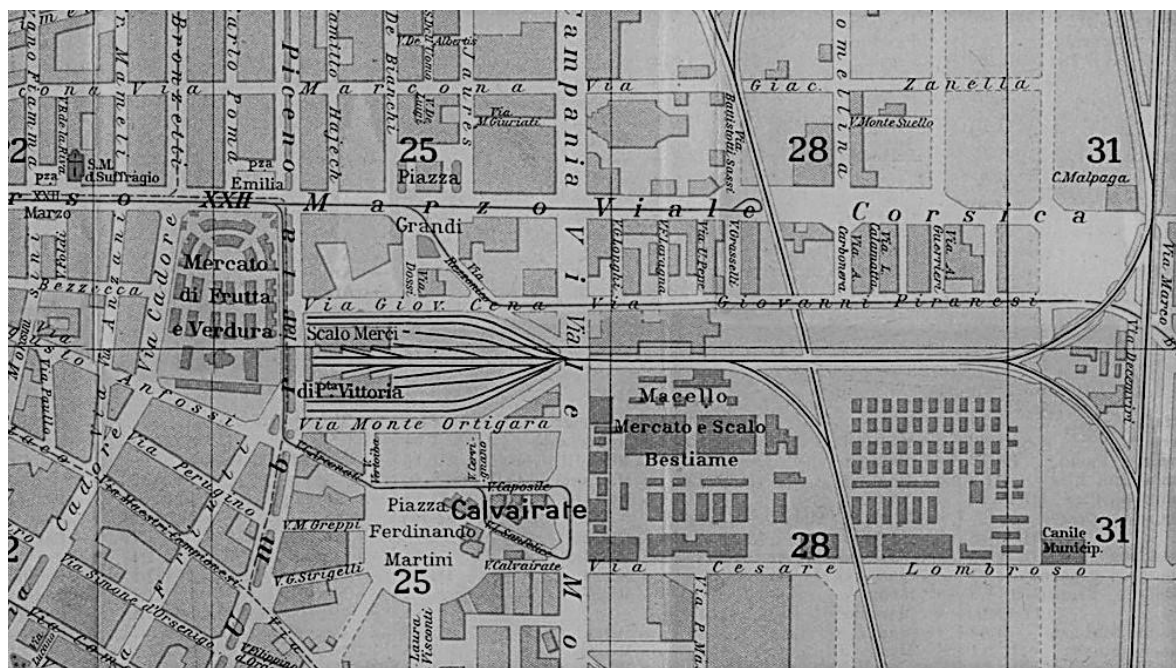
#### **2.4.4 The wholesale fruit and vegetable market**

Before 1911, the date of inauguration of the fruit and vegetable market structure in Corso XXII Marzo, close to the Porta Vittoria freight terminal, wholesale markets for this product category changed different locations but was never organized in a closed and regulated infrastructure. In 1908, the city council approved a resolution for the construction

of a new wholesale market operated directly by the municipality, following the policy approach supported by the Law 103. This infrastructure was designed with the purpose of regulating supply and trade of the fresh produce arriving in Milan from the surrounding countryside and from the South of Italy. To guarantee the supply of the infrastructure, the plan for the construction of the railway freight terminal was approved in the same year. Three types of economic actors were present in the market: wholesalers, producers from the neighbouring countryside and retailers.

Considering transport assets, a direct connection with the Porta Vittoria freight terminal was foreseen but never implemented. The products were therefore transported either by horse trucks from the freight terminal, or by electric carriers provided by the municipality (Fig. 2.3).

**Fig. 2.3 Map of the food supply infrastructure in the Southeast periphery of Milan, 1930**



**Source:** Milano - TCI, Guida d'Italia, 1930, detail. Published by <http://www.miol.it/stagniweb/mappe.htm#mappemi>

As in the case of *Les Halles* in Paris, the infrastructure functioned as an autonomous wholesale hub, without being connected with other local consumption markets in Italy. The attention towards transport accessibility remained at the functional level, without being designed to integrate this distribution hub into a super-local distribution system. There

were no criteria concerning the size of wholesale companies. The wish to restructure the sector is neither explicit nor implicit in this infrastructural policy.

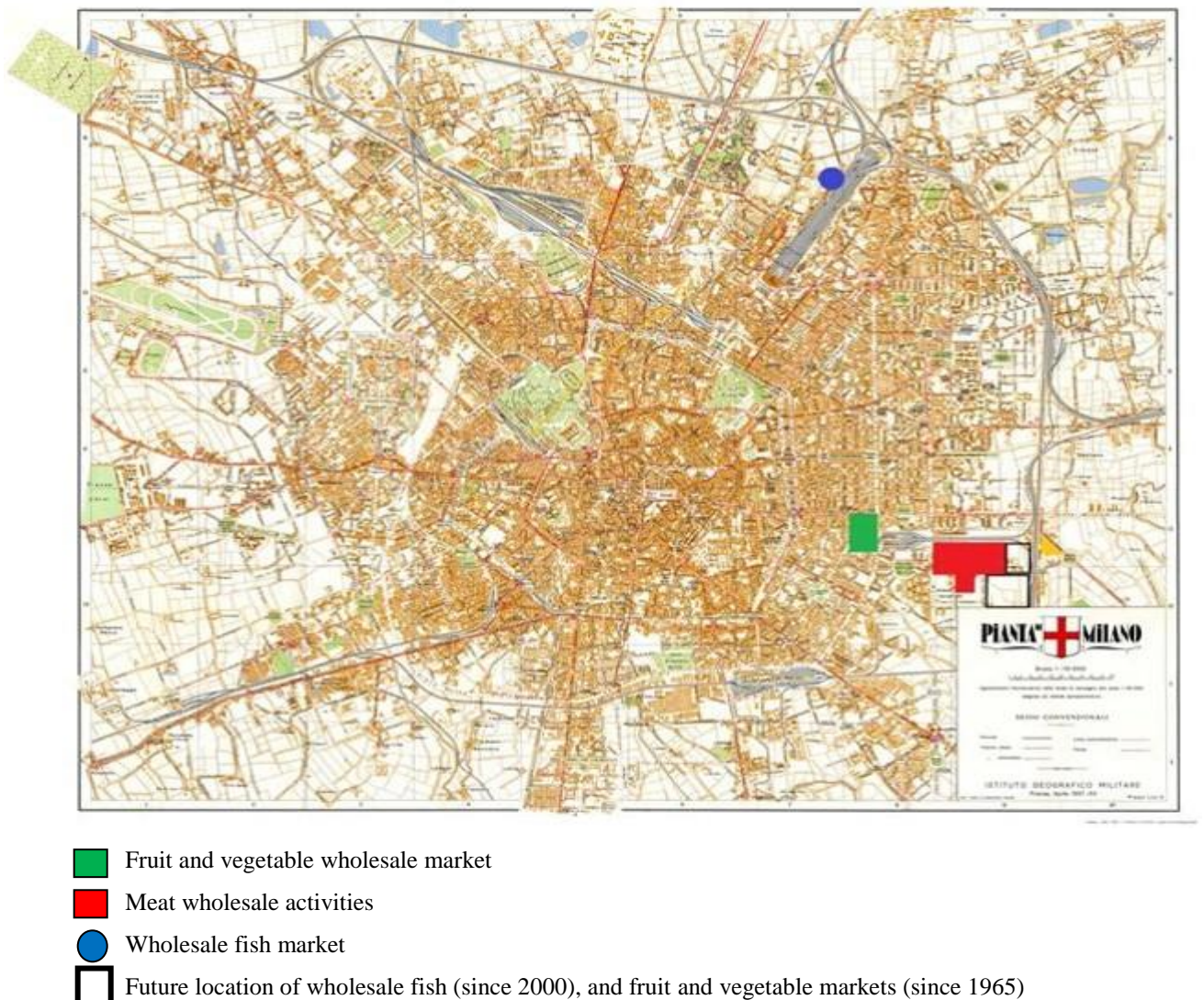
After the Second World War, to improve the transparency of price formation the local administration installed a panel that was updated every 30 minutes with the quantities brought into the market. To improve the freight flow management, a new organization for freight-handlers was designed. Indeed, all the loading and unloading operations were done manually, making the infrastructure operation highly labour-intensive. In the 1950s, 1500 haulers were formally employed, giving them an official status and social guarantees that were lacking in the former informal regulation of their role. The formal organization of haulers in a cooperative therefore gave them an official role in the functioning of the wholesale market. This role was institutionalized in time, reducing the possibilities of questioning such a labour intensive organization of what was to become the biggest food logistics infrastructure on a national scale between the 1970s and the 1980s. The constant presence of this organization named *Cooperativa Lavoratori Ortomercato - CLO*, and of other two cooperatives founded at the time of its relocation, shaped relations among actors establishing habits, practices, and favouring the sedimentation of informal practices aimed at adapting the haulage operations to the needs of individual wholesalers, even when these infringed internal regulations.

This brief historical account of the wholesale infrastructures operating in Milan offers us a confirmation of some of the aspects that I have highlighted regarding the regulatory framework that has guided the government of this function of the urban economy to date. The first infrastructures were built by private companies, and then delegated with the task of their management. When city's urban development and population growth highlighted the limits of the decision to rely only on economic market forces, the local government decided to intervene directly in the construction of the infrastructures, legitimized by the law of 1903. The construction of the first fruit and vegetable market at the same time as the railway terminal for its supply was therefore approved. This transport infrastructure was structural for all the decisions made during the liberal political regime: the wholesale meat, the poultry market, and the Public Slaughterhouse were built in the same area. The choice of location and the legitimacy of economic investment in these urban development programmes were not rooted in the policy area of trade regulation but in urban planning. The prevalence of the spatial framework and of urban organization fuelled the same normative principle that oriented the

construction of the first wholesale fish market near the Central Station: in that case again the main goal was to free a district destined for the residential function from an urban function with strong spatial externalities.

During the Fascist period, the corporate approach that produced the institutional fragmentation of the management of these infrastructures was consolidated and lasted until 1979 when, for the first time, a company was formed that took over the management of all the individual infrastructures. In the post-war period, from a spatial point of view, the geography of the wholesale infrastructures has been as follows (Fig. 2.4):

**Fig. 2.4 Spatial distribution of Milan's wholesale markets 1931 - 2000**



**Source:** [www.miol.it](http://www.miol.it) , graphic modification by the Author

## ***2.5 Governing the food policy in Milan: intertwined measures and the mobilization of interest groups***

In this paragraph, I analyse the genesis of the infrastructure policy that led to the construction of the new fruits and vegetable WM inaugurated in 1965. I focus on the debate that accompanied the policy formulation and the configuration of actors that manned the process of implementation of this new urban structure. Unlike the analytical entry point used to analyse the case of the MIN Paris-Rungis, for the Milanese context I focus almost exclusively on the wholesale fruit and vegetable market. As explained in the introduction, I intend to analyse the way in which the interests of the various actors involved was regulated, taking into account the changes in the economic structure and institutional configuration. An effective way to proceed with this analysis is to focus on the changes in the policy process. In these conjunctures, the effects of institutional and political factors are more easily visible. As far as structural factors are concerned, this choice is also effective. The decision to build a new infrastructure calls into question the established relations between the various players in the food supply chain, reconfiguring the resources of economic legitimacy available to the local interests that represent the various professional groups.

An important difference with respect to the French case concerns not only the configuration of the actors, but also the way in which they were mobilised in the policy process. I have already pointed out that in Milan the actors with the greatest weight in public action were local politicians, political parties and local interest groups. During the policy formulation, there was no clear mobilization of the actors. Divergences were present between the coalition government led by the DC and the largest opposition party (PSI), but they did not hinder the decision-making process. The mobilization of actors became constant when the new infrastructure start to operate. During the period 1965 – 1979, main protagonists were wholesalers and freight-handlers cooperatives active within the WM. In 1979, an important change in the policy setting occurred: the constitution of a new operating company that introduced the organizational unity Milan's WMs operation. The policy and political dynamics that led to this policy change and its consequences will be analysed in chapter 4, where I am going to consider the link between public policy and the urban governance processes from the 1980s until nowadays.

In order to understand the foundation of contentious dynamics that characterized the first years of infrastructure operation, I include in the analysis both the institutional configuration that produced the policy setting, and the interweaving between it and other food distribution policies concerning regulation of the retail trade, and public distribution of food products at a controlled price.

### **2.5.1 The local political context: reciprocal influences among parties and local institutions.**

The constituent elements of the local institutional configuration reflect the traits of the national one. Two relevant aspects need to be considered in order to understand the policy process from the formulation phase up to the whole policy management process of wholesale markets. The first aspect concerns the role of policy actors, including political actors, interest groups, local bureaucracy and professionals working for the public administration. In the case of Italian local governments, and Milan is no exception, public action from World War II onwards was strongly influenced by the role of political parties. These actors were able to occupy and bend to their own organizational agenda large sectors of public administration, influencing both the practices of national and local bureaucracy and the activity of professionals used by the state to draw up and implement public policies. In the local institutional configuration.

The second element to consider is the organization of urban government. Until the administrative reform in 1993, local political representation was produced through a proportional electoral law and the city council mandate lasted for 5 years. The executive body (*Giunta Comunale*) was not the direct expression of electors' preferences, and was composed by a variable number of deputy mayors each controlling a specific policy department. Afterwards election, parties used bargain using their representative weight in order to build up a political coalition to support the executive. Bargaining activities were usually focused first on the name of the mayor, then on the distribution of different policy departments among coalition party members. The institutional setting of local authorities and the prominent role of parties was fertile ground for the segmentation of local administration giving great influence to each deputy mayor (*assessore*), and eventually weakening the role of the mayor (Vicari, Molotch 1990). Each *Assessorato* controlled an administrative branch, often transforming it into a closed system of consent manufacturing

through partisan logic (Magnier 2004). The last step of the bargaining process took place within each party for the selection, among the elected city councillors, of city council (*Giunta comunale*) members. In-party competition was tough since membership guaranteed high visibility, and gave access to direct relationships with specific social sectors of the constituency providing opportunities to strengthen the personal support of local politicians, expressed through personal preferences during elections. The number of preferences was effectively associated with chances to be part of the *Giunta*, establishing a self-reinforcing mechanism of selection for the local political elite.

The Italian party configuration gave local political systems access to national regulatory, political, and economic resources through party organizational channels. This institutional feature made Milan embedded in one of the most integrated intergovernmental systems in Western Europe, together with France. Differently from France, and Paris, this integration worked, and still works even though to a lesser degree, through party channels. In this institutional context, parties not only controlled intergovernmental support but also dominated Milan's urban politics combining partisanship, ideology, and patronage to constitute a strong electoral base for local elites (Savitch, Kantor 2002). The role of parties in local government was so important that it placed local interest groups in a position of dependence for the allocation of organisational, economic and symbolic resources generated by policy processes. As is clearly shown by Vicari and Molotch (1990), even in the case of large-scale urban development programmes involving public funding and substantial private investment in Milan, the interest groups are in a position of waiting for the decision-making process controlled by the parties. The strategy of the local actors is therefore that of fuelling and giving legitimacy to the relations of clientelism with parties in order to be included in distributive choices of the urban government.

In the policy sector related to the regulation of food trade and distribution, I have observed a dynamic that deviates from this mode of government that characterized Milan until at least 1993. The corporatist legacy of the legislation relative to the government of the wholesale markets and of the discipline of the retail trade, associated with the institutionalisation of the role of the local interest groups of the tertiary sector (Union of Commerce), placed the traditional retailers and the food wholesalers in a more favourable bargaining position. From this position they were able to trigger off, when necessary, conflicting dynamics, regulation of the market favourable to the incumbents, flexibility in

the enforcement of the formal rules. Let us now see how the interaction between these elements has given shape to the local institutional context.

Between 1960 and 1992, I can observe the interweaving of features of stability and instability in the dynamics of urban politics. In these thirty years, two parties structured around themselves the organization of both urban government and the functioning of the relationship between the party system and social regulation. This was accompanied by the reproduction of the local political elite, accompanied, however, by instability in the political leadership of individual policy areas. The never-ending adjustment for balanced within and between party power was the main cause. Despite the usually short mandate of each *Assessore* at the head of a policy department, once a local politician reached a role in the executive body in his career, he tended to remain in it for many years, usually until the end of his political activity.

Taking into account the dynamics of the political career of councillors is therefore a way to understand the logic of the role of the parties for urban government and to highlight the channels of integration between the centre and the periphery managed by them. Here I take into consideration the relevant aspects that characterized the local leadership of the PSI, which was at the centre of the balances of urban government from 1967 to 1993. The local PSI section was characterized by being closely linked to national dynamics. This was thanks to Bettino Craxi who started his political career in Milan as *Assessore* (1960 - 1970), to reach from there the national arena as a deputy (1968 - 1994), and head of the government (1983 - 1987). He was party secretary between 1976 and 1993 and in Milan had the main source of his personal support and political legitimacy. More than in other local contexts, the decisions relative to urban politics were influenced by the political balances achieved with other parties at different levels of government (national and regional) due to the pivotal role at the local level and the influential one at national level. As far as the endogenous dynamics of a local political career are concerned, the position of mayor was usually the result of a period of experience in the executive, and later, thanks to the political capital accumulated in the party, it could follow an outlet in national politics. This was the case of the mayors Aldo Aniasi (1968 - 1976) and Carlo Tognoli (1977 - 1986). Besides mayors, members of the local executive bodies were characterised by holding different positions in local government during their career, remaining embedded in the local political system, confirming the persistence of a political localism, typical of Southern Europe (Page, Goldsmith 1987). If I look at the deputies elected in the



constituency of Milan during the period in which Craxi controlled the party, in time they became members of the party with strong local roots or personal proximity to him. The Milanese political system was therefore integrated with the national level not only because of the political- party configuration but also because of PSI within party dynamics.

Here I analyse how political careers undertaken by local politicians who held the position of *Assessore* for Food distribution and Trade or Participated Companies confirm this way of functioning for the local political system. The first policy department concerns the preparation of policies and the steering of public interventions associated with the regulation of food distribution. The second concerns the priorities for the development of urban services and for the management of the 168 organizations where the Municipality holds some equity and with the presence of board members appointed by the city council. The following two sets of charts represent the diachronic change of party and local politicians controlling these two policy departments, which were crucial for governing the new wholesale fruit and vegetable wholesale market. The instability of the leadership of the policy department was due either to renegotiation of governing coalition agreements linked to changed strategies of one party at the local or at the national level, or to within-party competition that followed dynamics independent of democratic arenas. Within-party competition was based on the prestige of different policy departments. Some may be important for the direct contact with a vast audience of voters, as for instance Food distribution and Public companies one, while others may be crucial for the amount of financial resources they allocate (as for instance the Assessor for Public Works or for Urban planning). Finally, others may be crucial for the distribution of resources to different local policy departments such as the *Assessore* for the Budget. Given this context, the advancement or not of local politicians in the party, could be translated into the move from one policy department to another.

The local political system was not only organized around and by the intertwining of urban administration resources and parties' priorities. At least two other bodies also played a formal or informal role in the social and political regulation of food distribution: the Chamber of Commerce and the Union of Commerce. In Italy, Chambers of Commerce are associations that pursue the interests of the local business community, both in the commercial and industrial sectors, representing them before the public authorities. They are public-law organizations and, at least until their reform in 1993, they were regulated and supervised by the state, playing the potential role of representing local economic

interests before the public authority they are supervised by. The presidents of these local institutions were appointed directly by the Ministry of Trade and Industry, after the non-binding proposition of a list of three candidates made by the local business community. Being a political nominee, despite its administrative role, the choice of Chamber of Commerce presidents was influenced by party politics. According to their legal powers, they were the main coordinating actors who could boost endogenous local growth. Membership of these organizations was and still is compulsory. This type of membership hardly leaves employers the possibility of exerting pressure on the Chamber policy, using departure as a possible strategy of action. Saying it in Waters' words: *their relationship with local firms tends to be of regulation rather than representation* (Waters 1998: 20). If I consider retail and wholesale, it was not an institution prompted to support economic innovation, to channel or simply to give voice to the claims of interest groups. For the infrastructural side, they focus their investment activities in projects meant to foster local development with a particular attention to transport infrastructure and wholesale markets. The Union of Commerce is the other local institution I have to consider to conclude the picture of the institutional context that shaped the regulation of the local food distribution system. It was, and still is, a catchall business organization that mainly represents medium and small businesses from different branches of the tertiary sector: 120 different categories are represented. It is based on voluntary membership and it provides training, legal and tax support, and, more importantly for us, it represents an influent voice of advocacy for the representation of members' interests before policy makers. More than for the case of the Chamber of Commerce, in the last 40 years, the Union of Commerce of Milan has been the starting point for achieving the control of the national Confederation of Commerce. During 1970-1995 and 2006-2017 periods, the president of the Union of Commerce of Milan was also president of the national confederation.

In the case of both the Chamber of Commerce and the Union of Commerce, observing the top positions, there is a frequent overlap between the presidency of the Milanese section and the presidency of the national coordination level. This translated into an increased capacity to control organisational resources, a channel for access to the national and local political systems and the ability to influence decision-making processes. This centre-periphery integration can be considered as an indicator for the importance of this local institution within the regulation processes of different interest groups

represented: street vendors, shopkeepers and wholesalers of each product category traded in the five wholesale markets operating in the local Milanese distribution system.

Eventually, the local institutional configuration for the food distribution policy sector included these interacting local institutions: the local administration and its two policy departments highlighted above, the Chamber of Commerce and the Union of Commerce – representing the professional organizations included in it. Rooted in the social space and structured by these institutions, there were organizations and actors interacting with each other. The organizations relevant for us are the aforementioned sectoral business organizations of wholesalers and retailers, political parties, the public companies established as policy devices to operate the wholesale fruit and vegetable market, freight-handlers cooperatives, and Trade Unions.

It is useful to highlight two consequences of the institutional environment that help understanding the conflicting dynamics that have occurred since the inauguration of the new infrastructure. If I look at the internal decision-making process in the local administration, the parties have control of it. It is the political organisations that influence the decisions taken by the elected politicians, who must therefore refer to the party's agenda, creating, on some occasions, tensions with the interest groups they intend to represent. For their part, the interest groups act as an influence both on the parties and on the local elected representatives in order to guide the decision-making processes. The interweaving of party interests, the search for consensus among local politicians and, the demands of interest groups, generates stability in the structure of the political system, which for many years saw the PSI in the government of the city, and instability in policy management because of the continuous adjustments necessary to recompose the frictions between different interests.

### **2.5.2 The impacts of the national law on local policy setting**

After the administrative elections of 1951, the elected council expressed the support for a centre-left government coalition formed by *Democrazia Cristiana* (DC), *Partito Socialista Unitario dei Lavoratori Italiani* (PSLI), *Partito Liberale Italiano* (PLI), and *Partito Repubblicano Italiano* (PRI), the same political configuration, even if with a different political equilibrium among each party emerging from the 1953 national election. Thus during the 1950s, both local and national governments were led by the conservative

liberals from the DC, the most influential party of both national (with 40.1% votes in 1953) and local (with 30.8% votes in 1951) governments in those years.

In 1954, the president of the *Cassa di Risparmio delle Province Lombarde* – CARIPLO (1952 – 1978), Giordano dell'Amore, offered the local government the loan for the construction of the new wholesale fruit and vegetable market. This local financial institution played an important role in the 1950s - 1960s for local economic development by financing and promoting the development of institutions and infrastructures to support the economic sector related to marketing and research in agriculture and animal farming. As mentioned above, the population of Milan increased rapidly after the war. The population dynamic brought with it an increase in the volumes of fruit and vegetables sold in the infrastructure built in 1911. The increase in the flow of goods and the increase in the number of retail and wholesale traders who procured goods in the structure of Corso XXII Marzo became incompatible with the prevailing residential function of the area. The argument that legitimized the decision to move the infrastructure was therefore consistent with the system of ideas supported by the law of 1903 that wanted the wholesale market as a tool for the spatial organization of the economic geography of trade.

The government coalition of Milan obtained on 27<sup>th</sup> July 1954 a council vote to have the mandate to negotiate a financial agreement with the bank. The manifestation of interest of dell'Amore found a fertile field in the local government. Indeed, the president of CARIPLO was a member of the DC at national level. The decision-making process concerning the relocation of the wholesale market took place at the local level and engaged only political parties and the CARIPLO bank. The political proximity between the leadership of this financial institution and the local government coalition, and the roles of its president with the local and national political elite<sup>63</sup> was the main ground for the establishment of the partnership with the municipality.

Two years after the resolution of the city council, in February 1956, a private company was established with the shareholding equally divided between the city of Milan and CARIPLO: the *Società per l'impianto e l'esercizio del Mercato Ortofrutticolo di Milano*” (Society for the facility building and operation of Milan’s Fruit and Vegetable

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<sup>63</sup> He held the rectorate of Bocconi University (1967 – 1973); he was appointed Ministry of Commerce within the DC national government head by Amintore Fanfani (19-1-1954 to 30-01-1954); he was elected senator within the DC in 1963, even if resigned almost immediately due to incompatibility with CARIPLO presidency

Milan), usually called *Ortomercato Spa*. The management of this company was made of six members, three appointed by the city and three by the bank, with a shareholding structure of 50% each of the partners. After two years, in April 1958, the general plan for the new infrastructure was presented to the city council and approved. The project planned the location for the new wholesale market on a plot of land close to the Meat Market and the Public Slaughterhouse, reinforcing the urban vocation of this area for food supply.

The policy goals were different from those defined in the national policy of the MINs and in its local implementation in Paris. In the case of Milan, they have above all an exclusively local dimension. There is no idea of being able to intervene on the reorganization of the national supply chain. There are two aims. The first concerns the spatial reorganization of urban functions. The second concerns local economic development. The wish is to provide the city with a new economic infrastructure that gives the possibility of economic growth to the food trade, already expanding thanks to population dynamics. At the local level as well, I can find the idea in the political debates that a new infrastructure would have favoured a different local political economy in food distribution system, favouring transparency in offer/demand factors and limiting price mark-up discretionary of wholesalers, which was high because of the national structure of the supply chain. The predisposition of the urban government to give legitimation to a local financial institution rather than itself guiding the development of this urban infrastructure has a political explanation. The Christian Democrat conception of the role of public administrations was prone to a gradual liberalization of the economy, which, especially in the wholesale sector would imply a lower degree of public intervention in the market dynamics.

The organizational setting of *Ortomercato Spa* did not match the new national legislation of 1959 (see above paragraph 2.3). In order to comply with the new regulation, the city council approved a reform in the company's statute, allowing participation in its shareholding and management by representatives from different economic sectors. Following this redefinition of the policy setting, the Chamber of Commerce entered the social capital controlling 33% of the shares. Chambers of Commerce were organizations in which traditional retailing interests were represented (Morris 1999). However, as said above, this representation was more formal rather than actual. The inclusion of this local institution was a way to claim that economic interests were represented, thus following national law guidelines, without giving them a direct voice. The design of the new

operating company was not without conflicts within the city council. The decision of placing a private company such as *Ortomercato Srl* and not the municipality in a pivotal role was the subject of criticism from the Communist (*Partito Comunista Italiano – PCI*) and Socialist parties (*Partito Socialista Italiano – PSI*)<sup>64</sup>. The Socialist group criticized the choice of establishing a private company, with a minority public participation, instead of the other solution offered by the law: a public company, a so-called *municipalizzata*, controlled by the urban government. The arguments of these two parties focused against the liberal ideology supported by DC, the mutual agreement between this party and CARIPLO, and the reduced capacity of public action in the food policy sector<sup>65</sup>. Moreover, the agreement points, which included the details of the mortgage scheme, were considered with criticism<sup>66</sup>. The total amount of the mortgage signed between the CARIPLO and the *Ortomercato Srl* was 8.500.000.000 L., (112.8 million euro in 2017) the municipality offered a guarantee to cover the all amount protecting *Ortomercato Spa*, and thus the bank, from any risk in case of insolvency, although only 33% of the shareholding was public. The contract to delegate the infrastructure operation to the new company was planned to last 30 years, after which the infrastructure operation was to have gone to the local administration.

The concession scheme agreed between the Municipality of Milan and *Ortomercato Spa* highlights the distributive dimension of the political economy that supports the launch of this infrastructure policy. All the risks related to the economic sustainability of the new infrastructure and the importance of the financing of the work remained on the shoulders of the local administration. Moreover, CARIPLO obtained control of the management leadership until 1971. In addition to a considerable influence in the construction and management, CARIPLO also got the monopoly of banking services in the largest fruit and vegetable market in Italy. The position of the administration towards this local economic actor shows us how the DC understood the relationship between urban government and urban economy. The public actor served as a facilitator and guarantor for the development of entrepreneurship, offering its organizational capacity and economic resources in order to produce collective goods for the market. Moreover, the selection of the economic actor to which the distribution of resources should be guaranteed was made according to partisan

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<sup>64</sup> Municipal council, Council meetings minutes 2<sup>nd</sup> – 7<sup>th</sup> – 9<sup>th</sup> – 10<sup>th</sup> – 14<sup>th</sup> – 16<sup>th</sup> – 21<sup>st</sup> – 23<sup>th</sup> – 24<sup>th</sup> – 28<sup>th</sup> – 30<sup>th</sup> March, 1960

<sup>65</sup> Extraordinary city council meeting 26<sup>th</sup> June 1960

<sup>66</sup> Extraordinary city council meeting 16<sup>th</sup> March 1960

criteria. Construction started in June 1960 and finished in 1965, two years later than foreseen. Structural assets of the infrastructure included four pavilions with 240 selling units for wholesalers and producers, a building to host transport cooperatives organizing the hundreds of truck arriving at the wholesale market every day, a warehouse with a controlled temperature guaranteeing the cold chain operated by *Ortomercato Spa*, and a railway link connected with the Porta Vittoria freight terminal.

The inauguration of the new infrastructure opened up a social arena characterized with a procedural and administrative control by the local administration. The new organizational setting no longer involved bureaucratic offices, as was still the case for other WMs, but a private company whose goal was to regulate the daily interactions between some 1200 freight-handlers, 240 wholesalers, 400 producers, and thousands of retailers. The overview and the enforcement of rules was now under the control of the operating company.

After the inauguration of the infrastructure, the dynamics among the actors involved in its regulation defined the boundaries of a social field characterized by contrasting collective interests, recurring conflictual dynamics among them, and instable actors' configuration. In some situations actors demanded different rules, focusing on the *content*, in other situations actors exerted pressure for a discretionary *enforcement* of the rules. These rules were the institutional sources for the structuring of the new wholesale market's politics. Rules effectively assigned the formal position of each actor in relation to others, but this position had been challenged, and action had been steered by contrasting interests and representation. The configuration of actors gave shape to a triangulation of conflicts, which needed the intervention of other local institutions to be regulated. The dyadic relationships of these conflicts are:

- Between wholesalers and the operating company.
- Between wholesalers and retailers.
- Between freight-handlers and the operating company.
- Between freight-handlers and wholesalers.

These lines of conflict between actors interact and are embedded in the local political context. Since the latter is greatly shaped by the role of the political parties, it was sensitive to strategies of manufacturing consent where interest groups could exert their influence, especially on a local scale. Since 1967, and even more so after 1970, a new

governing coalition reorganized the urban political agenda towards a more intense regulatory action of the local administration in food distribution. Therefore, the local administration gained the control of the operating company, putting local political actors on the midst of its regulation (Tab. 2.3). Another factor entwined with these social tensions concerned the local economic structure: wholesalers were at the core of the value and supply chain, the infrastructure was the main gateway for produce supply, and freight handlers were the labour force allowing the economic transactions between wholesalers and retailers. The institutional environment – which included the policy setting – and structural factors made the regulation of the infrastructure during the 1970s one of the focal arguments of the public debate.

It is now possible to highlight some important differences between the policy setting for the construction of the Milanese infrastructure and the one in Paris. In addition to the spatial organisation that I have already highlighted, the elements of distinction concern the way in which the infrastructure is managed, the organisational structure of the management company and the way in which it is rooted in the institutional environment. The structure of the share capital sees the only public player having control of only 33%, with repercussions on the ability to direct management, which has a wide margin of action in favour of CARIPLO, granted as compensation for the funding granted to the Municipality. The fact that it is rooted in the local institutional environment makes the organisational agenda of the new management company sensitive to pressure from local interest groups. In the case of Semmaris, the legitimacy of its organisational action derives from the delegation of administrative powers to its president. This allows it to lay the foundations for an endogenous institutionalisation process. This delegation is made possible by the institutional configuration that sees the officials and the state administration controlling the resources of public action. In the case of Ortomercato Spa, on the other hand, the organizational legitimacy derives from the local political system, which, as we have seen concerning the government of the food distribution, is open to the claims of the local interest groups. This lays the foundations for a dynamic conflict that will occupy all the early years of operation. It will then be the political change in the majority of local government that will favour greater control by the public actor, in an attempt to increase the capacity of government. However, the effect will be to increase the instability of relations between government parties and interest groups.



**Tab. 2.3 Ortomercato Spa shareholding structure 1956 - 1978**

	1956	1960	1969	1971	1978
<i>Municipality of Milan</i>	50%	33%	80%	95%	95%
<i>Cariplo Spa</i>	50%	33%	10%	2,50%	2,50%
<i>Chamber of Commerce</i>	--	33%	10%	2,50%	2,50%

**Source:** City council debates; Municipal commissions debates; Local Press

### **2.5.3 The local food distribution system: a matter of delicate equilibria between contrasting interests**

In this paragraph, I take into account, in a similar way to Chapter I, the type of link between infrastructure policy regulating the retail trade, which wholesale markets address as a means of organising supply. As in the case of the MIN Pairs Rungis, the government's analysis of the new fruit and vegetable market built in 1965 in Milan, cannot be separated, for the sake of its understanding, from considering the way in which the food distribution sector was regulated. Analysing and understanding the way public action intervened in food retail regulation gives us important elements to assess whether, how, and to what extent these infrastructures were governed as either part of a local comprehensive food policy, or as an autonomous policy object. The distinction between an integrated or separated policy approach passes through two dimensions, which interact with one another. One concerns the role played by interest groups in urban politics and the regulatory approach, which in turn is shaped by institutional configuration. The other concerns economic changes in the business structure of food retail and will be considered in chapter 3.

In the case of Paris, I pointed out that in the relationship between the policy of commercial urbanism in Paris and the government of the MIN there has been a disjunction that over time has acted as a protective factor for the economic legitimacy of the new infrastructure. In short, the national government pursues the objective of modernising the economic sector of the wholesale trade. The urban government of Paris, on the other hand, adopts a political strategy to protect the retail trade from the economic forces of the MGD that impose themselves profoundly on the country. In the case of Milan, on the other hand, there is an interweaving between the economic regulation of the retail trade and the infrastructure policy that makes these two areas of local public policy complementary

aspects of local food distribution governance. The two public policies have some aspects in common.

One of these is the adoption of a principle of segmentation in the regulation of the wholesale and retail trades. For the wholesale trade, I have already pointed out how public actors persist, at least until the end of the 1970s, in keeping separate the regulation of the wholesale sector according to the product category. For the retail sector, the principle of segmentation is adopted by dividing the authorisations to open new outlets according to a strict organisation into product categories. A second common element was the persistence of the corporate heritage in the regulation of trade, as well as in the governance of wholesale markets. The municipal and regional commissions that held authorisation powers from 1971 onwards had a membership structure that assigned a wide power of influence to the local interest groups representing the traditional shopkeepers. Finally, the third element in common with the infrastructural policy of the new wholesale market managed by the company *Ortomercato Spa*, is the use of the adoption of a political logic of government of local consensus in the economic regulation of food distribution.

The interweaving of trade regulation and governance of the new wholesale infrastructure is explained by the interaction between the institutional configuration and the economic structure. The dominant role of the parties and the social regulation strategies they adopted in order to maintain political consensus and the central role in the decision-making processes of the Union of Commerce, provided stable channels of access for local interest groups to the decision-making arenas: the Municipal Commission for the Trade Plan, the City Council and the *Giunta*. One last aspect that it is important to highlight, concerns the way in which the gradual transformation of the urban economic structure was governed, which was based, on the one hand, on the partial opening to mass grocery distribution (MGD) as challengers to traditional traders, and, on the other hand, on the patronage regulation of food street vendors.

### **A) Italian policy of retail regulation: partial liberalization and inherited corporatism.**

As we have seen for the wholesale sector, the institutionalization of local corporatist retail regulation has historical grounds. Retailers had been organized since the Fascist regime into a second-level catchall business organization structured both at national and local level: the Union of Commerce, during fascism called the *Confederazione Nazionale Fascista del Commercio*

One of the first interventions of the national government for the regulation of trade was Royal Decree n° 2174/1926. It envisaged a system of licences discretionally issued by municipalities, associated with police control measures as for public order and hygiene. The legal framework designated municipalities, no matter what their dimension, to authorize the entrance of new actors in the distribution market giving them the role of gatekeepers for the social construction of the retail sector.

Fascist legislation was maintained until 1971 when Law n° 424/1971 comprehensively reformed the regulation setting. Thus, a corporative economic regulation kept operating until then, in favour of a planning logic based on administrative authorization that replaced the discretionary logic of licenses. Despite the change in logic, the institutionalization of the role of local interest groups from the previous corporatist approach blended planning activity towards protectionist features in favour of traditional retailers. The 1971 legislation remained essentially unvaried until Legislative Decree n° 114/1998, the so-called '*Decreto Bersani*', the effects of which are considered in the next chapter.

Corporatism was pursued during fascism through the compulsory membership of the *Confederazione Nazionale Fascista del Commercio*, which covered the entire spectrum of corporate actors: wholesalers, intermediaries, retailers, and street vendors. Thanks to the extensive distribution of its local branches, it was institutionalized as a pivotal actor in the regulation of the local distribution system. This corporatist setting gave retailers the room to establish mechanisms for achieving collectively beneficial arrangements that also continued to operate during the republican regime.

After the Second World War, business organizations, through their representation in the General Confederation of Commerce and Tourism founded in 1946, were growing in their capacity of political influence to advocate for small retailers' rights, thanks to their links with parties, which became the strongholds of public action. The inherited

institutional configuration paved the way to remain in a democratic context of corporative consensus building at local scale, where the Union of Commerce played a pivotal role in mobilising collective interests in formation processes of political coalitions, especially for retailers who represented a remarkable catchment area for votes. In 1958, new legislation made supermarkets equivalent to department stores, with their opening following the same administrative procedure. The procedure, which until that time had concerned only department stores, required authorization for opening from the Prefect. The inclusion of supermarkets must be read as a strategy by the national government to control the evolution of trade business structure. This decision was linked to the start of the political debate on the overall reform of the sector, which was not to see the light of day until 1971. The regulation introduced in 1971 formally abrogated the corporatist system inherited from the fascist regime. However, the interaction between political interests and the institutional setting reproduced corporatist outcomes. With Law 426//1971, there were two main innovations: (1) the segmentation of the retail sector through a rigid set of products that each type of retailer category could sell, and (2) the planning of retail development entitled to local commissions. The delivery of authorization was given to the mayor following the non-binding opinion of a municipal commission. The composition of this commission was the reflection of actors and interests active in the social construction of the retail market at the local level. The municipal commission was made up of 15 members of whom only two could be ascribed to MGD interests, and only three directly nominated by the urban government. On the other hand, half of the commission was made up of representatives of workers and retailers. Since, as mentioned above, traditional retail was conceived as a resource to absorb agricultural jobs lost due to the modernization of the sector, we can easily understand why the orientation of these local institutional arenas was to prevent the development of MGD. For the opening of a retail unit of over 400 m<sup>2</sup> (for small cities) or 1500 m<sup>2</sup> (for bigger cities), permission from a regional commission was needed, after having first heard the municipal commission. The composition of regional commissions again reflected the intention of legislators to give a wider space for manoeuvre to prevent the development of big retailers.

Decisions of municipal commissions were informed by guidelines drafted in the local plans for commercial development. The document may include the maximum selling surface to be built in the city, divided per product category. These surface requirements could be defined at the city level or at smaller consumption districts.

This reform of the retail market regulation reflected the convergence among three collective interest groups (Fabrizi 1971; Vaccà 1971; Cozzi 1974). The most influential group were the traditional retailers already operating in this economic sector, who wanted to protect their incumbent position against challengers. Another group of interest was that of the big retailers and federated retail companies that had already developed in some regions. They exchanged a limited possibility of development with the guarantee of the absence of newcomers. The last collective interest was the one of national producers who tried to prevent the rise of retail purchasing power as in other European countries, in order to avoid a different political economy of the value chain structure and to maintain their influence in the fragmented traditional retail.

Conservative parties, such as the DC, wanted to limit unionized labour force in the retail sector that could grow thanks to structural change in favour of big retailers instead of independent ones, in order to avoid any further influence of trade unions in national politics. They found a convergence with left-wing forces sharing attention towards traditional retailers, considered as a protected sector for unskilled marginal workers. The convergence of different stakeholders was the base to follow consociativist political practices, typical of that time (Cozzi 2005). Moreover, the bureaucratization of the planning activity at the local and regional level, made this reform interesting for the development of party influence in local administrations and the institutionalization of the new-born regional governments.

The legislation left open room for action to play inertia strategies from public actors to prevent a rapid spread of large retail surfaces. The regulation of the market explicitly favoured safeguarding the interest of those actors already present in the local market. For instance, in the case of two requests to open similar surface retail units, priority was given to incumbents already present in the territory, limiting the competition pressures of new actors such as MGD that was already spreading in other European countries. Urban governments used the room for action provided by the regulation to reproduce local political coalitions through practices of clientelism. This practice means this economic sector is regulated with logics other than economic and competitive ones (Pellegrini 1999). Italian political localism favoured stable and long-term interactions between local politicians and their constituency making the former more open to embrace claims from the latter.

National retail regulation therefore provides a favourable institutional environment for local interest groups to promote corporate trade policies, albeit based on democratic political consensus mechanisms. Moreover, the strong segmentation that is maintained reproduces the approach that was confirmed in 1959 with the general law on wholesale trade. With these choices, the policy makers strengthen the role of the professional associations of the sector and do not take into consideration the regulation of the supply and value chain that is organized by the transactions between the different phases of the commercialization (production, wholesale, retail) and not by the types of goods.

As in the French case, the regulation of retail sector is the result of the interaction among (1) economic forces, (2) administrative practices for the implementation of politically charged rules, (3) political interest that is more or less organized, and (4) the role of local administrative layers and local governments. Compared to French policies, the weight of the individual variables changes. In France, economic dynamics (1) and administrative practices (2) have had the greatest weight in defining the approach for the governance of food distribution. In Italy the most important role is played by political interests (3) and by the role of local governments (4). Thus, for the analysis of the Milan context, I dedicate most of my attention to political dynamics rather than to the regulatory settings as in the case of Paris.

## **B) Milan retail regulation through political integration**

Since the regulatory setting gave, at least until 1998, wide room for local interest groups and political actors to shape retail economic change, the regulation of this economic sector has become a structuring topic in political coalitions and consent manufacturing in local politics. Compared to Paris, the Milanese local government was more active in formulating, designing and implementing different food policies to regulate a local distribution system in the political economy. The structuring role of the local party system over policy-making led to the formulation and implementation of policies that could be part of a more comprehensive mode of governing relations between the different stakeholders (wholesalers, shopkeepers, consumers). The pre-existing institutionalized role of the retailers' business organization in urban governance processes shaped the relationships between urban politics and corporate interest groups. For a long period, a

stable and constant relationship between these two realms of local society set up a process of political exchange that led to the operation of a mechanism of political integration.

In Milan, as in other local contexts, before the approval of Law 246/1971, there was wide room of action for discretionary practices in the delivery of licences for retailers. For instance, during the months preceding the approval of the retail law, several authorization requests for new supermarkets opening in Milan were submitted to the Prefect, since mass grocery distribution companies were worried about the possible tightening of entry barriers in the distribution system. In Milan, 100 requests were presented in few months. The urban government, together with the *Union of Commerce*, exerted direct political pressure on the Prefect, entitled at that time to deliver the authorizations, to refuse them. None of the Milanese requests was approved and MGD development remained suspended until the presentation of the new Retail plan in 1978.

Another example of the mobilization of retailers' interest groups that marked the retail regulation is actually the draft of the Retail Plan between 1971 and 1977. After six years of concertation between parties, first DC and PSI (1971 – 1975) the PSI and PCI (1975 – 1977), and local interest groups represented by the Union of Commerce, the city council succeeded in approving the commercial plan that had regulated the retail sector until 1998. The result of a six year-long debate was a device to defend incumbents of the retail sector and raise entry barriers for retail newcomers, thus establishing a medium-term alliance between the party system and the local community. The plan that was approved was the result of a political compromise involving the three major local parties and the largest local institution for the regulation of the tertiary sector. The outcome was an instrument of governance for the sector that provided for a localized discretion and a margin of development for retailers already present in the urban economy greater than in other cities. This allowed for the gradual modernisation of the retail trade. Three contrasting needs had to be integrated within the distribution system in order to produce and reproduce political consensus for the local party system: the control of the rising cost of living, the requests of wholesalers and traditional retailers to be protected from economic competition of MGD challengers, and the protection of jobs.

In those years, the political debate and the intermediation practices between party politics and interest groups were also structured around other policy processes. One of these concerns the management of the public service of food distribution. Since shortly after the end of World War II, the municipality had been distributing food products at

controlled prices on a weekly basis, with the dual aim of controlling the dynamics of general prices and offering access to basic food products for poorer families. After a period in which the service was delegated to a private actor, since the PSI entered the urban government on a permanent basis, a public company was established: SOVECO. The aim was to make the service more incisive in the regulation of the economy and at the same time represent an additional instrument of social regulation controlled by the party system. In this public policy, therefore, we try to satisfy the interests of the parties and those of the consumers, raising however the protests of the traders and the wholesalers. Through their professional organizations federated in the *Union of Commerce* they blamed the municipality of unfair competition for threatening their economic turnover. Their influence was such as to produce inertia in the management of SOVECO until the decision to close it in 1983. The effectiveness of the pressure on public decision makers by the wholesalers was due to the corporatist features of the WM infrastructure policy, and of retail policy.

With the legislative innovation in 1971, urban governments maintained a wide areas room of action to regulate the market construction. This has been translated in their public action with a political regulation structured by the influence of local interests channelled by the advocacy action of the local branches of retail business organizations. During the 1980s, the alignment of all the heterogeneous interests that shaped the political compromise on the 1971 reform was no longer stable. Due to the slow market change, the different political culture, and different political cleavages in society, a different configuration of interests was the basis for the new retail regulation approved in 1998. This interest rearrangement already allowed incremental economic restructuring during the 1980s (Cozzi, 2005), without explicit contrasts. However, this restructuring did not take place by opening markets to challengers, but rather by allowing incumbent corporate actors to develop. The market was still considered saturated, and in need of protecting the positions held by the economic actors already present, which were resources to reproduce coalitions in the local political systems (Pellegrini 1990). As I will account for in chapter 3, this local endogenous development triggered the development of regionalized MGD economies of scale.

Analysing data held by the Chamber of Commerce of Milan, it is possible to trace this change in detail. Considering the changes between 1981 and 1991, we can observe how the number of food retailer units is constantly growing and how the retail format structure is changing gradually in favour of mass grocery distribution. In Table 2.4, we can



see how the intermediation of interests and the political regulation of trade has produced its effects. During the 1970s, there was rapid relative growth in the number of supermarkets, which triggered the claims of traditional shopkeepers in favour of planning that raised barriers to market entry. At the same time, I saw a rapid increase in the number of street vendors following both the fact that they no longer needed a licence for their profession and the presence of the new fruit and vegetable market, which strengthens this sector of the urban economy. The political parties, during the 1980s in particular the PSI, tried to use the growth in the number of street vendors as a source of political consensus, thanks to the clientelist regulation of authorizations for access to the street markets regulated by the administration.

The 1980s show the effects of the political agreement reached in 1977, which confirms the will to crystallize the economic balances between the actors leaving room for endogenous growth but limiting the indiscriminate arrival of challengers. During the 1990s, on the other hand, I observed the effects of the changed political climate. At the local level, the socialist-led political coalition started to open up urban retail economy to big and medium food retailer surfaces in order to reduce the price for consumers and to the profit of local taxes could be raised from these economic activities. Until that moment it was mainly neighbouring municipalities that hosted hypermarkets, taking advantage of the purchasing power of Milanese consumers. Moreover, the 1980s were a decade in which the need to modernise the sector finally entered the agenda. This was also in line with the Market Plan that aimed to reform the wholesale markets promoting the concentration in the same infrastructure of different product categories to make them attractive for those who sell multiple types of goods in the same store. The new political approach in retail regulation can be summarised with the words of the *Assessore* who led the department of Trade in the 1980s

*“When I arrived [as Deputy mayor], many supermarkets were operating barely outside the city borders, in towns like Corsico, Settimo Milanese, Cinisello Balsamo. In Milan itself, there was nothing, there were no mass grocery distribution: only small examples. Then I said: each supermarket corresponds to 150 jobs... We export consumers and all the jobs and local taxes are paid somewhere else. I started to argue! Why do we export consumers and not give services to our citizens?!”*

[trade deputy mayor in the 1980s]

**Tab. 2.4 Retail structures in Milan 1971 - 2011**

	1971	1981 (71/81)	1991 (81/91)	2001 (91/01)	2011 (01/11)
<i>Hypermarkets</i>	0	3	5	9	20
<i>Supermarkets</i>	19	55 (+189%)	91 (+65%)	167 (+84%)	268 (+60%)
<i>Discount stores</i>	0	0	0	1	5
<i>Unspecialized retailers (superettes)</i>	246	484 (+97%)	766 (+58%)	850 (+11%)	867 (+2%)
<i>specialized food retailers</i>	265	490 (+85%)	791 (+61%)	886 (+12%)	738 (-17%)
<i>Food street vendors</i>	57	219 (+284%)	342 (+56%)	363 (+6%)	362 (0%)
<i>Total points of sale</i>	587	1251	1995	2276	2260

**Source:** Company Register, Milan Chamber of Commerce

The 2000s was to be the decade when the MGD was finally to take control of the urban economy in the food trade sector, with the consequences in terms of policy that will be analysed in the next chapter.

The fact that in the 1980s the approach of political priorities had changed did not mean that the influential role of the Union of Commerce had disappeared. It had the opportunity to increase its membership base with street vendors, of whom it was able to organize the collective action and political behaviour, and of MGD companies, which provided a growing share of organizational revenues. Therefore, it could count on the quota of revenues coming from mass grocery distribution, and on a larger electoral base to mobilise for the political agenda in the organization, and in the regulation of the retail sector. Its role during the 1980s is described as follows:

*“The Union of Commerce was a remarkable organization. As trade deputy mayor, I was in contact with all the street markets. Their organization was also important for the election of internal representative offices. Their stock of votes for organizational offices was important also because [Confcommercio] is a significant platform of power, also due to the amount of funds that it manages.”*

[trade deputy mayor in the 1980s]

*“Considering their political influence they [Confcommercio] used to act with determination. It absolutely was able to have an impact on the composition of the city council. Afterwards, the balances given by personal preferences had a role in the election in the city council of the mayor and of the councillors. After holding the Councillor position, I had a large number of votes from street vendors, which gave me a good electoral success in 1990. It was not a relationship of political clientelism, but it was based on concrete actions I had taken for them.”*

[trade deputy mayor in the 1980s]

The local embeddedness of such a process, without a formal role at the national scale, was the premise for it. Wholesale market infrastructures, due to their embeddedness in the same institutional setting, were governed with the intention of integrating their development into a comprehensive food policy. Looking at the wholesale fruit and vegetable market, we can see how this purpose failed due to the negotiation resources provided to wholesalers by their structural position in the supply chain, at national level as a professional category, at the local level as an interest group.

## ***2.6 Explaining failed political integration and institutionalization for the new wholesale fruit and vegetable market***

The new infrastructure operated by Ortomercato Spa had been, during the 1960s and 1970s, the main gateway for the freight flows into the urban economy. The interaction between supra-local structural economic factors, national legislation and this urban infrastructure, shaped a distribution system where wholesalers had a wide area of action to bargain with the operating company and with the local administration on the conditions for their remaining in it, since they could threaten exit actions, thanks to the freedom of location provided in 1959. Their claims concerned tariffs for selling contracts for units with the operating company and the services provided. Their bottle-neck position in the supply chain allowed them to protest against all attempts at increasing tariffs claiming that that would have had immediate repercussions on prices for final consumers, nullifying the urban government's efforts in controlling inflation trends. This argument, combined with the structural economic role of wholesalers, found supporters in the market commission, the deliberative arena with the competence of approving tariff changes. Indeed, retailers were against any measure that could trigger higher wholesaling prices that would reduce their

profit in an economic context where price increases tend to compress consumption trends. City councillors were pressed to reduce inflation and many preferred to adopt a wait-and-see attitude in the market commission, rather than openly confronting retailers and wholesalers with the risk of losing political support. Eventually, the policy design lacked resources to re-balance or to integrate the bargaining power of wholesalers nourished by the structural context.

The infrastructural policy objectives had changed between the 1950s to the 1970s. In the first decade, the main objective was solving an issue of spatial organization of the urban economic geography, and providing collective goods to improve the competitive advantage of Milan's wholesalers. From the second half of the 1960s, a political change moved the urban agenda to a new priority: controlling sky-rocketing inflation, through the intervention of public actors in the local distribution system. The political change, in a party that dominated the institutional setting also meant new opportunities for the mobilization of interest groups that could exert pressure through their collective organizations during the process of manufacturing consent.

In this context, cross-conflicts among different actors (local administration, operating company, wholesalers, freight-handlers, retailers) represented the spark that triggered off the (in)capacity to govern the infrastructure. Among the actors that, more than others, influenced, and to a certain extent still influence, the regulation and the strategic choices for the infrastructure I find:

- the wholesalers that operate in the wholesale fruit and vegetable market,
- the handlers that handle the freight in it,
- the street vendors that were among the important clients and today are the main users of the infrastructure.

The following paragraphs are thus focused on the features of these conflicts. I highlight for each conflict some constitutive elements: what is at stake, who the stakeholders mobilized around it are, how they mobilized, what happened to the policy as a consequence of the conflict, how all these dimensions changed in time.

### 2.6.1 Policy rules at work in shaping contentious dynamics.

Who are the main actors that participated in the regulation, first of the old and then of the new wholesale fruit and vegetable market?

To answer this question, it is useful to make a comparison between the internal rules of the infrastructure approved in 1960 following the Wholesale Trade Act in 1959 and the one approved in 1981, after 15 years of social conflict between the various actors involved had to be managed from 1965 onwards. The analysis is based on norms production, and on actions taken by actors to prevent or to support envisaged changes of rules. All these sources of regulation have in common the same background logic: the decision-making process concerning the operational choices should include economic actors that are concerned by the functioning of these infrastructures. The matter of dispute concerned the voice given to freight-handlers in the market commission and their role as service providers in the infrastructure.

The internal regulation of the fruit and vegetable market is a useful point of entry for the analysis of conflict dynamics for three different reasons. Adopting the terminology proposed by Fligstein (1996) I can present them as follows. These rules establish the "*governance structures*" of the new marketplace. This refers to two aspects: how and if selling unit concessions rights may be transferred to a different wholesale company, and how entry barriers are regulated. Mergers and speculative behaviour were avoided, promoting a deconcentrated market. Entry barriers concerned not only the number of actors that could participate in a market but also their characteristics. On both aspects, the Market Commission, crucial in the construction of a new market and in its institutionalisation process, in which retailers, wholesalers and municipal councillors are represented, must express its opinion. A second reason concerns the regulation of property rights, namely "*social relations that define who has claims on the profits of firms*" (Fligstein, 1996: 658). These are distributed among the operating company, which extracts part of the wealth produced through selling unit concession tariffs, wholesalers, who make a profit from the sale of their products, and freight-handlers, who ask wholesalers to pay for their services on the basis of fees decided by Ortomercato Spa. To define both concessions and freight handling fees, a vote is needed in the Market Commission. After the evaluation of the commission, the adoption of the new tariffs becomes effective only with the approval of the provincial price committee chaired by the Prefect. The third

reason, and matter of conflict, relates to the regulation of the “*exchange rules*” in the market regulation, which define who can transact with whom, and the conditions under which the transactions are carried out (Fligstein, 1996: 658). In the case of the wholesale market, these rules entail opening hours, wholesalers' temporary exclusion due to rule infringement, and the number of freight-handlers allowed in the infrastructure. As in the previous two cases, the enforcement of these rules requires the opinion of the market committee, which puts wholesalers into a controlled-controlling position.

In other words, the governance structure is the main source of institutionalisation for a new market, and it is precisely these elements that will be at the centre of conflict dynamics from 1965 to 1981. Resources to fuel these conflicts are to be found in structural economic features and the local institutional environment. A favourable structural position in the economic organization does not mean per se triggering conflictual collective action. This is where the local institutional configuration comes into play. The close intertwining of parties and local society offers parties a greater capacity to govern and control social dynamics, but exposes them more to pressure from interest groups that have the capacity to mobilise. The fact that the urban policy was based on fragile compromises structured around and in party competition made this capacity for influence even greater. A second aspect of institutional configuration specifically concerns policy setting that envisaged the persistence of the market commission as a heritage of the fascist corporatist framework. This gave further margins for conflict in addition to those already guaranteed by the institutional configuration.

The conflict expressed by freight-handlers was also based on structural and institutional factors. From a structural point of view, they play a crucial role in the supply chain in Milan's largest infrastructure for food supply. From an institutional point of view, on the other hand, their capacity to act, in addition to finding the same channels of political pressure available as wholesalers, could also count on the support of trade unions, which in the 1970s were at the centre of industrial relations at both local and national level. The institutional configuration offered especially to wholesalers an effective veto power on decisions taken by the operating company and the local government on the development strategy of the infrastructure. There were several arenas where these vetoes could be expressed. These could be the formal ones of the market commission, the informal ones of meetings with representatives of Ortomercato Spa, the local government, the parties or the Union of Commerce. Lastly, it is worth pointing out that the institutional configuration

also weakened Ortomercato Spa's negotiating position in situations of conflict. Since the political parties mainly occupied the organizational areas of urban policies, the management company itself depended on them for its operational legitimisation, pushing on the one hand the representatives of the local government to intervene directly in the disputes, and on the other the interest groups to address their claims to local parties and politicians, and only in second instance to the management of the infrastructure.

### **2.6.2 Resisting to policy change: interest groups in collective action.**

Fruit and vegetable wholesalers formed a professional organization to represent their interests at the dawn of the democratic political regime: the *Associazione Grossisti Ortomercato – AGO*. This organization was founded in 1945 and is one of the local professional organizations federated in the Union of Commerce. After the relocation in 1965, they mobilized to contest the institutional dimension of this urban infrastructure. They raised claims against the organizational setting claiming that the management of the infrastructure did not follow the prescription of national law, since it did not include the economic actors concerned by its operation, but only the local institution of the Chamber of Commerce. They presented an administrative appeal that ended up with a rejection of their claim in 1972.

Since it was the main gate for the supply of fresh produce of Milan and Lombardy, being present in the wholesale market meant counting on an abundant and constant business flow. The selection of wholesalers admitted into the infrastructure was made by the market commission and favoured incumbents of the infrastructure built in 1911. Of the 240 wholesale units, only a few of them were assigned to newcomers, and only after having satisfied the requests of incumbents<sup>67</sup>.

When the construction of the wholesale market was almost completed, wholesalers claimed through their business organization that structural assets were tailored for their business activities. Ortomercato Spa calculated the concession fees according to the foreseen operational costs and to a 30-year amortisation plan. The resulting amount was double the fees paid in the old infrastructure. When the old wholesale market closed down with relocation to the new one in June 1965, they lodged an economic complaint claiming

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<sup>67</sup> *Corriere della Sera – Corriere Milanese*, “Pronto il nuovo mercato della frutta e verdura”, missing page, 3<sup>rd</sup>-4<sup>th</sup> April 1965

that the fees for the concessions of the selling units were far too expensive to be sustainable without a negative repercussion on the stability of the wholesaler companies. This last claim opened a contentious dynamic that postponed the inauguration by three months from June to the end of August 1965<sup>68</sup>.

Wholesalers used their professional organization to interface with the local administration and the new operating company. The repertoire of actions mobilized in this very first dispute formed a model reproduced many other times even until the end of the 1970s. The mobilization usually with a formal letter that raises the main points of divergence, the letter s followed by a meeting with local government representatives, usually the mayor or the trade deputy mayor, the management of the infrastructure, the leadership of the *Union of Commerce*, and of course AGO leadership. Meanwhile, they participated in the deliberative arenas to which they had access trying to orient the political debate towards their claims, and to influence the decision-making process. If these actions were considered ineffective, they first threatened and then locked out their activities. This last action, in the particular structural context that characterised the local supply chain organization in 1970s, was the peak of the escalation. Indeed, if continued for even a few days, it could concretely affect the availability of fruit and vegetables in the urban economy and in particular the price dynamics.

In this first contentious dynamic, the *Union of Commerce* was involved at its second-highest office with the Director of the Provincial organization, Giuseppe Orlando, trying to mediate between the interests of the municipality (to start as soon as possible the reimbursement of CARIPLO's loans with the concessions of the wholesalers), of Ortomercato Spa (its financial stability), and of the wholesalers (paying the lowest fees possible). The agreement was made up of two main points. First, the concession fees would be paid only partially until January 1966 when the effective operational costs would be assessed and a sustainable fee defined. Secondly, the Municipality would subsidize some operational costs, easing the financial burden on the operating company. This second point was a crucial passage that would characterise the regulatory approach of political actors for the management of the infrastructure. The outcome of the interest intermediation produced a shift of funding for a service provided to a small socio-economic group, but with a high capacity of collective action, from the shoulders of this group to the economic

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<sup>68</sup> *Corriere della Sera – Corriere Milanese*, “Polemiche per i canoni del nuovo ortomercato”, missing page, 12<sup>th</sup> June 1965



resources of the whole community<sup>69</sup>. This agreement was signed by AGO's management but when presented to the associates was repealed, and a new election was held in the organization to replace its leadership. This passage highlights how the Union of Commerce, although a strong collective actor and legitimized in the local political system, found it difficult to coordinate all the particular interests it represented. Being a catchall professional organization was both an element of strength and weakness. It strengthens its importance in urban policy as it represents an important part of the economic realm, but it has coordination difficulties because sometimes the interest groups it represents have divergent objectives. The repeal of the agreement led to a stalemate in the negotiation for the relocation of the wholesalers in the new infrastructures. The negotiation found a new dynamic after the approval by the Provincial price commission of the concessions' fees, closing in this way room both for action by Ortomercato Spa and AGO. Seeing their possibility for action so greatly reduced, wholesalers adopted the most radical action in their repertoire, shutting down their activities for one day, at the end of July<sup>70</sup> 1965. After the shut-down, Ortomercato Spa decided to use the decision of the provincial prices' commission to force the wholesalers into a win-lose position: either they signed the contract for the future concession, or they would be excluded from the infrastructure. This strategy of the operating company led by the president of Cariplo allowed weakening the capacity for collective action by leveraging the economic interests of individual members. Eventually, wholesalers gradually decided to sign individual concession contracts and the new infrastructure started operating at the end of August 1965.

The conflict opened up a space of action to exert pressure on the distributive features of the infrastructural policy. One of these was indeed the definition of tariffs and the cost of services offered in the market. When wholesalers entered, they could cumulate the bargaining power ensured by their bottle-neck role in the supply chain and the liberalization of 1959 with the lack of enforcement means for Ortomercato Spa and local administration on their compliance with the rules. The result had been the limitation of the room for action by the operating company in the implementation of rules of exchange, and

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<sup>69</sup> *Corriere della Sera – Corriere Milanese*, “Verso l’armistizio per l’ortomercato”, *missing page*, 17<sup>th</sup> June 1965

<sup>70</sup> *Corriere della Sera – Corriere Milanese*, “Sciopero dei grossisti domani scarseggeranno frutta e verdura”, *missing page*, 28<sup>th</sup> -29<sup>th</sup> July 1965

the growing capacity of wholesalers to influence decision makers to loosely enforce the rules.

The risk for the local government of seeing the adoption of an exit strategy by wholesalers, and therefore find itself in serious economic difficulties for the reimbursement of the loan, became concrete in the case of the wholesalers of plants and flowers. Before 1965, they were located in the fruit and vegetable market in Corso XXII Marzo. However, after having seen the spaces allocated to them in the new infrastructure, they refused to move. Neither the municipality nor the operating company had effective means to force traders to locate to the new infrastructure. For one year, the Municipality agreed on leaving them in the former buildings of the old market. This decision was considered to be temporary while awaiting the identification of a better solution.

Eventually, wholesalers decided to exploit the liberalized setting of the economic sector: they bought a plot of land on the premises of the wholesale fruit and vegetable market and they continued their business activity there. This solution was firmly opposed by the municipality, which stressed the risk of lower revenues for the operating company due to this defection. The lack of policy instruments to force the relocation of these wholesalers to the infrastructure left the Municipality with no other choice than to accept their exit. The new location of plant and flower wholesalers was framed in the political debate as temporary, waiting for a better solution.

The declared temporary nature of this location reproduced itself until 2000 when finally wholesalers agreed on moving into the new infrastructure built for them after building started in 1986. The presence and the persistence of temporary solutions that became institutionalized due to policy inertia induced by actors' configuration, favouring minor, incremental, and temporary compromises rather than a clear political economy of resource allocation, have been a peculiar feature of the infrastructure governing approach until nowadays.

If institutional setting features are crucial for defining the outcome of the inauguration of the new infrastructure, constitutive elements of the new economic space such as the 'rules of exchange' and the structure of 'property rights', assumed the status of driving factors for conflicts among actors during its operation. From the outset, therefore, the foundations were laid for the difficult institutionalisation of the new economic area, in contrast to what we have seen in the MIN Paris-Rungis managed by Semmaris led by Libert Bou. After the inauguration of the infrastructure, the dynamics among the actors

involved in its regulation represent a social field exerting pressure from different directions on either the Municipality or the operating company for changes in the rules.

### **2.6.3 Ortomercato Spa: politicization, mobilizations and cross-cutting collective interests at stake.**

After the first conflictual episodes described above, things worked regularly for some years without the presence of visible conflicts. In August 1969, a new statute for Ortomercato Spa was approved. It modified the organizational structure, starting the predominance of the Municipality over the strategic development of the infrastructure. The new statute allowed the local administration to take the majority of the shares, and, consequently, to nominate the majority of the members of the board of directors. In the same year, the city council approved a resolution to shift some operational costs from Ortomercato Spa to the local administration<sup>71</sup>, and thus on the expenses covered by local finance instead of with the concession fees paid only by wholesalers. We should remember that in 1967 there was a political change, with the socialists increasing their influence in local politics. This political change was followed by another policy change: the local government gradually increased its influence in the regulation of the local food distribution system. In May 1971, the organizational change in the infrastructure management was completed: the Municipality had 95% of the shareholding structure against the previous 33%, and the share capital of the company, which can be considered as an indicator of its capacity of action for the infrastructure development, grew from 500 million lira to 2 billion<sup>72</sup>(1.6 million euros in 2016).

The new organizational setting, the increased share capital and the assumption of operational costs in the budget of the local administration are all indicators for the new policy approach. The infrastructure was no longer only a way to reshape the spatial organization of food distribution, and an infrastructure to give local wholesalers a competitive advantage in a newly liberalized economic sector. It became a market device controlled by the public actor with the intention of having more room for public action in the local urban economy. The switching of operational costs also suggests something else

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<sup>71</sup> *Corriere della Sera – Corriere di Milano*, “Preminenza del Comune nella Società Ortomercato”, 5<sup>th</sup> August 1969, p. 8

<sup>72</sup> *Corriere della Sera – Corriere di Milano*, “L’Ortomercato diventa di proprietà del Comune”, 21<sup>st</sup> May 1971, p. 8

about the political economy of the infrastructure. Considering the contentious dynamic at the inauguration of the infrastructure and the increasing political engagement of the local administration, it is legitimate to infer that the political actors wished to limit conflictual factors linked to economic arguments. This decision gives us important insight on the nature of this policy: the regulation of this infrastructure was now definitely a political issue, and, in an institutional setting marked by political parties, this made it more probable that any conflicts would be faced through either political integration or distributive strategies rather than by mobilizing administrative procedures.

In the market, there were overlapping tensions during the 1970s: between wholesalers and retailers for unfair economic transactions, wholesalers and the operating company about concession fees, wholesalers and freight handlers about handling service tariffs, and between freight-handlers and the operating company, about their voice in infrastructure management decisions<sup>73</sup>. The condensation of these crosscutting dyadic conflicts made the solution of one of them trigger the start of conflicts for another. Internal regulation is indeed a crucial distributive tool for the different collective interests within the market and for the overview of the transparency of economic transactions. It formalizes the institutional dimension of the infrastructural policy defining both rules of exchange and property rules, defining how much of the wealth generated by the transactions should be distributed among the various actors involved.

#### **A) Political context and policy rules: the playground for wholesalers' veto strategies.**

Considering the features of the agri-food sector and the organization of its supply chain, localized overproduction problems were registered during the 1950s – 1970s. The overproduction of fruit and vegetables resulted in low remuneration for producers, but it did not result in low prices for consumers. Some structural factors can explain this mismatch. One factor is the pulverization of the distribution system, fueled by a growth rate of retail selling units between 1951 and 1971 higher than the growth of the population. The ratio between retail units and the population shows that in 1951 each business could count on a potential clientele of 150 people, the same ratio decreases to 131 inhabitants in

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<sup>73</sup> *Corriere della Sera - Corriere Milanese*, “Ortormercato: il difficile equilibrio tra commercianti e consumatori”, 25<sup>th</sup> September 1976, p. 11

1961, and stops at 132 inhabitants per unit in 1971 (Balliano, Lanzetti 1976). The number of grocery stores in 1971 corresponds to 409,396, of which 86.7% (354.943) had a maximum of two employees. The incidence of micro-enterprises in food distribution had an impact on final prices, since, in order to meet the firm's maintenance costs, each retailer must increase the mark-up to obtain an adequate profit margin to guarantee the viability of the company. The second factor concerned the organization of the supply chain. The Italian supply chain was characterized by a myriad of small wholesalers, occupying a strategic position given the lack of direct links between production and distribution.

As far as the value chain is concerned, one of the arguments about the retail distribution system was based on the price index trend between the wholesale and retail phase. In short, the economic structure, or rather the inefficiencies of the structure, exacerbated inflationary tensions. Considering the entire food industry, 10% of the traders (wholesalers) were responsible for about 39% of the total mark-up in food distribution: wholesaling worked therefore as a structural node of primary importance in the value chain of food products. This relevance translated into an advantageous position that guarantees for the category the greatest margin of influence in price dynamics (Balliano, Lanzetti 1976). This was particularly true for social interactions steering economic transactions in wholesale fruit and vegetable markets. These structural dimensions should be added to a social component that influences the fruit and vegetable supply chain. The presence of organized crime in the fruit and vegetable sector has been a phenomenon that in different forms and with different pervasiveness has characterized this economic sector up to the present. Numerous contributions show the distorting effects of intermediation by the Mafia in supply and value chains<sup>74</sup> (Eurispes, Coldiretti 2011; Palidda 2011; Sciarrone 2009; Lavezzi 2008). Eventually, supply and value chains were characterized by (1) fragmentation of final distribution, (2) fragmentation of intermediation, (3) disorganization of production, (4) infiltration of criminal networks. Given this picture, wholesale markets were no longer the price and quality control infrastructures that they were designed to be, but rather urban infrastructures and economic institutions where all these elements of tension and contrasting interests converged.

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<sup>74</sup> Commissione parlamentare di inchiesta sul fenomeno della criminalità organizzata mafiosa o similare, “*Relazione annuale sull’ ‘ndragheta*”, 18<sup>th</sup> February 2008.

In the case of Milan, it is possible to highlight some aspects of the interaction between structural and social dimensions as premises for collective actions, while the institutional setting emerges as a causal factor for the conflicts between retailers and wholesalers, and later between trade unions, which support the mobilization of freight-handlers, and wholesalers. Wholesalers appear to be the actors with the greatest power to influence the dynamics of supply and value chains. To understand how this element has an effect on the local distribution system, we should consider the economic role of *Ortormercato*. During the 1970s between 50% and 60% of the products consumed in the province of Milan, used to pass through the wholesale market<sup>75</sup>. One common element for different fruit and vegetable markets in Italy was the poor effectiveness of rule enforcement within them: the infrastructure of Milan was not an exception and the lack of control over the fairness of economic transactions showed its effects throughout the 1970s. Namely, problems concerned the lack of respect of the tare incidence on the final weight, and frauds on the homogeneity of the quality of delivered goods. Different actors raised these issues throughout the 1970s. The Union of Commerce supported the complaints of retailers focusing on the consequences for the viability of their businesses. Local politicians highlighted how the lack of controls in the wholesale market betrayed the policy goal and severely affected the purchasing power of consumers, since it gave retailers the legitimation to raise prices. Trade unions supported and on many occasions steered the collective action of freight-handlers in the infrastructure, claiming that the lack of controls was the result of deliberate tolerance by political actors.

These problems reached the public discourse on different occasions during the 1970s. In September 1970<sup>76</sup>, Milan business associations representing fruit and vegetable retailers declared a day of purchase-strike in the wholesale market, in order to raise awareness on improper economic behaviour of wholesalers. After the announcement of this initiative, the business organizations mobilized the Union of Commerce to exert pressure on the local government, and namely on the trade deputy mayor of the time, the

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<sup>75</sup> We do not have official statistics on these flows, but we can refer to the documentation produced by other actors such as trade unions and local politicians. As far as the former are concerned, we refer to documents stored at the CGIL's Archive of Work (*Archivio del Lavoro*). In the case of political actors, reference is made to the minutes of municipal commissions and the administrative acts held at the Civic Archive of Milan (*Archivio Civico di Milano*).

<sup>76</sup> *Corriere della Sera – Corriere Milano*, “In agitazione i fruttivendoli”, 13<sup>th</sup> September 1970, p. 8

Christian Democrat Lino Montagna<sup>77</sup>. The Union of Commerce also contacted the Provincial Prefect in order to involve the state administration in the contentious dynamic and to be able to enlarge the coalition of actors supporting rule enforcement in the infrastructure. The willingness of the Ministry of Trade to meet a delegation of Milanese shopkeepers, eventually favoured the mobilisation of other local business organizations in Florence and Rome, where the same problems were recorded in their respective wholesale markets<sup>78</sup>. Despite the mobilization of a variety of local business associations, and the engagement on different government levels, the problem remained unsolved, due to a lack of stable and committed coalition of local actors

In September 1975, retailers' business organizations of the province of Milan again raised the same problems in the local press<sup>79</sup>. Their claims were specific and detailed and showed, at least from their point of view, how the lack of rule enforcement could be explained as a mutual accommodation among different actors. Local politicians from *Democrazia Proletaria*, a radical left-wing party active between 1975 and 1991, also condemned in 1976 the lack of rule enforcement in the infrastructure<sup>80</sup>. Despite having a completely different political agenda, this party confirmed the retailers' claims. It is an important standpoint since it is highly unlikely to think about a convergence of interests between the two actors, thus confirming the empirical profile of this policy distortion. As we know, one of the formal purposes of wholesale markets, in Italy as well as in France, is to operate as economic institutions to regulate price dynamics. Alongside the spatial concentration of many economic actors to trigger market competition, this goal was supposed to be accomplished by the presence of interviewers employed by Ortomercato Spa, who daily collect wholesalers' prices. Some of the wholesalers I interviewed during fieldwork confirmed the mismatch between real and declared prices, which were lower, as something usual at that time due to corruptive transactions taking place between the operating company employees and corporate actors. The mutual accommodation found a place when wholesalers had an interest in providing altered information since the economic agreements with producers and suppliers used to be based on fixed remuneration based on

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<sup>77</sup> *Corriere della Sera – Corriere di Milano*, “Assicurata per giovedì la vendita di frutta e verdura”, 15<sup>th</sup> September 1970, p. 8

<sup>78</sup> *Corriere della Sera – Corriere di Milano*, “Cassette truffa”, 18<sup>th</sup> September 1970, p. 8

<sup>79</sup> *Corriere della Sera – Corriere Milanese*, “Caro-frutta: parlano i negozianti”, 1<sup>st</sup> July 1975, p. 11

<sup>80</sup> *Corriere della Sera – Corriere Milanese*, “Carovita: i demoproletari annunciano il picchettaggio dei supermercati il 20 marzo”, 5<sup>th</sup> March 1976, p. 11

a percentage rate calculated on the official price bulletin. By doing so, wholesalers could maintain higher profits at the expenses of producers and other suppliers. On the other hand, institutional clients, such as hospitals, school canteens, army headquarters, used to make their purchases basing their orders only on official prices, being interested in obtaining their goods at a low price. Given the broad participation and the penetration of parties into the management of public services and local institutions, it is legitimate to see a mutual profit for wholesalers and public services from the lack of transparency in price information in the wholesale market. Among the institutional actors obtaining their supplies in the wholesale market, there was also SOVECO. This municipal company was established with the objective of distributing goods at lower-than –average prices. A way to do this would have been to buy directly at the production stage. However, wholesalers always successfully opposed attempts to bypass them in the supply chain. Wholesalers opposed on two fronts: the first concerned the original policy design that was to supply SOVECO, obtaining goods directly from producers, therefore bypassing the wholesale meat and fruit and vegetable markets. The second regarded its organizational setting when the proposal came from the Socialists (PSI) and Social Democrats (PSDI) to install some facilities to organize activity in the public slaughterhouse and in the wholesale fruit and vegetable market, in order to improve their procurement and distribution capacities. The joint pressure on the local government of these collective actors resulted in the elimination of SOVECO's policy goals and the result was SOVECO bought from wholesalers in the infrastructure.

Between 1972 and 1976, the infrastructure went through the most dramatic social conflict. Freight-handlers were blocking the infrastructure with barricades, and wholesalers used to react with business shutdowns, paralyzing trading activities for many days, with severe repercussions on prices. In this climate, regarding which the local government and the operating company management played the card of blaming avoidance in order not to take a clear side about these conflicting interests, the decision was to not exacerbate tensions. The solution was rather to include all contrasting interests in the policy management trying to defuse the conflict, offering *voice* in exchange. If this strategy was often useful to manage contentious dynamics, it also prevented policy makers to take clear decisions. The result was, again, a pervasive inertia. Between 1976 and 1979 trade unions that mobilized in support of the freight-handlers' claims, who denounced the lack of transparency in economic transactions concerning the quality of goods, and the regulation



of the labour relationship with wholesalers. At least once, trade unions directly blamed a specific person for these issues: the executive manager of the market, Alessandro Ripamonti<sup>81</sup>. He was, according to internal regulations, responsible for checking for any infringement of the rules and for the application of penalties. This person held the position from 1965 to 1979, when the new company So.Ge.M.I. was established with the task of operating all the wholesale markets in the city. As is common in many situations where informal practices seem to overcome formal rules, we do not have one, clear and unequivocal proof of deliberate decisions to not apply the regulations. However, what I do know is that different actors, with different interests within the policy network, and in the local political system, confirmed the lack of rule enforcement throughout his term of office. A long-lasting term of office in a context of political exchange, together with his area of discretionary action for the enforcement of penalties, are elements that contribute to explaining the easiness with which wholesalers were able to avoid rule enforcement (Laffont, Martimort 1999). In September 1976, the management of the operating company changed. New members of the board of directors reflected the restructuring of the political coalition of the local government after the elections in 1975, with the Communists being part of the *Giunta Comunale* for the first time. The new president of Ortomercato Spa, Myno Carnevale, was a long-standing PCI party official. So far, I have considered the effects of the lack of rule enforcement in defining the content of contentious dynamics and their link with the political economy of local distribution system. The economic consequences are easy to guess: non-transparent economic transactions favoured the increase in profits for wholesalers, while pushing retailers to increase their mark-up in order to contain the loss of earnings. This mechanism should be considered as one of those that contributed to the rise in prices locally, to which I should also add the fragmentation of the distribution system and the lack of integration in the supply chain. Moreover, the strategic location of the new infrastructure in terms of accessibility favoured the speculative strategies of wholesalers, who were able to reduce the flow of goods into the local consumption market to raise prices by stocking them in cold-chain facilities outside or inside the wholesale market. Indeed, the operating company did not assure any kind of control against speculative behaviour even inside the infrastructure. Although wholesalers firmly denied pursuing such strategies, different local actors denounced them. Giovanni

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<sup>81</sup> *Corriere d'Informazione – Informazione Milano*, “Ortomafia”, 13<sup>th</sup> March 1976, p. 7

Cavalera, president of Ortomercato Spa (1972-1976), declared in 1973 that wholesalers used to stock their supplies in warehouses close to the infrastructure with the purpose of manipulating market mechanisms in their favour<sup>82</sup>. Trade unions and freight-handlers cooperatives<sup>83</sup> accused the wholesale market director of tolerating speculative behaviour such as multiple transactions in the market among wholesalers to increase the prices, hoarding of products by some wholesalers dominating the price dynamics thanks to their financial capacity, utilization of cold-chain facilities to stock goods so as to produce artificial scarcity in the local distribution system<sup>84</sup>. Different journalists in the national<sup>85</sup> and local<sup>86</sup> press published articles to account for the causal chain of inflation rates and speculative behaviours on specific types of seasonal products (e.g. cherries, oranges, apples). As far as local speculative dynamics are concerned, I should highlight that a sort of oligopoly characterized the economic structure of wholesaling within the infrastructure. Only a small number of wholesalers had the financial power and organizational assets to plan and manage hoarding products, while the vast majority of operators were obliged to undergo their business domination in the local trading market. The hoarding of products in order to manipulate market mechanisms was pursued both outside and inside the infrastructure. Inside the infrastructure this was possible mainly thanks to the lack of enforcement of what Fligstein (1996) defined *rules of exchange*. According to the internal regulations, transaction should have started at a precise time, when all goods, or at least most of them, had already reached the market. At this time, wholesalers could start their negotiations with retailers and with other wholesalers interested in supplying other areas in Italy, or exporting goods to other countries. In reality, as soon as the first quantities of goods arrived during the night, the biggest wholesalers started to purchase lots from other wholesalers accumulating the supply and controlling market factors. A mutual advantage was guaranteed: the former gradually took control over price dynamics; the latter could secure a profit since all their supplies were sold. With multiple transactions occurring before the official opening of the market, when retailers were finally authorized to buy

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<sup>82</sup> *Corriere dell'Informazione – Informazione Milano*, “Nascoste al Palaghiaccio tonnellate di arance per speculare sui prezzi”, 13<sup>th</sup> April 1973, p. 6

<sup>83</sup> Cooperativa Facchini Ortomercato Srl Letter sent to regional and municipal political actors, local press and trade union organizations, Fascicolo 67 13<sup>th</sup> February 1976

<sup>84</sup> *Corriere d'Informazione – Informazione Milano*, “Ortomafia”, 13<sup>th</sup> March 1976, p. 7

<sup>85</sup> *Corriere della Sera – Corriere Milanese*, “Una mafia invisibile dietro le ciliegie d'oro”, 4<sup>th</sup> June 1978, p. 1-2

<sup>86</sup> *Corriere dell'Informazione - Informazione donna*, “Frutta truffa”, 25<sup>th</sup> June 1975, p. 9

their supplies, prices had already considerably increased. Again, the combination between institutional factors and structural context disrupted the capacity for public action. The policy setting played a role preventing local government from having policy tools to force the location of wholesalers in the public infrastructure. The economic structure of the supply chain saw at the time wholesalers as key actors in the circulation of goods: they were able to extract the highest share of value from transactions, and the largest among them could influence the direction and the intensity of freight flows on the local scale. Providing wholesalers with a competitive collective good, as was this urban infrastructure, without instruments to compensate their dominance in economic transactions towards producers and retailers, worked as a multiplying factor of their capacity of control over price dynamics. Moreover, the structural assets, such as cold-chain facilities, accessibility for trucks in the infrastructure, connection with highways, also eased the speculative operation of affluent wholesalers who could exploit the fragmentation of the supply chain in their favour. This outcome was then exacerbated by the lack of enforcement by the operating company of the rules of exchange designed for the operation of this new economic institution.

### **B) The rising role of a new collective actor: the role of freight-handlers in contesting property rights within the infrastructure.**

The political connotation of the infrastructure not only involved the relationships between the operating company and retailers and wholesalers. During the 1970s, it was also associated with another collective actor, which made its voice heard for the first time in December 1971: freight-handlers.

Throughout the 1960s, strikes, demonstrations, mobilizations by trade unions and factory occupations were part of the common repertoire of actions in the urban economy as a way to pursue better working conditions and to improve workers' social rights. The first conflictual episode caused by the mobilization of freight-handlers in the *Ortomercato* occurred in 1971. For the first time after the relocation of the infrastructure, this professional group acted as a collective actor claiming a different political economy of *property rights*: they asked for wholesalers for higher tariffs for their services to be approved in order to keep for them a higher portion of the considerable wealth produced within the market. Their collective action aimed to block the main gateway for perishable

food into the city. They closed the gates with barricades preventing the merchandise entering or leaving and declaring an indefinite strike. On the very same day, the mayor received their delegation in a meeting together with trade unions, who had a marginal role at that time, and the Union of Commerce represented both by the general director Giuseppe Orlando and by the president of the fruit and vegetable retailers' association. On the same evening, the *Giunta* approved an agreement accepting all requests:

- the institution of a first aid medical service,
- the construction of cloakrooms and the institution of a canteen service,
- the abolition of the entry fees freight-handlers were obliged to pay daily,
- the construction of roofs under which to unload trucks, which were unloaded directly in the sun, rain or snow.

However, once the contentious dynamic stopped, the local administration and the operating company did not keep to their commitments. In 1972, with the approach of the winter, the persistence of tough working conditions triggered a new unannounced strike, still without the mediation or the engagement of trade unions. This time the wholesale market remained closed for three days (23<sup>rd</sup> – 24<sup>th</sup> – 25<sup>th</sup> October) due to freight-handlers' barricades and fruit and vegetables had to be distributed outside the infrastructure using some squares in the neighbourhood, and with no control over the fairness of the economic transactions and the quality of the goods. During this period, wholesalers announced, as a threat, their intention of stopping the supplies for the local economy. The current work conditions and their social consequences, the responsibilities of the local administration and of the operating company, were absent from the framework of the problem. The declarations of the president of Ortomercato Spa, the debates in the food distribution municipal commission, the local press, contributed to dramatize this issue as a policy problem for the regulation of price dynamics in the consumption market. Given this policy framework, the priority was not to offer a different setting of rules and conditions that could reshape market actors' relationships. The only conceivable action was to guarantee the functioning of the market, without being able, or without being willing, to take into account the reasons behind these social tensions.

In January 1975, the Lombardy regional government approved a regional law for the coordination of wholesale markets in the region. Considering regional law 12/1975, two relevant elements concern the role of freight-handlers in the infrastructure. The first

element is the inclusion of freight-handlers as fully entitled members of the market commission<sup>87</sup>, whereas before they only had the opportunity to express opinions without the right to vote binding resolutions<sup>88</sup>. Secondly, freight-handlers cooperatives are indicated as the choice to privilege for the outsourcing of freight-handling services in the infrastructure. I do not have smoking gun evidence to claim that Trade Unions were effective in influencing the content of the regional law. However, structural and context-specific factors, together with the content analysis, strongly support this statement. The structural factor entails the rise of the importance of Trade Unions in the Italian political economy for national market regulation during the first half of the 1970s. Trade union membership among employees grew at a remarkable pace. It rose from 26.8 per cent in 1968 to 43.2 per cent in 1973 and to 49 per cent in 1978 (Trigilia 1997). The membership increase came along with higher legitimation within society and higher effectiveness in social bargaining to obtain better economic conditions for workers, especially concerning wage adjustments to the inflation rate, which was one of the main structuring nodes of market regulation during the 1970s and 1980s in Italy (Salvati 2000). One of the important results of trade union activities was indeed the reform of the *scala mobile*, a policy device for the automatic adjustment of salaries to the rising cost of living. The context-specific factor concerned the role of trade unions in Milan and in Lombardy. Milan was at the core of one of the most industrialized regions in Italy at the time, giving a wide membership base for trade unions. The mobilization by students and workers during the so-called “Hot Autumn” in 1969 represented for industrial relations and the political economy a watershed that also legitimated at the local level trade unions as part of the configuration of actors for regulation (Trigilia 1997). The wholesale market infrastructure was among the biggest labour forces in Milan with 1200 freight-handlers and hundreds of wholesalers’ employees. The decision to include freight handlers in the market commission in Lombardy did not happen by chance. I argue that this was the result of collective action and pressure exerted by the radical mobilization of freight-handlers, together with a mutually beneficial strategy of coalition building with the trade unions from 1974 onwards. During the 1970s, unions were stronger than they had ever been, shown to be more independent than parties, and more united in collective action (Trigilia 1997) acting, in the case of the wholesale market of Milan, as a provider of organizational resources in a win-win relationship with freight-

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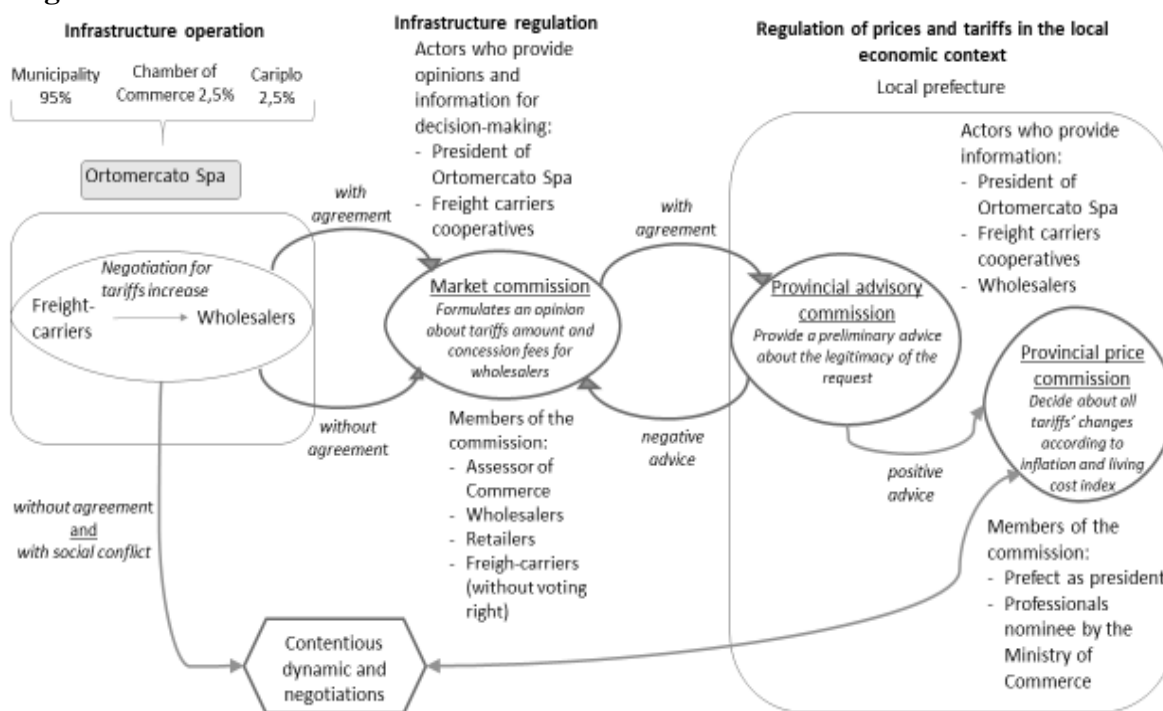
<sup>87</sup> Art 10, let. 1, LR 12/1975.

<sup>88</sup> Fruits and vegetable wholesale market, approved by the city council in 1960.

handlers. The former gained political influence in one of the important economic infrastructures of the city, the latter obtained access to local institutional negotiation arenas and political legitimation. The intervention of the regional government in the regulation of food distribution infrastructures in 1975 opened a new window of opportunity for freight-handlers to make their voices heard, and for trade unions to gain political capital from this new front of social conflict in local economic regulation. Although the mobilization of the freight-handlers and the support of the Trade Unions produced a legislative intervention in their favour, this did not result in a real change of policy. The most important novelty factor, which had catalysed the claims of the freight-handlers, was the outsourcing of Sogemi's freight-handling service to the cooperatives active in those years. In fact, this article was never enforced, leaving in the 1980s a wide discretion to wholesalers in regulating this activity. In the 1990s, this area of operation of the infrastructure was mainly regulated through informal practices, favouring the infiltration of criminal organizations of the mafia type. Still today, the role of the freight-handlers is regulated outside the normative framework established by the regional law.

To account for the contentious dynamic that characterized the 1970s and for the configuration of the actors that supported them, I present some specific contentious dynamics. Again, I focus my attention on the issues at stake, the actors involved, the repertoire of actions, and the outcome of the negotiation. The first step is to clarify the configuration of actors and deliberative arenas involved in the decision-making process concerning freight handling tariffs. This schematization aims to highlight some key elements (Fig. 2.5). First, the decision-making process concerning handling tariffs and concession fees paid by wholesalers, was complex and involved different deliberative arenas. This complexity required time and was open to possible veto strategies that actually occurred regularly. Namely, wholesalers often acted as veto players to prevent the implementation of the automatic cost-of-living adjustment to the handling tariffs. The argument of wholesalers was that any increase of fixed costs in their companies would have an impact on prices for retailers and therefore for the final consumers. The confrontation between freight-handlers and wholesalers had almost been constant since 1975, when trade unions at the national level agreed on the adjustment of wages every four months, according to inflation, the so-called *scala mobile*.

**Fig. 2.5 Configuration of actors and deliberative arenas for the infrastructure regulation 1965 - 1979**



Source: Author's elaboration

The contentious dynamics of May 1974 followed a similar pattern of the aforementioned 1971 and 1972 conflicts. As soon as the freight-handlers blocked the infrastructure, the local government, represented by the trade deputy mayor stepped in as mediator<sup>89</sup>, trying to obtain a *centralized political integration*. The mediation involved the three cooperatives of freight-handlers in the infrastructure, representatives of trade unions, who supported the mobilization, the operating company, and of course wholesalers with whom the negotiations for having higher tariffs for the handling service, had previously failed<sup>90</sup>. The first attempt at political integration of the conflicting interests at stake, failed. In a second instance, the operating company stepped in as mediating actor, substituting the trade deputy mayor<sup>91</sup>, trying to achieve what I define as '*decentralised political integration*', conceiving the wholesale market as a political arena with *Ortomercato Spa* as

<sup>89</sup> *Corriere della Sera – Corriere di Milano*, “Paralizzato il mercato ortofrutticolo”, 25<sup>th</sup> May 1974, p.8

<sup>90</sup> *Corriere della Sera – Corriere di Milano*, “Paralizzato il mercato ortofrutticolo”, 25<sup>th</sup> May 1974, p.8

<sup>91</sup> *Corriere della Sera – Corriere Milanese*, “Domani riprende il rifornimento di frutta e verdura alla città”, 26<sup>th</sup> May 1974, p. 8

a *super partes* body. The second attempt to solve the contentious dynamic failed as the previous one had. Meanwhile, freight-handlers had been blocking the infrastructure for 8 days already and goods for the Milanese consumption market could arrive only from other wholesale markets or via informal transactions in the streets and squares surrounding the infrastructure, with no control measures over health or economic transactions. The failure of this second attempt of political integration can be explained by looking at the institutional environment that affected the room for Ortomercato Spa's organizational action and the mode of coordination between the company's management and the local government. The lobby of the wholesalers' interest group on political parties and local government triggered a deficit of the operating company from 1972, due to the lack of capacity in raising wholesalers' concession fees (untouched since 1965, when they were set lower than what had been planned during the policy formulation), and for services, such as cold chain assets, offered to them at subsidized prices<sup>92</sup>. Alongside this distributive measure, wholesalers exerted added economic pressure on the operating company by suspending their payments in protest for the social conflicts with freight-handlers. This dynamic pushed the local authority to cover accumulated debts, eventually subsidizing wholesalers' costs. Trying to reduce the disagreements with wholesalers between 1972 and 1976, the 18 members of the administrative board included four corporate representatives from wholesalers and retail professional organizations, but excluding freight handlers. This decision was the result of the pressures these two professional categories were able to exert over parties thank to the lobbying action of the Union of Commerce and to their veto strategies on market commissions. The outcome for negotiations with interest groups was to give a voice to wholesalers and retailers reducing the room for freight-handlers. In the same period, the fragmentation of the policy network and difficulties of coordinating the actors was accrued by the political diversity of the trade deputy mayor, and of the president of Ortomercato Spa, who were constantly members of different parties. Difficulties in political coordination were part of the explanation for the failure in finding a compromise. Given the polarization of interests at stake, the multiple vetoes by actors, the organizational limits, and political fragmentation, this conflict was settled following a strategy of de-politicization, pursuing what I define as '*administrative integration*'. After

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<sup>92</sup> Shareholders Assembly – minute of the session held in 4<sup>th</sup> April 1972; Shareholders Assembly – minute of the session held in 25<sup>th</sup> March 1974; Shareholders Assembly – minute of the session held in 27<sup>th</sup> June 1974



the first two failures at negotiation, the local government and the operating company stepped back from a mediating role, asking for the involvement of the local Prefect<sup>93</sup>. This institutional role was perceived as less politicized, or at least less embedded in local crosscutting distributive politics that often produced stalemates in the food policy domain. Through the mediation of the Prefect, it was possible to eventually find a compromise acceptable for all, obtaining the removal of barricades and the reopening of the wholesale market. The contentious dynamic in 1974 was also important for the engagement, for the first time, of trade unions supporting the mobilization of freight-handlers. The goal was to improve wage conditions following the guidelines of those agreed by trade unions in the transport sector at the national level in July 1973<sup>94</sup>.

After the agreement in 1974, the mobilization reached new peaks in March-April 1975, and between February and June 1977. After the approval of the Regional Law in January 1975, the claims for the approval, every four months, of handling tariffs adjusted to the cost of living, according to the *scala mobile* mechanism, intertwined with the contentious dynamics concerning the development of a new regulation in the wholesale market. This twofold ‘fighting front’ generated short-circuits within the negotiations, especially in 1977. Contentious dynamics were characterized by a repertoire of actions that targeted as in the past the functioning of the infrastructure. During each conflict peak, freight-handlers used to block the gates with barricades for several days affecting the availability of goods in the local distribution system, with repercussions on price dynamics also fuelled by speculative behaviour of both retailers and wholesalers who took advantage of the situation. Freight-handlers and wholesalers exploited the centrality of the urban infrastructure for the supply of the urban and regional economy as a bargaining resource during the complex negotiations between their interests attempted by local institutions. Freight-handlers wanted to exert pressure on wholesalers for their acceptance of tariff increases on the market commission, while wholesalers either shut down their businesses as a reaction of the confrontational attitude by the freight-handlers, or threatened the operating company and the local administration with a massive exit from the infrastructure. Negotiations between the local government (which had the majority of the shareholding of Ortomercato Spa), the operating company, wholesalers, and freight-handlers had different

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<sup>93</sup> *Corriere della Sera – Corriere Milanese*, “Ripresi i rifornimenti di frutta e verdura”, 30<sup>th</sup> May 1974, p. 8

<sup>94</sup> *Corriere della Sera – Corriere di Milano*, “Paralizzato il mercato ortofrutticolo”, 25<sup>th</sup> May 1974, p.8

outcomes between 1975 and 1977 according to the collective action and the capacity of coalition building of the different actors.

The March-April 1975 conflicts were again started by freight-handlers, whose goals were now steered by the trade unions' political agenda: the implementation of the *scala mobile* agreement, signed at the national scale at the beginning of the same year. The mobilization, the strategies, the repertoire of action were defined in collaboration with trade unions, as it had been in 1974. On 24<sup>th</sup> March 1975, freight-handlers blocked the wholesale market with barricades, and after a few days, they continued with some partial, and temporary, softening of the blockage<sup>95</sup>, which eventually lasted until 17<sup>th</sup> April. The reaction of the actors involved with the regulation of the infrastructure (Fig. 2.5 above), was different from the previous ones. In this case, the municipality did not intervene in the first instance as a mediator. The absence of direct local government involvement may be due either to a reduced political legitimacy of its executive body close to the end of its term of office, or for the will of local politicians to focus their activity towards more politically profitable engagements. The operating company too, avoided acting as a direct mediator between freight-handlers and wholesalers. Indeed, it posited itself rather as a facilitator of the mediation pursued by the Prefect<sup>96</sup>, thus adopting the administrative integration strategy. Because of the institutional environment depicted above, the operating company was conceived as a political arena. A politically sensitive spoil system process defined the membership of the board of directors, as for those of all other municipal companies and bodies. Its president operated, in case of conflict, as a distributive actor between different professional groups, and its legitimacy depended on the quality of the relationship with the trade deputy mayor. Therefore, in transition phases of local politics, the mediation resources of the operating company were reduced. The larger coalition of actors, which also included the professional organization of regional producers<sup>97</sup>, and the polarization of positions within the contentious dynamic were two factors that made the negotiation more complex. Wholesalers reacted with symmetrical actions of infrastructure blockage on two occasions, first reacting against the freight-handlers' initiative, then in response to the first

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<sup>95</sup> *Corriere della Sera – Corriere Milanese*, “Oggi riapre l’ortomercato”, 2<sup>nd</sup> April 1975, p. 8

<sup>96</sup> *Corriere della Sera – Corriere Milanese*, “Sospeso all’Ortomercato lo sciopero dei facchini”, 27<sup>th</sup> March 1975, p. 8

<sup>97</sup> *Corriere della Sera – Corriere Milanese*, “Protesta della Coldiretti per il blocco dell’ortomercato”, 26<sup>th</sup> March 1975, p. 8

decision of the provincial price commission<sup>98</sup>, which entailed the increase of handling tariffs. After a few weeks of unfruitful negotiations, the prefect, leaving aside political local institutions, successfully pursued the attempt to bring the conflict on to a less politicized field, mediating the positions of the polarized actors.

As far as the rules of exchange were concerned, the draft of a new regulation, required after the approval of the regional law in 1975, opened up the opportunity to find a solution to prevent informal economic transactions between wholesalers in the market, which had until then favoured the reproduction of advantageous positions in it. Considering property rules, the issue at stake was the reorganization of the services offered by the operating company that could be outsourced to the freight-handlers' cooperatives, giving them more power in the operation of the transactions and offering the opportunity to drain more economic resources towards their associates. The formulation of new internal rules to comply with regional guidelines was the main topic structuring mobilizations from 1976 to 1977 when eventually the regional market commission approved the operational guidelines stated in the law. The regional market commission was an arena that reproduced on a regional scale the corporatist policy design of municipal wholesale markets: there was one per product category and all economic interests at stake were represented, including freight-handlers. These two years of delay can be explained by the veto position played by wholesalers in it. Indeed, the new regulation, according to the criteria stated by the regional law, gave more importance to freight-handlers' cooperatives in the daily operations of the infrastructure, both in the market commission and for the provision of the handling service to wholesalers. Following the issue of regional guidelines in 1977, the final approval of the new regulation for the infrastructure took four more years, being approved only in 1981 at the end of more years of conflict in the infrastructure.

After the mobilizations in March and April 1975, a major change occurred in Milan's local politics. In the June local election, PCI was the first political party reaching 30.4 per cent of votes. This political change had an impact over the leadership of the operating company in September 1976, with the appointment of Myno Carnevale (PCI 1976 – 1982) as president. (See Tab 2.5).

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<sup>98</sup> *Corriere della Sera – Corriere Milanese*, “Ortomercato: i grossisti sospendono tutte le vendite”, 29<sup>th</sup> March 1975, p. 8

**Tab. 2.5 Management structure of Ortomercato Spa and leadership changes 1956 – 1982**

Management	Leadership form	Party affiliation/ partisanship	Members of the Board of Directors	Beginning/ end
Luigi Chiaraviglio	Board of Directors	--	6	1956 - 1958
<i>Change factor: policy design</i>				
Giordano dell'Amore	Board of Directors	DC	3	1959 - 1961
Giordano dell'Amore	Board of Directors	DC	9	1962 - 1966
Giordano dell'Amore	Board of Directors	DC	18	1966 - 1971
<i>Change factor: local government political coalition</i>				
Giovanni Cavaleria	Board of Directors	PSI	18	1971 - 1976
<i>Change factor: urban government political coalition</i>				
Myno Carnevale	Board of Directors	PCI	9	1976 - 1978
Myno Carnevale	Board of Directors	PCI	13	1978 - 1982

**Sources:** Local press, reports of shareholders' meetings

One year after the approval of the regional law, Mr. Calavera, before resigning in favour of Myno Carnevale, established a joint committee<sup>99</sup> whose members were all the actors involved in the operation of the infrastructure: retailers, wholesalers, freight-handlers. Its purpose was to draw up suggestions for the approval of regional guidelines. The establishment of ad hoc deliberative arenas was one of the strategies that are pursued in local distribution politics when political actors have the impression that divergences between different stakeholders can result in conflicting actions.

This political change also coincided with a new position of trade unions within the local configuration of actors. The accrued influence of the Communists had an effect on power relationships between them and local interest groups actors. The increased legitimacy of the 1970s came together with a favourable disposition of trade unions to establish concertation processes at the national level, in order to exchange a lower degree of conflict with national government engagement in promoting new occupational policy (Salvati 2000). As we know, the Italian political system was vertically integrated along

<sup>99</sup> *Corriere d'Informazione – Informazione Milano*, “Tariffe di facchinaggio: intesa all’ortomercato”, 15<sup>th</sup> May 1976, p. 11

party lines and cleavages, and so were trade union organizations. Thus, this new approach in labour market contentious dynamics affected strategies in the local collective action. The political proximity between the main trade union organization (the CGIL) with the Socialist and Communist parties, put this interest group, the president of *Ortomercato Spa*, and the local government in a new configuration. On the one hand, all of them were more prone to supporting the satisfaction of freight-handlers' claims to avoid ideological inconsistencies, but at the same time, the radicalization of social conflict could harm the operation of a strategic urban infrastructure now ruled by the Communist Party, thus with political consequences for its local legitimacy. Given this picture, the joint committee established in 1976 acted as a tool of decentralized political integration, while trade unions started playing the role of an external constraint to channel freight-handlers' claims towards less radical collective actions, more compatible with the new structure of local politics. This balance was effective until the approval of regional guidelines for the application of Regional Law 1975/12, in May 1977, giving the infrastructure almost two years of operational stability.

In 1977, just before the approval of regional guidelines, a new outburst of social tensions took place, suspending for a few months the capacity of trade unions to steer freight-handlers' collective actions<sup>100</sup>. Wholesalers provided the spark for this contentious dynamic when they decided to shut down their businesses to protest against the ongoing underlying tension between themselves and freight-handlers in the infrastructure<sup>101</sup>. Freight-handlers decided, against the advice of the Trade Unions, to start a strike in reaction, blocking the access to the wholesale market<sup>102</sup>, and they tried to involve in the negotiation the Prefecture, concerned for the adjustment of tariffs, and the regional government<sup>103</sup>. By doing so, they by-passed political actors considered more interested in maintaining social peace rather than supporting their claims. Both the local government and the operating company condemned the five-day long blockage that followed<sup>104</sup>. The

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<sup>100</sup> Letter by the Trade Union in transport sector (FISTA) "Intervento politico per l'ortomercato", Fascicolo 23, 14<sup>th</sup> November 1979

<sup>101</sup> *Corriere della Sera - Corriere Milanese*, "Chiusi ieri all'Ortomercato i posteggi per la vendita", 6<sup>th</sup> February 1977, p. 12

<sup>102</sup> *Corriere della Sera - Corriere Milanese*, "Marciscono tonnellate di frutta e verdura mentre già scarseggia merce nei negozi", 22<sup>th</sup> June 1977, p. 12

<sup>103</sup> *Corriere della Sera - Corriere Milanese*, "Ancora paralisi all'ortomercato. Nella vertenza interviene la Regione", 8<sup>th</sup> February 1977, p. 9

<sup>104</sup> *Corriere della Sera - Corriere Milanese*, "Ancora bloccato l'ortomercato. Il Comune condanna l'agitazione", 9<sup>th</sup> February 1977, p. 10

approval of regional guidelines favoured a step forward in May<sup>105</sup>, without however solving the conflict. Indeed, together with the approval of the regulation, which concerned both rules of exchange and rules of property in the infrastructure, other issues were also contested: the cost of living adjustment of freight-handlers' tariffs, according to the *scala mobile*.

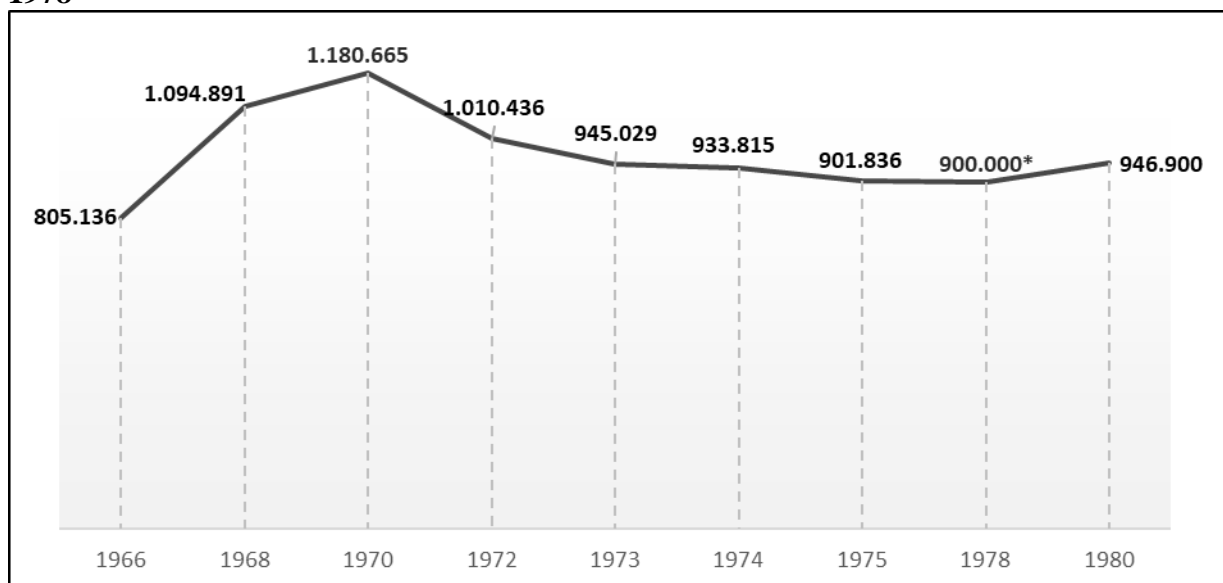
Linked to this in June 1977 a new wave of mobilization started, with freight-handlers as usual closing the gates of the wholesale market, forcing retailers to make their transactions directly with truck transporters in the adjacent streets and squares, bypassing in many cases the economic role of wholesalers. For the first time, their strike was justified by adding as an argument the speculative behaviour of wholesalers in the market, and the manipulation of incoming flows by larger wholesalers in order to control the price dynamic. This argument, as we have seen above, was not new among the issues that characterize the public discourse around this urban infrastructure, nevertheless, it was the first time that it was used as cognitive framework to support a freight-handlers' strike<sup>106</sup>. The trend of freight volume was used as evidence of this claim (Fig. 2.6).

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<sup>105</sup> *Corriere della Sera - Corriere Milanese*, "La difficile tregua dell'Ortomercato forse definitiva grazie al regolamento", 10<sup>th</sup> May 1977, p. 11

<sup>106</sup> *Corriere della Sera - Corriere Milanese*, "All'ortomercato continua il blocco delle merci. I Facchini hanno deciso di scioperare ad oltranza", 24<sup>th</sup> June 1977, p. 12

**Fig. 2.6 Tons of incoming flows of fruit and vegetables in the wholesale market 1966 - 1978**



\*Estimate

**Sources:** Local press; Trade Unions administrative documents

The decreasing trend is explained by freight-handlers as a wholesaler's strategy of to weaken the hub role of the infrastructure and to bypass the social conflict that had characterized it since the beginning of the 1970s. The trade unions tried to de-escalate the radicalization of the contentious dynamic as they had done since 1975: failing in the attempt. Eventually, they did not support this mobilization as in the past, freeing the hands of political actors to condemn freight-handlers, without entering in contradiction with the mutual support between trade unions and the Communist Party. The Municipality stepped into the conflicts pursuing a *centralised political integration* strategy to support the operating company's negotiation, setting out a common normative framework: they saw the strike as a threat for price stability in the local distribution system, to reduce strike legitimacy<sup>107</sup>. After several days of blockage, freight handlers eventually removed their barricades. Despite that, the polarization of the conflict led to an unprecedented coalition: wholesalers, retailers, and producers for the first time found common ground, leaving aside crosscutting conflicts that had until then hampered coordination of economic interests. This also favoured the new involvement of the Union of Commerce in the negotiation with the local administration, after years of absence from the policy network due to contrasting interests of its members (namely, retailers and wholesalers). The choice of freight-handlers

<sup>107</sup> *Corriere della Sera - Corriere Milanese*, "Ancora bloccato l'ortomercato. Il Comune condanna l'agitazione", 9<sup>th</sup> February 1977, p. 10

to adopt the usual radical repertoire of action was not forgiven by the local political actors, especially in the Communist Party. Indeed, as we know, the new regulation should have foreseen the outsourcing of handling service to freight-handlers' cooperatives, giving them more power in the wholesale market. The lack of trust as a consequence of this last mobilization played a role in convincing some areas of the Communist Party of the need to marginalize freight-handlers from the operation of the wholesale market. The concerns about the operation of the infrastructure included the impact of social conflict over price dynamics and the risk of losing attractiveness for the infrastructure<sup>108</sup>. The fact that for the first time, both concerns were concretely under pressure, contributed to worsening the fracture between local political actors and freight-handlers.

After this mobilization, the local government, operating company and trade unions started to coordinate their efforts to draw up the new regulation in order to bring contrasting interests to a pacific negotiation. The monopoly of trade unions in this negotiation and its regained capacity to steer the collective action in the infrastructure again gave them the legitimacy to bargain for incremental improvement of working conditions in it. Since 1977, no other major workers' mobilization has blocked the infrastructure. The successful political integration described above gave trade unions a privileged access to negotiations with the local authority<sup>109</sup>. Since social conflict and subsequent political risks diminished, the local government placed itself as a pivotal actor in the regulation of the infrastructure. This new position at the centre of the food distribution political stage also coincided with a renewed interest and rise in the local agenda for the further development of the infrastructure and the concentration of all the wholesale markets in the same location as the fruit and vegetable one. The processes, the actors, and the factors that lead this process of concentration, which eventually ended in 2000, will be the topic of chapter 4 where I analyse the links between local governance processes and these policy developments. Lastly, I would like to highlight that the long years of freight-handlers' mobilizations resulted in a greater legitimation of this professional group in the infrastructure. Three elements characterized the increase of their importance since 1959:

- their official inclusion as actors entitled to provide freight handling services,

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<sup>108</sup> *Corriere della Sera - Corriere Milanese*, "I grossisti rifiutano di rientrare all'Ortomercato. Il Comune autorizza la vendita nelle strade vicine", 29<sup>th</sup> June 1977, p. 11

<sup>109</sup> Prot. N. 019/GD/, Official letter from trade unions representative for the operating company, the trade deputy mayor and the wholesale market commission, Fascicolo 57, 9<sup>th</sup> May 1979



- the limitation of wholesalers' autonomy in freight handling to assure a higher market share for their services in the wholesale market,
- a step back by the wholesale market's operating body (the municipality first, and Ortomercato Spa after 1965) in the selection of the freight-handlers labour force.

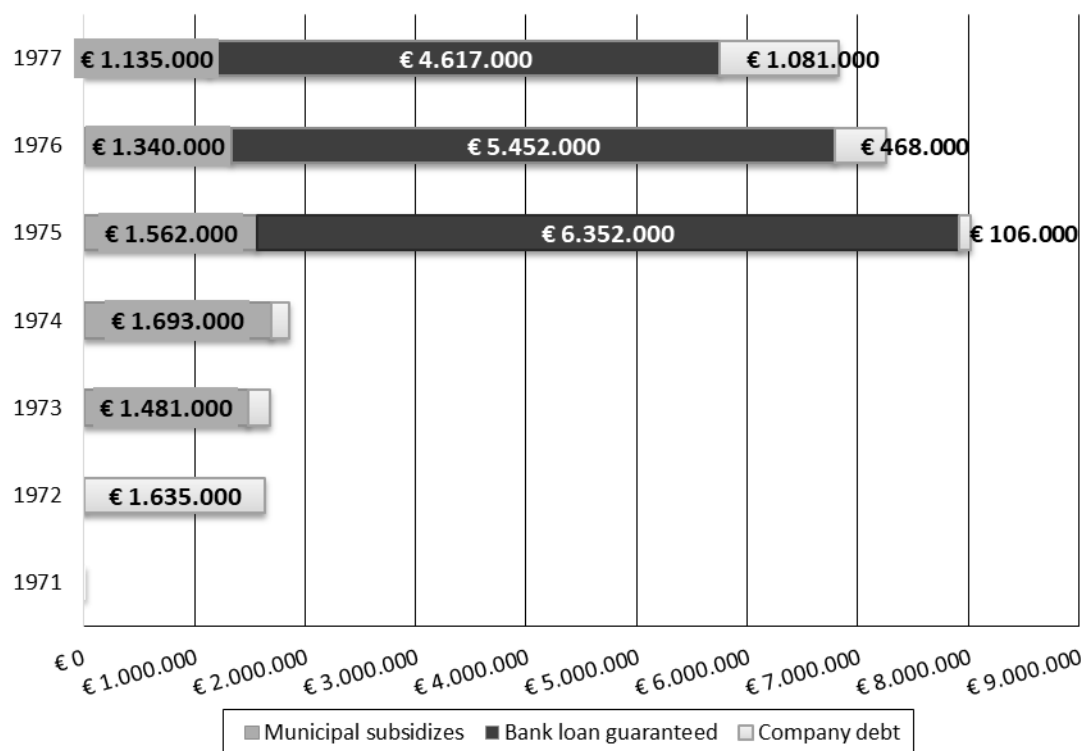
As emerged in the analysis of this series of contentious dynamics, the operating company Ortomercato Spa had different roles in time. It was used as a bargaining arena (in decentralized political integration strategies), it acted as a mediation actor (in administrative political integration), and it blamed freight-handlers' mobilization contributing to the reconfiguration of actor coalitions in the policy network (in centralized political integration). Nevertheless, it should also be recalled that its agency is not free from local politics and from resources that are distributed by the local government, including one of which arose as critical: political legitimation.

However, political legitimation is not the only resource the organization is dependent on. Economic resources are also crucial for its operation and development. These resources can be obtained in two ways: via users' contributions and via public subsidies. The equilibrium between these two sources gives us the information about distributive setting granted by the infrastructural policy, and insights about the local food distribution system policy approach. Users' contributions are structured as follows: entry fees paid by transporters and retailers when they enter the wholesale market for their economic transactions, concession fees paid by wholesalers and producers for their selling units, fees for services provided by the operating company (e.g. cold-chain assets). On their side, public subsidies can be:

- in the form of increases of share capital, which in turn can be used as an economic reserve to provide input for debt cuts,
- in the form of municipal subsidies used directly to cut the company's debt in a one-off or systematic way,
- in the form of bank loan guarantees when the operating company signs a bank loan to cover its debt, and the municipality provides the financial guarantee for it.
- In form of operational costs charged over the local administration reducing the need for *Ortomercato Spa* to raise its fees on corporate actors.

Given the institutional environment where the infrastructure is embedded, economic resources have a political value, their allocation is part of the strategy to manage conflicts among different interests using them as political exchange and indirectly redistributing resources from the local administration budget to particular social groups, or from particular social groups to the broader local community. I already mentioned the shifting of operational costs from the company to the municipality budget in order to avoid the increase of concession fees for wholesalers and producers.

**Fig. 2.7 Direct and indirect public funding of Ortomercato Spa 1970 – 1977**



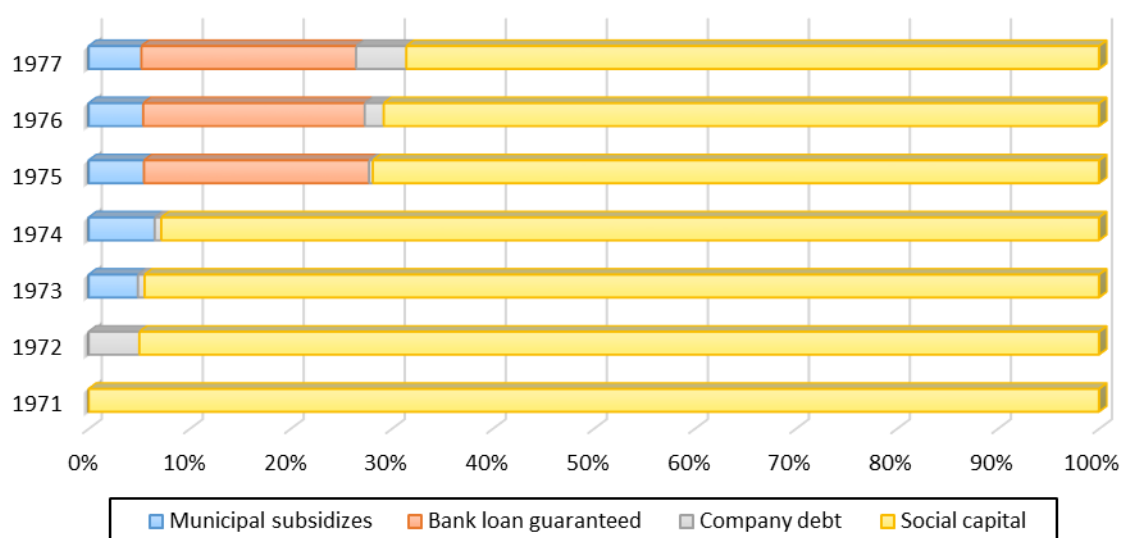
**Methodological note:** All values are presented in 2016 prices, adjusting original values with the monetary revaluation index provided by Istat: <https://rivaluta.istat.it/>

**Sources:** Municipal commission reports, Local press, Ortomercato Spa minutes of Board Meetings

In 1969, the Socialist-led local government coalition decided to take control of the company’s shareholding structure. As discussed above, the grounds for the settlement of the conflict between the Municipality and wholesalers at the time of the inauguration was the request for a reduction of the concession fees , postponing the assessment of the exact amount. This assessment was never made, and fees remained the same between 1965 and 1978, with a depreciation index due to inflation close to 30%. The intertwined effect of inflation and lack of fees adjustment produced the debt registered in 1972. In this same

year, the Board of Directors of Ortomercato Spa, now controlled by the Municipality, approved the increase of the share capital. This was paid up only by the local administration in order to reach 95% of shares. Therefore, changes in the shareholding structure were consistent with a twofold policy goal: to release from negative economic conditions two local actors (the Chamber of Commerce and CARIPLO) shifting the debt on to the shoulder of the local administration, and at the same time obtaining the political control of the infrastructure in an institutional context where parties were massively penetrating society to control consent manufacturing. Thus, the centrality the infrastructure gained in a local administration action was both in economic and political terms. The economic side of its role is shown in policy goals presented by the political coalition that took power with the 1970 local elections: the infrastructural policy became the flagship policy in food price control thanks to its – supposed - capacity of regulating the supply-demand dynamic. On the other hand, its political role is made explicit by the (failed) attempts at political integration for interest groups active in it. This centrality also had an impact in terms of political economy. Operational costs start to be increasingly funded by the local administration favouring wholesalers' profits. Indeed, in Fig. 2.8 we can observe how the incidence of public funding and debts on the share capital of the company passed from 5% in 1971 to 30% in 1977.

**Fig. 2.8 Public funding and debt incidence on the Ortomercato Spa share capital 1971 – 1977.**



**Sources:** reports of shareholders' meetings, local press

This trend should be considered as the consequence of the lack of adjustment of concessions and service fees: in terms of political economy, they represent an indirect subsidy to wholesalers' fixed costs. A second change in the way local administration governed the budget of the company, is visible from 1975. This coincided with the entrance of the PCI in the government coalition and with the consequent change in the way of conflict regulation. Concisely, I can summarise this change in conflict regulation as a decentralization process from the core of urban politics towards the operating company, one of the many public companies and organizations of the so-called under-government, and then towards a local institution less involved in local politics such as prefectural offices. This was a strategy to push back interest groups' pressure from parties, and was also supported by Trade Unions in their sought for political legitimation towards the PCI.

This decentralization trend is also visible by the shift of debt management from the local public finance (Municipal subsidies) to the operating company that directly took out a loan with Cariplo to fund its debt and its operational costs in 1975. This loan contract was then guaranteed by the Municipality, but it did not require the direct transfer of economic resources, leaving on the shoulders of Ortomercato Spa the burden of the deficit. In other words, the decentralization of conflict regulation from the Municipality to the local prefecture coincided with the decentralization of debt management from the Municipality to the operating company. In general, conflictual sources tend to be externalised to avoid affecting political balances in local government coalitions. This externalization is associated with a lack of a capacity of public action to rearrange the constitutive elements that constantly triggered social conflicts in the infrastructure. This lack of action concerned crucial aspects of the infrastructure's operational and development dimensions:

- there is a lack of rule enforcement concerning rules of exchange;
- there is an outsourcing of conflict resolution towards local prefectural offices;
- there is a lack of actions to pursue political or organizational integration, leaving to an external actor, trade unions, the task of achieving it.

The analysis of the first years of operation of the new infrastructure has highlighted some aspects that are central to understanding the policy process and the explanation of the type of path followed for the development of the wholesale markets of Milan. Two determining factors have emerged that have influenced the dynamics between the actors

involved in the policy network. The structural factors of the economy and the institutional configuration. The economic structure has guaranteed local interest groups, wholesalers and freight-handlers, a position favourable to the exercise of collective action. The institutional configuration has favoured the exercise of collective action in a conflictual way. The interweaving between the organization of the local government, the policy setting and the centrality of the political parties is the central element of the institutional environment in which Ortomercato Spa is rooted. One of the outcomes of these contextual factors has been the constitution of several veto points that have allowed wholesalers to act constantly and effectively as veto players. Other related outcomes have been the constant difficulty in guaranteeing a political integration of local interests, the policy inertia and slowness of decision-making processes, the economic suffering of the infrastructure management company.

In the next chapter, I analyse in detail the structural changes in the economy in France and Italy and in their respective local contexts to highlight the impact these had on the legitimacy of this infrastructure policy in the light of the profound changes in the retail food trade and food logistics sector. In Chapter 4, I will, on the other hand, highlight how the processes of urban governance have influenced the way in which two infrastructures are governed, which already show at least one important difference. In the case of the MIN Paris-Rungis, the organizational functioning succeeds in triggering the bases for a process of institutionalizing the relations between the actors involved. In the case of the new Milanese wholesale market, the organizational functioning triggers a conflictual dynamic that cannot be reassembled either by the management of the management company or by the local government.

## CHAPTER 3

### **Market changes and operational pressures: the origins of two functional models**

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After discussing the role of actors and institutional configuration in shaping public policies for the MIN Paris-Rungis and the wholesale markets in Milan, this chapter will take into account the economic changes that have an impact on the functioning of these two infrastructures. In order to understand the impacts of the market's structural factors, two aspects will be considered: the organisation of the supply chain and the modification of the value chain introduced by the logistic revolution in the food sector.

As explained in the introduction, terminal wholesale food markets, the subject of this comparative research, are infrastructures designed and built with the objective of organizing the supply chain of urban distribution systems. In chapters 1 and 2 I highlighted how the policy design and implementation process that produced the two infrastructures depended on the institutional configuration and the resulting role of the different actors and interest groups involved. However, the functioning of wholesale markets does not depend solely on these variables. These infrastructures are designed to guide the behaviour of economic actors in the food distribution sector. Therefore, they are subject to external and internal pressures, which originate in market change processes that are autonomous from public action and focus on their operation and development. Two processes of change have

affected food distribution in the European context since the 1960s, with specific characteristics in France and Italy: one of these concerns the way in which food is traded, the other is related to the logic of freight management. The first includes a process of concentration of the business structure in the phases of production, wholesale intermediation and retail distribution, with the effect being a reorganisation of the economic weight of traditional and modern channels. The second takes the form of the so-called logistic revolution, which profoundly modifies procurement management practices within the supply chain, allocating competitive advantages among the players within the distribution channels in different ways. Analysing the changes that have taken place in Italy and France allows us to highlight the market pressures to which the two infrastructures under study have been subjected. In particular, the changes in the structure of distribution channels have an impact on the two infrastructures' supplying roles for the urban and regional economy, and therefore on their legitimacy as an investment policy and their centrality in the local and national political agenda. Changes in supply chain management practices, on the other hand, impact the management company's organizational agenda. For this reason, its capacity to act to foster the development of logistical skills among wholesale companies and update structural assets indispensable to defend the competitive advantage of the interest groups involved in the functioning of wholesale markets is crucial.

Changes in the supply chain have an impact on the role of wholesale markets within it, as the economic conditions that made their construction necessary have changed dramatically after a couple of decades. As a matter of fact, the development of Mass Grocery Distribution gradually eliminates the need for public infrastructure to structure the supply for urban areas. MGD companies independently rationalize and stabilize the supply by using organisational resources developed through economies of scale in retail distribution. The different structure of food distribution puts pressure on wholesale markets by reducing the share of food products that pass through them, since MGD companies start developing autonomous procurement infrastructure, thus bypassing wholesale markets. The logistics revolution and modifications in the value chain are putting pressure on the way infrastructure is operated by the respective management companies. With the development of logistics practices by MGD companies since the 1990s, competitive advantages in food distribution are based not only on economic transactions between corporate actors, but also on the ability to manage supply flows. In addition to the external

pressure of marginalizing wholesale markets in the supply chain, internal infrastructure pressure pushes market-wholesalers into promoting, or at least not hindering, the development of new logistical skills.

The analysis of these changes in the market is relevant from two points of view, both of which can be traced back to the analytical perspective of political economy. Understanding the link between them and the infrastructures studied allows me to explain the type of relationship between the State and the market that has characterised these public policies. Since the 1980s, the two case studies have triggered processes of institutional change that, as we shall see, have had an impact on the development of these infrastructures. The understanding of the link between institutional change and public policy cannot be complete without assessing to what extent this connection is due to an adaptive response to market changes, how it is exclusively influenced by the path mapped out by the initial institutional configuration, or how it can be explained by the interaction between structural market changes and institutional change.

### ***3.1 MGD supply chain model and the mismatch with wholesale markets' economic role***

One of the transformations that is putting pressure on policy changes in the management and development of wholesale markets is the reorganisation of food distribution channels. By this term, I refer to economic transactions that allow the movement of products from the production stage until consumption. The qualification of distribution channels is given by the interweaving of two variables: the number of transactions necessary to bring a product from the place of collection to the place of consumption, and the type of actors involved in these transactions. The analysis of the configuration of distribution channels for perishable foods is a complex research area. The complexity is linked to the high variability of the perishable characteristics and the technologies used to preserve the quality of each individual product. In this chapter, I will operate a simplification of the possible configurations that the distribution channels may present. I will therefore compare the so-called *long channels* with the so-called *short channels*. The former see wholesalers as the central players, acting as a link between the production stage and the retail stage, which is mainly controlled by traditional retailers.



With regard to the latter, central actors are MGD companies and purchasing groups (*centrali d'acquisto* or *centrales d'achats*), established by the companies to manage procurement practices directly at the production stage. In this second distribution channel, the role of wholesalers is gradually being marginalised in favour of large retailers.

Purchasing groups are economic actors that buy products directly for production and then make them available to retailers. The main difference with wholesalers is the degree of vertical integration they have with retail companies. They operate according to a stable long-term contract stipulated with one or several MGD brands, which form a federation with the aim of setting up these companies in order to procure products they intend to distribute. Wholesalers, on the other hand, do not have exclusive contracts with retailers and sell goods purchased on the basis of the dynamics of demand and contingent offer. They can also act as intermediaries by selling to other wholesalers who in turn sell to a distributor. Thus, numerous intermediate economic transactions could take place from production to retail phase. Retailers can also be divided into two categories: traditional retailers and MGD. The former include independent family-owned businesses with a very small number of employees, usually one or two maximum. MGD companies may be characterised by a different business model. In general, the same company controls several selling units which can then have different degrees of vertical integration with regard to the management of financial flows and procurement processes. At the highest degree of integration, all points of sale are managed directly and are property of a single corporate actor. On the contrary, at the minimum degree of integration, we are in the presence of small subjects, each being the owner of few selling units, who come together in purchasing groups in order to obtain greater bargaining power with producers. A portion of the supply will therefore be autonomous for each party to the consortium.

The economic mechanism that has produced the reorganisation of the distribution channels from the 1960s until today is that of the concentration of the business structure in the three principal phases of distribution: production, intermediation and retail sales. Among these three, the retail phase has the greatest impact on the role of wholesale markets in distribution channels, where the degree of concentration depends on the use of wholesalers at the brokerage stage or the formation of purchasing groups. The link between the degree of concentration and the reorganization of the distribution channels works as follows:

- Greater concentration in the production phase means greater ability to meet product standardization and the demand for constant supply volumes for MGD companies.
- Greater concentration at the retail stage linked to the spread of MGD companies allows economies of scale to be built up. These make the development of organisational skills needed to establish direct relations with producers possible.
- The economies of scale achieved by MGD companies free up economic resources that can be invested in setting up purchasing groups who strengthen the dominant position of retailers in short-chain distribution channels.

The structural changes in the food retail sector outlined above have accrued the retailers' ability to influence the value chain: at the expenses of wholesalers due to their growing purchasing capacity, and at the expenses of retailers thanks to their direct contact with consumers, which allows them to elaborate customised selling strategies and shape consumption trends.

This market change has had a direct impact on the functioning of wholesale markets. The integration of procurement practices within MGD companies involves a minor need to resort to the intermediation of wholesalers. These economic players lose their central position when MGD, directly or through purchasing groups, establish direct commercial relations with producers. Purchasing groups' power over suppliers manifests in different ways. Their main impact on market relationships is the ability to extract discounts on transactions. Their dominant position in procurement is expressed also in the contractual obligations that wholesalers and producers need to accomplish in order to maintain access to consumers. These contractual terms are also referred to as 'abusive' or 'unfair' practices and can include delayed payments or excessively long payment deadlines. On their side, suppliers were compelled to invest in infrastructural assets and human resources in order to comply with contractual requirements and be listed among the MGD suppliers. All these processes reduced the market's access to small independent corporate actors both downstream (retailers) and upstream (small wholesalers and producers) the supply chain. In this structural context, agri-food producers and wholesale markets are less and less able to offer products and services demanded by MGD companies.

The effect is therefore an increase in the volume of perishable food traded outside wholesale markets. This reduces the turnover of wholesalers operating within the wholesale markets. It also has an impact on the charges levied by the management

companies, some of which are applied to the incoming goods of the infrastructure, leaving the management companies with less economic resources available for the management, maintenance and development of structural assets. With regard to the marginalisation of the role of these infrastructures, it should be noted that this is not the case for all perishable products typically involved in their operation. For example, looking at the case studies analysed here, marginalisation is particularly intense in the presence of slaughter activities: in the case of Paris, this activity ceased completely in 1973. However, as far as the fruit and vegetables sector is concerned, the impact on the volumes of goods sold within these infrastructures varies according to the type of product. The reduction in marketed volume mainly concerns products with reduced perishability and more easily preservable over time (e.g. potatoes, apples, pears, citrus fruits). On the other hand, products of higher perishability and more difficult preservation suffer less from the impact of the reorganisation of the distribution channels (e.g. berries, salads).

Another effect concerns the constitutive elements of policy legitimacy that justifies the use of public action resources, be they economic, organisational or political. Indeed, wholesale markets are constructed to serve three general purposes: the stabilization of supply flows to local consumer markets, especially in urban areas; the stabilization of price dynamics through competition between wholesalers operating within the infrastructure; and the control of the goods' healthiness by public actors. With the establishment of short-chain supply channels, the first of these aims is met by a market mechanism. This is the basis for questioning the role of wholesale markets in the policy agenda. In addition, the development of the MGD also triggers mechanisms of competition between the big retailer companies that help control the dynamics of prices by solving the problem of speculative practices. Finally, the economies of scale built by MGDs, combined with the dynamics of economic competition, are forcing MGD companies to invest their own resources in controlling the quality and healthiness of their products, making wholesale markets' role of food safety watch marginal.

### ***3.2 Structural and organisational dimensions of the food logistics revolution***

Some institutional factors can be identified as drivers in the development of the logistics sector. The gradual unification of the policies for regulating road traffic and freight transport in the European context has given new shape to the basic functions of transport and storage. In addition to European integration, an economic factor can be identified, aspects of which are: the development of a consumer-oriented economy, the innovations in the business organisation of shipping companies made possible by IT development and the process of globalisation leading to the inclusion of worldwide production sites for European consumption markets. To understand how this change affected wholesale market policy processes, it is useful to adopt a perspective of political economy that focuses on economic relations and power, as well as governance of this economic sector.

The development of mass distribution companies, in food and non-food sectors, was supported by massive infrastructural investments for the development of motorway and highway networks. These infrastructures unburdened roads and crosstown links, and exponentially promoted the use of cars for consumption practices in MGD selling units (Loubet, 2001; Paolini 2005; Vahrenkamp 2012), which, at the beginning of their development, were located in urban outskirts, both in France and Italy. This crucial link between infrastructural development and the consolidation of a consumer-oriented economy played an important role in the logistics sector development. The road and highway network also contributed towards a growing lorry traffic that assured the functioning of distribution systems. The development of lorry traffic is related to the evolution of logistics sector along with the build-up of modern distribution structures in the retail trade, to guarantee the constant supply of goods.

The gradual increase of MGD market shares, the need for control of hundreds of stores' supplies for each company, as well as the concurrence among them, have led to a gradual reorganisation of the supply chain. through the development of new logistics strategies. We can identify at least two corporate strategies. One is the centralisation of economic relations with producers and wholesalers through transaction contracts stable in time. The second is the integration of freight transport management within companies, which until then had been managed autonomously by individual transport companies or, in some cases, directly by wholesalers. These two strategies were the ground for the

spreading of a new logic in procurement practices, starting from the end of the 1980s in France and the 1990s in Italy.

. In a context of mass consumption economy, the improvement of supply chain management in order to reduce transport costs is one of the main factors for maintaining a competitive advantage. Deliveries must be on time and able to adapt to new consumption trends, product shortages and urgent requests. The growing need of flexibility and complexity in the supply of selling units contributed to the shift from railway-based to lorry-based deliveries. In an economic context in which both distribution and production are gradually becoming increasingly dispersed throughout the territory and require flexible, punctual and increasingly just-in-time connections, the flexibility guaranteed by the road network has a competitive advantage over the rigidity of the railway network's spatial connections. The penetration of MGD groups in the retail trade is accompanied by the gradual but increasingly important demand for a reduction in stock of goods in favour of a just-in-time procurement service. This is particularly true with regard to perishable food products, which entail higher storage costs. Furthermore, with the prospect of the integration of the European market in 1993, the road haulage sector appeared to be easier and cheaper once the liberalisation of freight transport without border tariffs had been implemented (Vahrenkamp 2012). During the 1990s, other policy sectors started being regulated at a European level creating a common policy framework to design air traffic, telecommunication and mailing markets. Indeed, this fundamental change was possible with the implementation of modern information and communication technologies. Thanks to the latter, retailers were finally able to set procurement orders from each single store, adjust inventories to meet demand needs, and reduce the storage costs, thus reducing the frequency and time of intermediate reloading.

To highlight the differences between the traditional organisation of the freight transport system, the revolution in the supply chain management and the development of the related logistics industry, I can consider some dimensions (Hesse 2004):

- The logistics industry entails a restructuring of goods retailing through the establishment of integrated supply chains with integrated freight transport demand, from retail unit to the producers' purchases.
- Whereas transport was planned according to the need of overcoming space, the driving logic of logistics is shipping time management. In some cases, longer

distances are preferred if the logistics infrastructure can guarantee more certainty in time management to assure on-time deliveries.

- If traditional supply was managed on the supply side (as in the case of food wholesalers located in wholesale markets), big retailers supply chain are increasingly managed according to demand dynamics.
- Logistics services are so complex and time-sensitive that many retailers have sub-contracted parts of their supply chain management to third-party logistics providers. These corporate actors also experienced a strong and fast concentration process. Profiting from their economies of scale and growing geographical scope, they can offer integrated, costless solutions for many freight distribution.
- Logistics sector development comes hand in hand with a greater importance of the commercial capital in goods distribution, and with a stronger influence of retailers along the supply and the value chain.

The so-called logistics revolution includes a different way of conceiving the organisation of goods flows and a strategic use of information flows to manage their complexity. The physical dimension of freight distribution is crucial to account for the development of the logistics sector and to explain its impact on wholesale markets. Following Aoyama *et al.*, statement (2006: 338), I would like to highlight that " [...] *although the logistic industries serve an integral function in the globalisation of production, it also remains one of the most localised and embedded industry of all*". This means that the infrastructural structure of supply chain management assumes specific local characteristics linked to both the economic structure and the institutional configuration of the territory. In my two case studies, the institutional configuration includes those policy rules that have designed the structure of constraints and opportunities of the wholesale trade around and within the MIN Paris-Rungis and Milan's wholesale markets.

The consequences of the logistics revolution on supply flows can be summed up in four points. The first concerns the massification of supply flows. This means that MGD companies prefer to purchase large quantities of goods in order to ensure continuous supply to hundreds of outlets within the same brand. Given the perishability and the typical production cycle of the agricultural sector, this occurs with contracts that presuppose the acquisition of the goods in advance, before they are actually collected, thus excluding small producers and wholesalers from the distribution channels, for they are unable to

guarantee the volume of goods required. A second element is the standardization of products in terms of visual and organoleptic qualities and in terms of packaging. Both aspects serve to guarantee the customisation of products according to consumers purchasing trends and allow a more effective handling of goods during transport. The third element concerns the development of just-in-time supply strategies that make it possible to guarantee a constant level of supply to the individual points of sale, limiting the surface area of the warehouse as much as possible within them. Finally, the last aspect concerns the reduction of the frequency of intermediate reloading. This activity has a cost that affects the profit margin of the MGD company. Since, as a result of the stabilisation of supply flows and the competitive dynamics between the various MGD companies, price dynamics are not very elastic, an economically efficient management of the supply chain becomes a central element of competitiveness. The need to reduce logistics costs is more important in the food sector precisely for products with low added-value, such as fruit and vegetables (Paglione *et al.*, 2009).

One of the successful factors of the agri-food supply chain, precisely due to the peculiarities linked to the food product, is the coordination of the flows of goods that move from one operator to another in the chain. This concerns both product management methods (physical flows) and information transfer methods (information flows). The development of freight logistics in the food sector, as in other sectors, is therefore based on a technological determinant that allows the flow of information relating to the handling of goods to be managed in an integrated manner and in real time.

The development of mass grocery distribution (MGD) has been strengthened by the development of food logistics, which has guided procurement practices by organising them around a number of economic principles:

- A standardised management of the flows of goods in which the guiding principle is the centralised procurement, guaranteed by the buying groups.
- Standardization of products sold at the point of sale, guaranteed by detailed contracts with manufacturers.
- The guarantee of food safety obtained through certifications to be produced at the expense of producers.
- The shortening of the supply chain to eliminate intermediate steps between the places of production and consumption, establishing direct relations with producers without using the wholesale marketing stage as in the past.

- Traceability of products along the supply chain in order to manage supply flows in real time.

The spread of large-scale distribution and the development of food logistics have had two effects, a structural and an organisational. The organisational effect concerns the form of supply flows, which no longer need to be organised within wholesale markets in order to reach retailers selling units. Indeed, large organised distribution companies have equipped themselves with warehouses, through which they directly manage their procurement practices. In structural terms, we witness a reduction in the number of customers for wholesalers, since the growing market share for large retailers is accompanied by a reduction in the number of traditional traders, who have been the main customers for wholesale markets.

### **3.2.1 The economic tensions between MGD supply chain management and wholesale markets traditional functions**

Wholesale markets are infrastructures that combine two principles of economic functioning: they are places where economic transactions take place and they are places where supply flows are organised. Both these principles find their point of integration in the procurement practices that connect agri-food production with the retail distribution network.

The development of MGD is accompanied by changes in these practices, thus investing the role of wholesale markets in the supply chain and in the value chain. Both the MIN Paris-Rungis operated by Semmaris and wholesale markets of Milan, operated since 1979 by Sogemi<sup>110</sup>, as a result of the profound modification in their surrounding economic context, now play a role that deviates from their initial purpose. In order to maintain a structuring role in the new organization of wholesale flows, wholesale markets should take into account several aspects. The logistics revolution comes with the development of new infrastructures to govern supply flows: Distribution Centres (DC). These infrastructures can be managed either directly by the MGD company or by a third-party company that

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<sup>110</sup> Since 1979 there has been a significant change in the way in which the various wholesale markets in Milan are governed. One of the novelties was the establishment of a mixed economy company that began to manage all infrastructures in a unified manner. The analysis of this change is presented in chapter 4.



signs a contract with the retailer. Depending on the business strategy, DCs can be organised in a hierarchical way, with a regional level concentrating procurement flows that will then be reorganized towards other DCs distributed throughout the territory in order to maximize store accessibility.

The spreading of purchasing groups, MGD companies, distribution centres, carries the risk of marginalizing wholesale markets if they do not evolve changing their role as a procurement gateway to logistics hub for the organisation of merchandise flows (INDIS, 2009). This adaptation is possible by creating areas dedicated to the interchange of goods within them, as well as through the creation of intermodal areas not only for trading activities but also for supply management activities, and the opening to logistics platforms of modern distribution.

Wholesale markets are thus under pressure to change, which means that the trading function is becoming less and less legitimate, in favour of a stock-exchange function. Here, transactions are carried out virtually, organizing the distribution of volumes of goods without it actually being present and necessary for them to be traded within the wholesale market. The outcome of the logistics revolution is characterised by the strengthening and acceleration of the differentiation of supply and by the creation of alternative circuits from the traditional wholesale market. In other words, if food wholesale markets are to maintain their role in a more complex market environment than that which existed at the time they were conceived, they need to improve the quality of their functions and develop new ones. The development of new functions places infrastructure management companies in a crucial role. In addition to those mentioned above, it is necessary to develop the structures necessary for the management of the cold chain without interruptions that inevitably damage the most delicate products, for which the MGD companies still find it convenient to turn to wholesale circuits not integrated in their company supply chain. Another aspect that would guarantee a competitive advantage is the ability to manage a city logistics service, acting as an actor in the organisation of flows within urban areas. Finally, it is important to develop skills to certify products quality and production origin, in order to meet the standardisation requirements of the MGD, helping wholesalers to maintain stable relationships with purchasing groups.

### ***3.3 Italian and French regulation of food retail sector and its impact on Semmaris and Sogemi***

MGD structured food retail in Italy and France with different timing and spatialisation features. However, this model was a successful one in both countries, deeply restructuring the food retail business. While in 1970s France MGD already had an important role, controlling 28% of the perishable food market share (in 1971), this selling format had a market share of only 3.1% of perishable food sales in Italy. (Monnot 1973). Especially in Italy, traditional trade was still in an expansionary phase to meet the post-war period's growing demand (Cadihlion *et al.*, 2003). Therefore, the vast majority of fruit and vegetables production was either distributed through the diffused network of wholesale markets and by intermediate wholesalers active outside them or connecting different wholesale markets along the distribution channels from production sites to consumption markets. Only after decades, following the changes in the organization of the distribution channels generated by MGD development, only about 50% of fruit and vegetables distributed nationally passed through the Italian wholesale markets in 2006 (Irer, 2007). The structure of the French retail trade was similar to the Italian only between the 1950s and 1960s, years that still saw the growth of MGD. In the 1960s, the prevalence of traditional food retailing led to 80% of the perishable products distributed to retailers being channelled through the network of French MINs. The earlier development of MGD impacted the perishable food volume operated by wholesale markets already in the 1970s, when all the French MINs considered together marketed around 66% of the French production. Today, MINs' network represents around 35% of the traded volume of perishable food (Insee 2007).

The change in structure of the retail trade can be measured by the degree of business concentration, i.e. by the share of products marketed by the largest MGD companies. We can observe two dynamics of change, although with different timing in the two national contexts (Tab. 3.1). Before discussing these data, it is important to underline that they refer to all the products marketed only by MG, also including non-food items. However, the concentration index provides the image of the ongoing market change in the organization of distribution channels. Two aspects are evident: the first is that in Italy this has had a slower pace, the second is that in both contexts I can observe an acceleration after the end of the 1990s. In France in 1993, the top five MGD companies controlled 48% of the retail distribution market share, while in Italy the market share was limited to 11%, giving us the

image of a much more fragmented MGD on a national scale. If, on the other hand, I compare the two countries, I can see that between 1999 and 2015 there was a marked increase, which is even more evident if I look at the market shares controlled by the buyer groups that the MGD companies refer to for their supply.

**Tab. 3.1 First five firm concentration ratios in market value share adjusted for buying groups<sup>1</sup>**

	France		Italy	
	Excl. BG	Incl. BG	Excl. BG	Incl. BG
1993	48%	-	11%	-
1996	51%	78%	12%	26%
1999	56%	65%	18%	26%
2015	*79%	*94%	**52%	**69%

<sup>1</sup>These data refer to MGD food retailers and not to the whole food retail sector

**Sources:** Dobson 1999; 2003; \*Kantar Worldpanel; \*\* Federdistribuzione on Nielsen data 2016

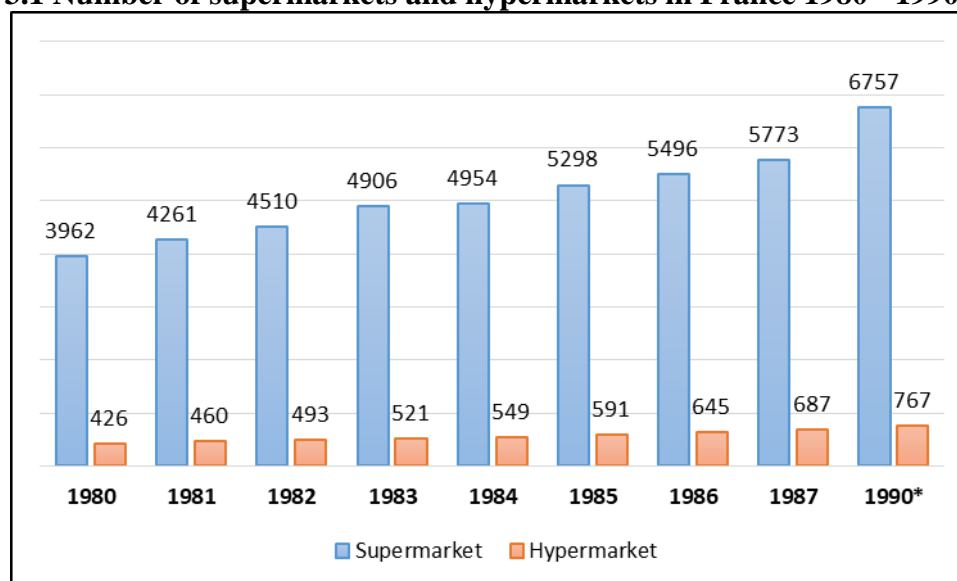
This chart gives us two relevant pieces of information. On one side, it confirms the function of buyers' groups to increase procurement concentration in the food retail sector: both in Italy and France, despite a different degree of concentration, we see how purchasing group concentration is higher by about 15% than retail concentration. In a sector already concentrated as the French one, this raises serious concerns about the survival of traditional retailers, while in a much less concentrated sector as the Italian one, it provides the organisational lever for massification and standardisation of freight flows through integrated supply chain management. On the other side, it highlights the rapid process of concentration occurred in Italy in the last 15 years. Whereas in France the concentration ratio has increased by around 50% from 1999 to 2015, this structural index augmented of 200% in Italy. It is plausible to suppose that a remarkable pressure has been felt by wholesalers and wholesale markets operating companies facing this structural change. This being particularly true in the Italian economic context where wholesalers and wholesale markets have been the main point of reference for perishable food for all types of retailers up to the 1990s.

As MGD grows in importance in the food retail business structure, the ability to control the distribution of added value between the different actors in the chain gradually shifts in their favour. The increased incidence of market shares bears an increase in bargaining power with manufacturers and wholesalers, on whom the major companies in

MGD impose the economic conditions of negotiations. In other words, market changes have severely restricted wholesalers' control in the distribution chain in favour of the retail trade. The rent position of the wholesalers was previously such that it fed speculation mechanisms both in France and in Italy. However, despite the shift from wholesaling to retailing, we have a non-speculative effect. The growth of MGD on the basis of market mechanisms causes competition between players which, combined with the economy of scale of each individual company, favours downward-price dynamics. However, keeping prices low for consumers has an impact upstream of the distribution channel and especially on producers with reduced margins to offer products with high added value, like fruit and vegetables. The changing trend in France's and Italy's markets gives the impression that it is a linear evolutionary process marked simply by a delay in the Italian case. The difference in the rate of concentration of the retail trade hides a second central aspect: a different model of development and regulation of this economic sector. Although this chapter is dedicated to highlighting the market dynamics that have exerted pressure on Semmaris and Sogemi, it is important to recall the constitutive aspects of public regulation of the retail sector. In fact, it acts as an independent variable on the definition of the form that market pressures will exert over time on the two infrastructures.

In the French case, the regulation is based on the market mechanism until 1973, and then on a two-level political-administrative regulation involving a departmental commission and a state commission. The regulatory framework that guides the two committees' decisions is made up of a compromise between the need to protect traditional trade and the desire to modernize the distribution system by offering better market conditions to consumers. In a relatively evident way, the modernizing component has always prevailed in the course of time. The economic development of MGD companies takes place in a horizontal and vertical direction. In their horizontal growth, they increase the number of integrated sales outlets while in parallel they operate as competitive challengers of traditional retailers, increasing their market share in the food trade. When looking at the growth in the number of MGD sales outlets in France, we can see that this has been constant throughout the 1980s, with particular regard to the supermarket sales format, which did not require the administrative control of departmental commissions since the regulatory mechanism was activated only starting from sales outlets with an area of more than 1000 m<sup>2</sup> (Fig. 31.). Exactly, the supermarket format has a surface between 400m<sup>2</sup> and 2500m<sup>2</sup>, while the hypermarket has a surface area of more than 2500m<sup>2</sup>.

**Fig. 3.1 Number of supermarkets and hypermarkets in France 1980 - 1990**



**Source:** Comptes Commerciaux de la Nation in *Le Monde*, “Les français on privilège la maison”, 16<sup>th</sup> February 1988, p. 37; \*J-C. Daumas (2006).

Here, I consider the 1980s for it is when MGD’s development pace reached its peak and this decade was also a crucial moment for distribution channel reorganisation, thus affecting the role of MINs in the national distribution system (Cliquet *et al.*, 2008). As stated above, the horizontal growth of MGD is accompanied by a vertical growth that produces the reorganisation of the distribution channels in favour of MGD itself.

In 1980, big retailers traded 44.6% of food products, share that reached 58% in 1989 and 65% in 1995, whereas in Italy, in 1996, MGD distributed only 50% of food products. Again, at the beginning of the 1980s, if I look at the incidence of the number of points of sale of MGD in relation to the population, I find 52 points of sale per 1000 inhabitants in Italy in 1983, while in France the ratio is 156 per 1000 inhabitants (Peron 1991). Therefore, in France, MGD companies reached larger size and had higher level of concentration compared to Italy at the end of the 1980s. New technologies for stock control were already widely introduced posing the bases for the logistics transformation of supply chain management during the 1990s. With regard to its vertical growth, I have mentioned how it is precisely in the 1980s that large-scale retail companies are starting to integrate their procurement function. The tool that fostered this new procurement strategy was the establishment of purchasing groups: economic institutions that negotiate the procurement needs directly with the producers for all the individual points of sale

organised by the company, negotiations that in many cases were operated for more than one company.

In the Italian case, the regulation of retail trade has been based on a corporative mechanism managed by the local prefect to protect the interests of incumbent thus traditional traders since the end of the war. The partial reform in 1971 changed this procedure by shifting the decision-making power to the mayor of each municipality but kept the corporative approach basically unchanged until 1998, when a reform eliminated all the corporate elements from decision-making criteria and shifted this competence from the Municipality to the Region, thus reducing the weight of local constituencies in administrative decisions.

The effects of the Italian regulation were an obstacle for MGD companies to pursue the concentration and integration strategies outlined above. This situation changed only with the 1998 reform, which liberalised the opening of sales outlets for big retailers. In fact, if I look at distribution channels in Italy between the 1990s and the 2010s, I can see that after 1998 there was a profound change with the share controlled by MGD passing from 50.2% in 1996 to 73.5% in 2016, exceeding the weight of volumes marketed by French MGD in the same year, which stops at 64.4%<sup>111</sup> (Tab. 3.2).

**Tab 3.2 Market share of food products by distribution channels in Italy.**

	MGD	Traditional retailers	Street markets
1996*	50,2%	40,6%	9,2%
2000**	63,1%	27,1%	9,8%
2011*	71,6%	18,3%	10,6%
2016**	73,5%	16,3%	10,2%

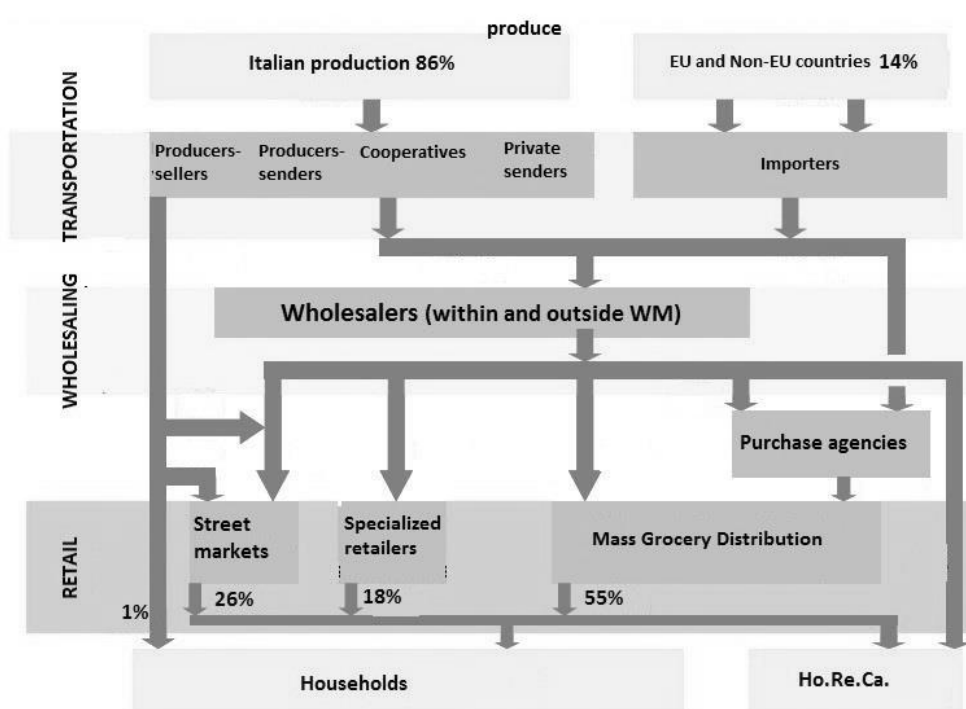
**Source:** \*AGCOM, Indagine conoscitiva sul settore della GDO - IC43 - based on Federdistribuzione data. \*\*Mappa distributiva, Federdistribuzione (2013; 2016)

The degree of business concentration and the reorganization of food distribution channels must be linked with the function of wholesale markets in the two national contexts, and here it is important to consider the fragmentation for the different phases of the supply chain, and with the peculiarity of fruit and vegetables being characterized by a high degree of perishability and a lower standardization. If I look at the way in which fruit

<sup>111</sup> Insee (2017), comptes du commerce, base 2010.

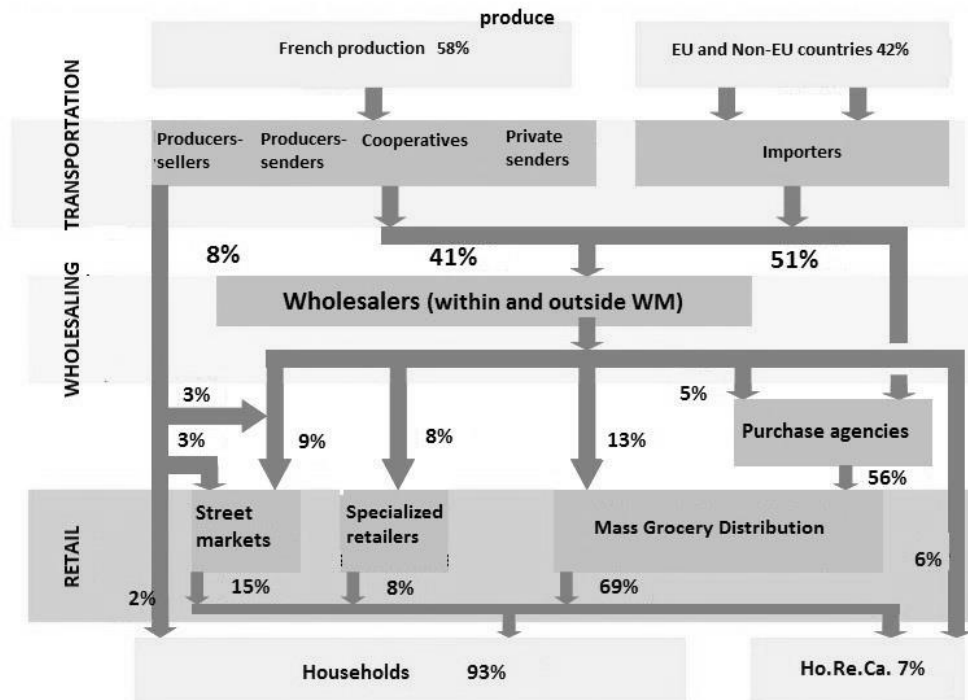
and vegetables are distributed from the production to consumption markets in Italy and France, I can see that French MGD controls a higher volume of goods than the Italian (Fig. 3.2 and Fig. 3.3), thus contrasting with what is observed above for food products in general. The volume of fruit and vegetables distributed by MGD continued to increase after 2009, maintaining a difference between the two countries: MGD sold 74% of the volumes in France in 2014, compared to 61% in Italy.

**Fig. 3.2 Fruit and vegetable distribution channels in Italy, 2009**



Sources: Centro Servizi Ortofrutticoli elaboration on INEA, 2011 and GFK Italia 2012.

**Fig. 3.3 Fruit and vegetable distribution channel in France, 2008**



Source: Centre Technique Interprofessionnel des Fruits et Légumes, 2009

How can I explain this apparent inconsistency? The first part of the explanation lies in the different form of development of MGD in the two countries; the second part, as a consequence of the first, in wholesale markets' role in the distribution circuits. The interaction of these two aspects lies at the basis of the type of pressures that the reorganisation of the distribution channels has exerted on the two infrastructures studied here, as well as at the basis of the consequences that these pressures have had on their functioning.

As we have seen above (see Table 3.1), the Italian context is characterised by a lower degree of concentration of the business structure in MGD. This difference is due to a locally-based corporate regulation, which has hampered the nationwide development of large retail firms. The MGD enterprises have therefore developed along two lines of approach. A territorial logic has seen the horizontal growth of individual groups concentrated in some areas and not in others, and a logic of cooperation has made the vertical growth of the MGD possible through the cooperation of several companies. Each federated company usually has a number of stores too limited to build the necessary economies of scale to integrate within them the function of procurement. Within this



organisational framework, vertical integration of fresh fruit and vegetables is more complex, even with the support of the purchasing groups tool. In fact, this transition requires organisational and management skills that can be guaranteed with greater difficulty by companies that have a low degree of vertical integration as in the case of Italy. This particular configuration therefore leaves a greater role to traditional commerce, and this in itself is an important and favourable element for reducing the impact of the reorganization of distribution channels on the functioning of Italian wholesale markets.

### **3.3.1 Shape and timing of food distribution channels in Lombardy and Ile-de-France as interacting variables triggering market pressures**

As mentioned at the beginning of the chapter, in Italy and France wholesale markets still maintain a relatively important role in food distribution. However, this has changed profoundly since the 1960s, with the network of French MINs trading today 35% of perishable products, while the Italian wholesale markets sell about 50%. In order to understand the shape of market pressures on the two infrastructures here considered, national data provide only partial insights. Both infrastructures are built to function as terminal wholesale markets. The products sold within them were destined for the urban regions of Milan and Paris. We must therefore focus our attention on the changes that have taken place in the two local contexts.

In Italy, Lombardy is one of the regions where the retail structure changed earlier and more profoundly than others are. Thus, market changes put more pressure on wholesalers operating in wholesale markets than elsewhere. Two types of pressure occur: one concerns the reduction of the number of selling units of traditional commerce which are typically the main users of the infrastructure, the second concerns the need for wholesalers to introduce new trading and shipping practices in order to maintain supply relations with MGD.

In 2003, Lombardy was the Italian region with the largest share of hypermarkets, hosting the 30% of national MGD shops. Although the percentage of supermarkets is more balanced in the national context, in this case Lombardy is the region that hosts the largest share with 14.9% of the stores (Veneto Agricoltura, 2007). In addition to being the region that had the largest number of selling units in 2003, it was also the third largest in terms of area of MGD with 200 m<sup>2</sup>\*1000 inhabitants. This figure, combined with the fact that it is

the most populous region of Italy, gives an idea of the degree of transformation that took place in the early 2000s before the change occurred, in a different way, in other Italian regions (Veneto Agricoltura, 2007). After the early reorganisation of food distribution, the regional government – which after 1998 has had regulation monopoly on controlling the opening of large retail surfaces – has tried to slow down the pace. Nevertheless, at the end of 2010, the region maintains the highest number of MGD stores, and the incidence reaches 294 m<sup>2</sup>\*1000 inhabitants. (AGCM, 2013). With regard to the form of development of organized distribution, it is important to stress its strong territorialisation. Suffice it to say that in the province of Milan (the main basin of Milan's general markets today), 51% of MGD's market share is controlled by two companies: *Esselunga* and *Carrefour*. This is an important piece of information as both companies have developed a vertically integrated procurement model since the 1990s, bypassing the role of wholesale markets through the organization of an autonomous DCs network. In particular, until the first half of the 1990s, *Esselunga* operated a purchasing office within Sogemi, and then decided to build independent logistics platforms following the refusal of Sogemi's management to grant it space within the wholesale market for this purpose.

If, on the other hand, I look at the transformation of the structure of food distribution within the Ile-de-France and Paris, I see conflicting dynamics between the capital and the rest of the region. It is complex to make a direct comparison with the situation in Lombardy because of the inconsistency in the way data on sales formats are collected, a diversity that reflects the different development patterns in the two countries. Nevertheless, I can say that in a similar way to Lombardy, Ile-de-France is characterised by a significant presence of MGD that has greatly reduced the customer base typical for wholesalers of the MIN Paris-Rungis. Political regulation of the retail trade within Paris functioned as a tool to protect traditional retail at least until the late 1980s, while a rapid reorganization of distribution channels characterised the rest of the region (Metton 1982). Only in the 1990s, a rapid change in the economic structure of food retail in the capital can be observed. (Aur 2011). In this decade, the second important change in the regulation of trade took place: the *Loi Raffarin* lowers the surface area threshold that obliges companies to apply for authorization to open a new sales outlet from 1000 to 300m<sup>2</sup>. In order to ensure their horizontal growth, MGD companies reinforce the spread of a new type of sales format which had hitherto been less present in France: the *superette*, a sales outlet with an area of between 120 and 400 m<sup>2</sup>. It is precisely this type of shop that imposed itself within the city.

This trend will continue uninterruptedly over the 2000s and 2010s, almost doubling the number of outlets in 10 years and triggering a simultaneous reduction in the number of traditional traders, profoundly changing the urban economy. (Tab. 3.3)

**Tab. 3.3 Food retail business structure within Paris 2000 – 2011**

Paris (75)	2000	2003	2005	2007	2011	11-00 %
<i>Supermarkets</i>	310	315	314	319	339	9%
<i>Superette (MGD) &lt; 400 m2</i>	233	265	341	408	452	94%
<i>Superette (indip) &lt; 400 m2</i>	1367	1207	1186	1095	1019	-25%
<i>Specialised food retailers shops</i>	1394	1233	1189	1099	1023	-27%

Source : Apur 2015

The result of these economic dynamics was the creation of a phenomenon similar to that observed in the case of Milan, with an important part of the market controlled by a single distribution group. The weight of this entrepreneurial coalition was such that in 2012 it pushed the *Autorité de la Concurrence* to intervene to rebalance the market and reduce the dominant position of *Casino-Monoprix*. As in the cited *Esselunga* case for Milan, this figure is relevant since this commercial group had integrated its procurement practices since the early 1990s, bypassing the MIN. It should be noted that despite the development of MGD within Paris, the city maintains a substantial share of traditional food trade above the average of other French cities. This is a protective factor for the role of MIN in local distribution channels. Moreover, not all MGD companies that have opened *superettes* in Paris have developed an independent procurement strategy. The reduced volumes of individual shop supply, especially in the presence of a few sales units, are difficult to manage for the logistics of the MGD, which is economically effective only through massification of flows. Wholesalers who are able to guarantee what the MGD companies require therefore retain a role in this retail sector.

Finally, I can see at least three different pressures from the regional market on the functioning of the two infrastructures:

- The reduction in the flow of incoming goods due to the fact that MGD is beginning to integrate the management of the supply of perishable goods.

- Reducing the customer base for wholesalers in the two wholesale markets, starting when MGD takes up an increasing share of the market, leading to a reduction in the number of outlets in traditional trade.
- MGD's request to wholesalers for additional services which were not provided for in their commercial relations with traditional retailers: constant delivery volumes over time, standardized quality to be maintained over time, and supply of packaged, clean and ready-to-eat products.

### 3.3.2 The attractiveness of MIN Paris-Rungis for mass grocery distribution actors along time: limited but important.

The distribution channels reorganization's first impact on the MIN Paris-Rungis concerned its role as the gateway for the regional perishable products distribution system. The following table (Tab. 3.4) shows the shares of food consumed in Ile-de-France, by product categories, traded within the MIN to supply both MGD and traditional retailers. As it is possible to observe, highly perishable products that require more than others a continuous supply flow, like seafood, had the MIN as the main gateway for local consumption market still in the 1980s. In this decade, during the peak of MGD horizontal growth, big retailers started to integrate the procurement function first establishing purchasing groups, later building their facilities to manage procurement flows. This change did not affect all food categories in the same way, in fact mainly those easier to handle. The weight of MIN in Ile-de-France distribution circuits has further decreased during the 1990s and 2000s, in parallel with the growth of MGD logistics skills, which will be thoroughly analysed in the second part of this chapter.

**Tab. 3.4 Semmaris market share within Ile-de-France supply chain of perishable products 1984 – 1991**

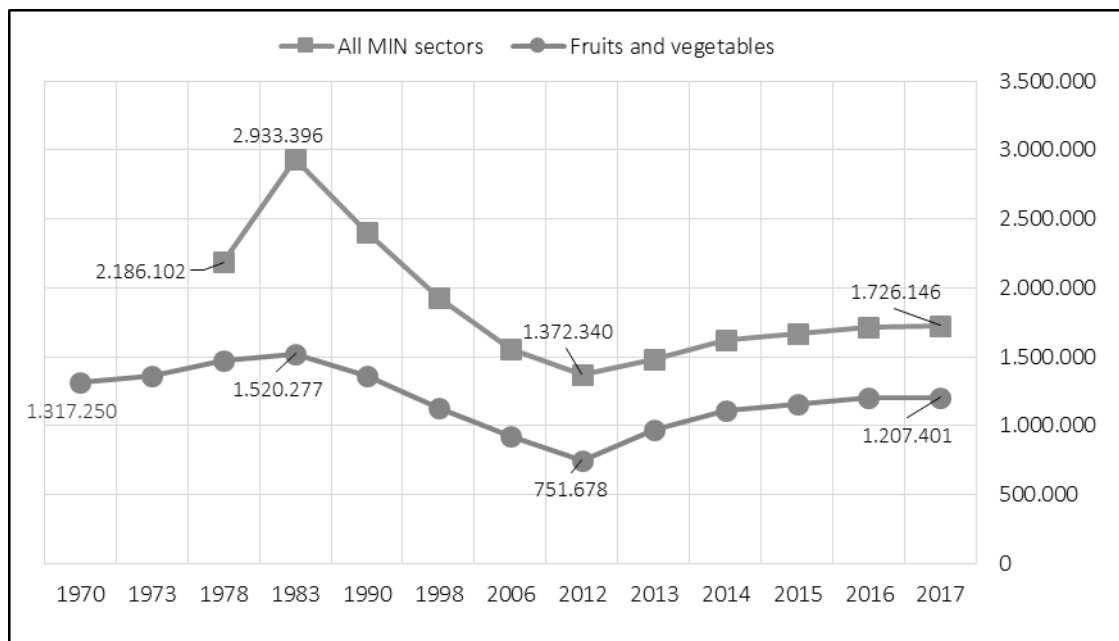
	1984	1988	1991*	<b>2010</b>
<i>Plant and Flowers</i>	80%	-	-	-
<i>Seafood</i>	85%	80%	70%	<b>27%</b>
<i>Fruit and Vegetables</i>	75%	65%	55%	<b>40%</b>
<i>All meats products</i>	40 - 50%	50%	45%	<b>20%</b>

**Sources:** Press review; Chemla (1994); IAU 2011

These figures show us two things. On the one hand, the establishment of negative and positive perimeter was effective in organizing the economic geography of the wholesale trade, concentrating a very important share of the supply flows for the Ile-de-France within the MIN. This favoured price competition, and insured the MIN to be a hub for distribution channels at national and international level. On the other hand, the reorganization of distribution channels affected the role of wholesalers in the fresh food supply chain, therefore not only the role of infrastructure. The trend of these values confirms that the retail phase, through the integration of supply, had gained control of the value chain to the detriment of producers and wholesalers.

A further element that we need to look at is how the flow of goods traded within the MIN has evolved over time. As stated above, the development of the MGD corresponded to a decrease in the customer base for which the MIN was built. It is interesting to note that freight flows inside the MIN only partially reflect this structural change (Fig. 3.4).

**Fig. 3.4 Tonnes of products traded within the MIN Paris-Rungis 1970 - 2017**



Source: Semmaris, elaboration of the Author

One relevant insight concerns the share of fruit and vegetables in the product. As we can see, this occupies most of the volumes marketed inside the MIN at the end of the 1970s and in recent years. This dynamic can be associated with the earlier capacity of MGD to procure other product categories through integrated supply management. Freight volume dynamic during the 1980s confirms this statement: it corresponds to the moment in which MGD quickly developed, and after having been an important customer, gradually became autonomous from the MIN, especially for other products than fruits and vegetables.

The reorganisation of the distribution channels between the 1980s and the 2000s led to a reduction of about 50% of the traded volume. The impact of this economic change on infrastructure in the 1990s opened the debate on the role of the MIN in the regional economy and its future prospects. Semmaris' response was to start an important investment programme in collaboration with wholesalers for the modernisation of its assets with particular attention to those of the meat sector and the construction of new areas dedicated to the processing of food products. The investment programme involved all market sectors including the renovation of the railway terminal to make it more efficient from the point of view of freight management. From 2012 on, we can notice a very rapid recovery in the volumes marketed within the MIN, which saw a 26% increase in 5 years, in regards to the overall activity of the MIN. Fruit and vegetables are the most-contributing product category to this new trend, increasing by 61%. The reasons for this reversal of the trend and the substantial maintenance of MIN's role after 30 years of market reorganization lie in the various actions that Semmaris and the MIN wholesalers have been able to carry out over time.

The market pressure pushed Semmaris to give free rein to the development of individual wholesalers within MIN already in the 1980s, with the construction of laboratories for the preparation of products and warehouses for the management of shipments directly by individual wholesalers. Between 1978 and 1984<sup>112</sup>, 60,188 m<sup>2</sup> of new commercial areas were authorized, of which only 20% was attributable to work carried out directly by Semmaris, specifically relating to the modernization of the meat sector, started in the 1980s and continued incrementally until the 2000s. The promotion and support to the entrepreneurial development of wholesalers was among Semmaris' missions, with the aim of them gaining the organisational skills to manage the shipping

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<sup>112</sup> Semmaris board of directors– minute of the meeting n. 88 held in 6<sup>th</sup> December 1985

phase in an integrated way. The development of the wholesalers' entrepreneurial assets and skills within the MIN was also constrained by the presence of the reference perimeter that prevented the relocation of wholesale functions outside the MIN. This has therefore helped strengthen its attractiveness and role as an industrial collective good. The two development directions of wholesalers allowed them to maintain relations with MGD companies and diversify the sales channels including a non-negligible share of restaurateurs. In the case of MGD, the ability to process products before shipment is crucial to ensure the required standards. In the case of restaurateurs, however, the ability to manage shipments is central to stabilize this segment of customers. In 2009, products sold to the Ho.Re.Ca. sector accounted for 25% of total volumes while MGD purchased 15% of MIN's freight volume, thus maintaining an important role. Semmaris has also favoured the location of an Auchan's purchasing structure in one of the areas annexed to the MIN in order to promote trading opportunities for wholesalers.

Concisely, the development of skills for product processing and shipping, the construction of new structures for marketing by wholesalers, structural investments and the opening to MGD by Semmaris were the answers that allowed MIN to maintain an important role in the food distribution channels.

### **3.3.3 Milan's wholesale markets and their mismatch between new economic structure and management decisions.**

Since the 1990s, the role of wholesale markets in Italy has declined considerably due to dynamics involving both agricultural production and retail distribution. In particular, the trends towards concentration in the sector upstream and downstream of the chain have led to an effective downsizing of their intermediation role (Irer, 2007).

The Italian agri-food supply chain is less integrated than the French is. At least two thirds of volume are distributed, according to the analysis conducted by Berger (2005), through a distribution channel involving between four and eight middle-persons, namely wholesalers. The reduction in the role of wholesale markets is therefore not to be associated, as in the case of France, with a reduction in the role of the wholesale stage. Rather, it is associated with the difficulty that Italian wholesale markets face in responding to market pressures. This difficulty is accompanied, and at the same time reinforced, by the possibility for wholesalers to freely locate their activities inside or outside wholesale

markets, without any limit determined by a reference perimeter as for the MIN Paris-Rungis. As reported in Chapter II, in the 1970s there were episodes of hoarding of goods by wholesalers within the market in order to influence price dynamics and then resell them, breaking the rules defined for the operation of the infrastructure. In addition to a market mechanism, this practice was also linked to the high degree of social conflict of those years.

We have already pointed out that the MGD development has followed a different timing in Italy and Lombardy. The importance of the wholesale sector in the different MGD development model that we find in Italy could have maintained the fruit and vegetables market with a strategic role within the new distribution channels. Wholesale markets in the 1970s and until the mid-1990s, hosted the purchasing offices of Unes, Finiper, Pam, and Esselunga, some of the most important MGD groups in Northern Italy. After making their purchases from wholesalers, most of them located within the wholesale market, they use the infrastructure as a hub to supply their shops in the urban region. With an increase in their economic size, thus in the volume of purchases from wholesalers, these companies started a negotiation with Sogemi asking for the possibility to build warehouses and logistics platforms within the market, to be operated directly. This way, they were able to bypass compulsory purchases from wholesalers, and through which to manage stocks and distribute goods purchased outside of the infrastructure. The institutional arrangement<sup>113</sup> of the infrastructure policy prevented an agreement over this business proposal. Following Sogemi's refusal, in the 1990s *Esselunga* exited from the infrastructure, and built its own warehouses, starting the process of integrating supply practices. In the early 2000s, other companies in MGD followed the same path. Although they had not had the same degree of vertical integration as Esselunga, they began to manage the procurement of perishable products independently. However, both Esselunga and other players in Lombardy's MGD still need to turn to the wholesale sector for different products with variable frequencies in order to complete their offer at their points of sale. These commercial relationships are close with so-called *fuori mercato* wholesalers. Between the 1990s and the 2000s, the wholesalers with the greatest capacity for investment

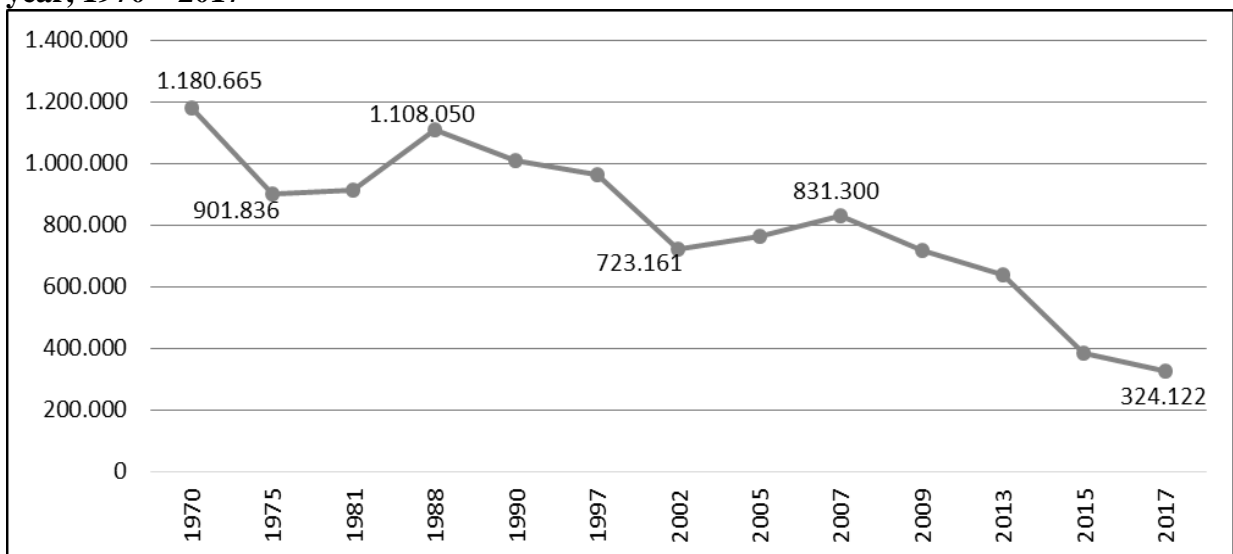
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<sup>113</sup> I refer here to the regulatory framework that represents the infrastructure as a device for the political regulation of interest groups in commerce, and to the weight of party politics in decision-making processes. The interweaving of these two elements configured a mode of interest intermediation that gave wholesalers a strong influence in strategic decisions.



and entrepreneurial spirit adopted two types of strategies to maintain relations with the MGD: some left the fruit and vegetables market to open distribution platforms nearby; others maintained their selling points within Sogemi, also opening external distribution platforms. If I look at the trend of the flows of the products marketed, however, I must consider at least two other aspects (Fig. 3.5).

**Fig. 3.5 Milan wholesale market fruit and vegetables freight volume in tonnes per year, 1970 – 2017**



Sources: Irer 1993; Sogemi

The first aspect concerns the organisation of the distribution channels of fruit and vegetables in Lombardy. In 1992, MGD distributed only 42% of fruit and vegetables, the rest being sold by traditional retailers (Irer, 1993). This helps explain why, despite the largest MGD company's exit in the 1990s, there is no immediate impact on the flow of goods. However, freight flows and economic actors' double exit movement from the infrastructure marked an important turning point in the related infrastructural policy's development path. The number of wholesalers started to decrease along the 1990s (Tab. 3.5), due to the reduction of freight volume and to the most developed ones' exit strategy. Among who remained located within the infrastructure, those who maintained the highest market share also developed logistics infrastructures outside of it, in order to have the organisational assets to continue supplying the Ho.Re.Ca economic sector at competitive conditions.

**Tab. 3.5 Number of wholesalers within Sogemi per type of sector**

	1992*	2011**	2017**
<i>Fruit and vegetables</i>	183	120	116
<i>Seafood</i>	25	22	25
<i>Meat</i>	13	3	0
<i>Poultry products</i>	32	16	13

**Sources:** \* Irer 1993; \*\*Sogemi Spa

The protective factor for the fruit and vegetables market, more than in the choices of economic actors or public actors, can be found in a structural market dimension: MGD's strong dependence on wholesalers along the supply chain mentioned above. This aspect could have guaranteed a considerable centrality to the infrastructure if it had not been for the lack of an instrument to strengthen its position, such as the perimeter of protection in the case of the French policy for the development of the MINs. The Lombard retail distribution system was grounded in 1992 on the wholesale intermediation of 78% of fruit and vegetables sold. Milan's wholesale market traded 35% of total volumes between producers and retailers, while 43% was traded by wholesalers operating outside the market thanks to the wholesaling liberalisation in 1959 (Irer, 1993). The development of MGD accelerated after the 1996 reform, opening up more possibilities for building economies of scale that would allow the integration of the procurement function. This is why, in the early 2000s, I witnessed other companies' exit from the market, and their consequent opening of logistics warehouses in a few years' time, using Sogemi only marginally. As this process of economic change reaches maturity, I can see how quick the decrease in traded volumes was.

If Semmaris, after having managed a phase of transition and reorganisation of the investment development strategy by wholesalers, now trades a volume of goods close to that of 1970, today the fruit and vegetables wholesale market in Milan manages a volume of goods that corresponds to 33% of that of 1970. In the case of Milan, wholesalers within the market do not find adequate conditions to make the investments necessary to develop their business. As we will see in the next chapter, all the 1980s and 1990s were characterised by deep political conflicts in urban governance dedicated to infrastructure, which undermined the trust between wholesalers and management companies necessary to invest resources. The management company retained a representation of the infrastructure

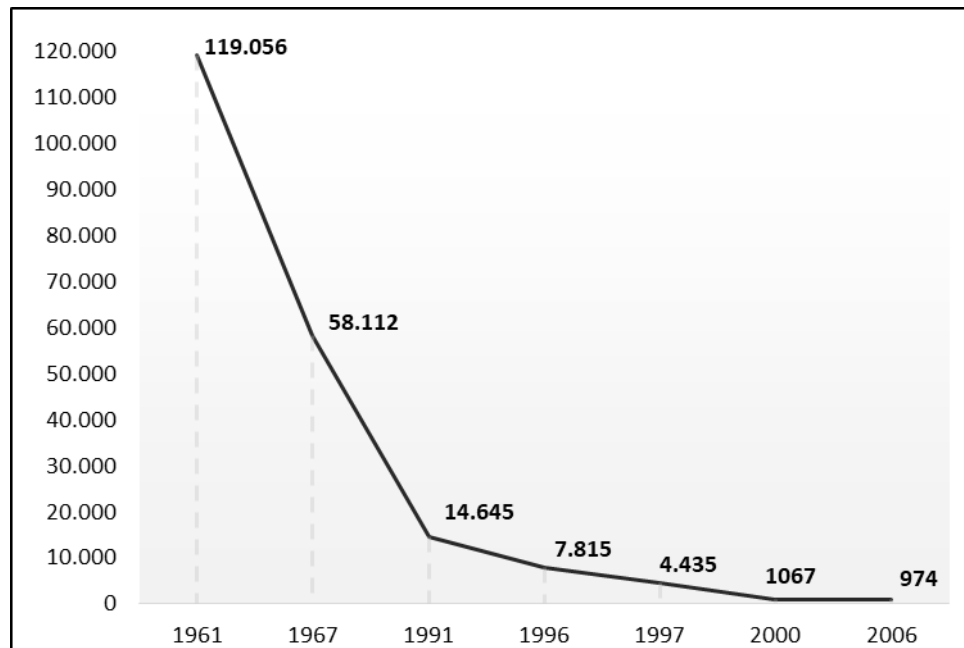
as a public real estate asset, which was indeed made available to economic operators but did not have an economic function for local development. The lack of structural investment also led to a serious deterioration in physical structures, today lacking the minimum conditions to remain competitive in distribution channels. The result was an interweaving of customer exits, most competitive wholesalers exits, lack of investments, and finally lack of diversification of potential customers in response to the reduction in the number of traditional traders. To date, fruit and vegetables wholesalers' main customers are only traditional traders of the province of Milan, and other wholesalers who supply more distant distribution circuits. In addition to the latter, there is also a share of exports managed mainly by wholesalers who have developed their own logistics platform over time outside the market.

Changes in the food distribution channels have had a much more dramatic impact on the meat wholesale market and the Public Slaughterhouse, which remained active until 2013 and 2007 respectively, when they were closed. As far as the Public Slaughterhouse is concerned, the fate of the infrastructure seems to have been marked since the 1960s, when a sharp reduction in the number of animals slaughtered began (Fig. 3.6). The reduction in demand for slaughtering is linked to the development of private slaughterhouses close to livestock areas which, together with the motorisation of food transport and the development of the cold chain, make sending already slaughtered animals to consumer markets more convenient. The Public Slaughterhouse was an urban infrastructure that the local administration tried to reorganise with no success since the 1970s. When, in 1974, a profound spatial reorganisation of the wholesale markets started to be debated by the city council<sup>114</sup>, the project for its relocation outside city boundaries was under scrutiny by technical administrative offices. The assessment was made within the broader framework of the construction of the so-called *Città Annonaria*, a new infrastructure that would have gathered all wholesale markets in the same area, where meat, poultry, and fruit and vegetables markets were already located. The underuse of the infrastructure opened it to external pressures for the spatial reorganisation of the occupied area. As in many other passages of Milan's wholesale infrastructure policy, inertia and crossed vetoes eventually prevailed: the *Città Annonaria* project was not implemented and the Public Slaughterhouse continued to operate inexorably reducing its activity until its definitive closure in 2007.

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<sup>114</sup> *Corriere della Sera – Corriere Milanese*, “Blocco delle tariffe comunali. Sviluppo delle vendite controllate”, 21<sup>st</sup> February 1974, p. 8

**Fig. 3.6 Number of animals slaughtered in Milan's Public Slaughterhouse**



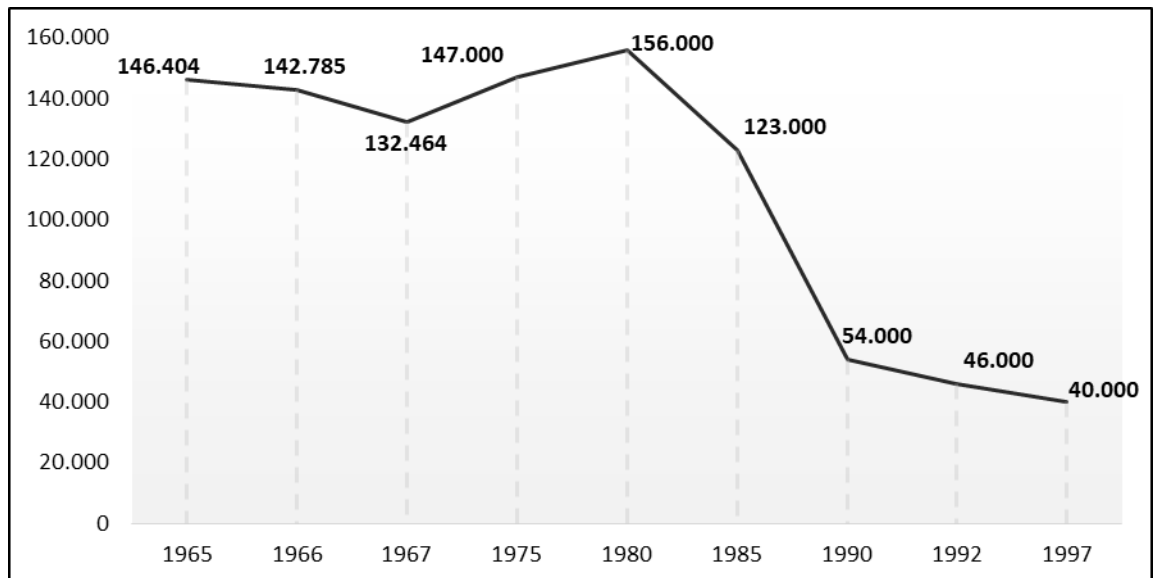
**Source:** Sogemi (1998); Aleni, Redaelli (2013)

Despite the partial adaptation of the site to ongoing economic trends, the role of the meat wholesale market remained rather marginal, and in 1972 only 35% of the meat consumed in the city of Milan was traded within the market. If I consider other data based on the provincial and regional scale, which were the catchment areas for which the site was designed, I register that in 1980 only 8,9% of the meat consumed in the province of Milan passed by the market, while this figure shrinks to 4% if I consider the region. In 1992, the same percentage reduced to 2,7% for the province and 1,3% for the region (Irer 1993). This represents a little portion if compared with the 45% traded by MIN in 1991, when direct negotiations between MGD and meat producers were already common. The reduction of its relevance in the consumption market is clearly accompanied by a heavy reduction of freight volumes traded in the infrastructure (Fig. 3.7).

With the reduction of freight flows, the revenues of the operating body (the local administration until 1979, and then the mixed economy company SO.GE.M.I.) also dropped. Just to give an example of this impact I can look at revenues in 1985 and 1992 for the meat wholesale market and the public slaughterhouse. In 1985, the former generated 1,1 billion liras in revenues, whereas the latter 1,2 billion. In 1992, the same figures

dropped to 556 million and 433 million (Irer 1993): definitely too little for the operation, the maintenance and the development of a site measuring more than 162.000 m<sup>2</sup>. Indeed, since the beginning of the 1980s, the economic budget of the site remained systematically passive. Despite the dramatic reduction of activity of the site, the local administration had not taken into consideration this economic infrastructure's closure or deep reorganisation. During the 1990s, important investments in the slaughterhouse were done in order to comply with the standards of the new European regulation. These works finished in 1996 but they had no impact on the economic attractiveness of the infrastructure.

**Fig. 3.7 Freight volume traded within the meat wholesale market 1965 - 1997**



**Sources:** Città di Milano, Annuario Statistico; Cescom in Irer (1993); Sogemi (1998)

The contextual reduction of livestock and the augmentation of imported and national meat is visible by the meat flow trend between 1967 and 1980. This economic change had origin not only on the offer side (with the development of private slaughterhouses close to production areas) but on the demand side too. The increase in meat consumption between the 1960s and the 1980s is one of the reasons that explain the augmentation of import flows: if their market share touched the 20% at the beginning of the 1960s, in 1992 they reached 48% (Irer 1993). The increase in national demand also favoured the establishment of regular and stable contacts between Italian wholesalers, big retailers and foreign producers, impacting on the supply chain organisation. Indeed, this type of economic relations do not need the support of an economic infrastructure such as the wholesale

market. On the contrary, it represents an additional intermediation step. Therefore, the result was the bypassing of the infrastructure with meat wholesalers receiving their procurement directly at their warehouses. During the second half of the 1980s, the direct contacts between big retailers companies and producers were at the base of the increasing meat offer within big surfaces. This fostered a change in domestic consumption, which shifted from traditional butcheries to big retailers' selling units. The result was the reduction of traditional businesses, which were this infrastructure's main users. The combination of these different but connected economic changes is the explanation for the dramatic decrease in freight flow between 1980 and 1997.

### ***3.4 Food logistics revolution in Italy and France: similar trends in different institutional and market contexts***

In the European context, it is possible to observe a constant concentration of freight flows through and towards few infrastructures and regions. At a local scale, some cities are characterised by a concentration of logistics facilities. The geography of logistics activities is indeed marked by the centrality of accessibility in location criteria for logistics infrastructures, connection with production sites, and proximity with consumption markets. The interaction of these dimensions results in a spatial concentration of logistics facilities around urban agglomerations.

In France and Italy, logistics infrastructures are concentrated in few areas. In 2006 in France, 45,5% of the warehouses surface was concentrated in two areas: Ile-de-France and the metropolitan area of Lille (Raimbault, 2013), gathering 24% of the French population, thus near to important consumption markets.

At the same time, the Ile-de-France region more than others welcomed the Distribution Centres of MGD with 85 warehouses. In Italy in 2011, within an area of 45km from the city of Milan, 106 Distribution Centres operated for MGD, so to say 20% of all Italian facilities and 32% of the national big warehouse surface (Dallari, Curi, 2011). The spatialisation of logistics, and especially its urban insertion, operates also as structuring tool for the local urban and economic development (Dornier and Fender, 2007). The spatial dynamics of infrastructure concentration follows a similar pattern in food logistics, precisely because the driving criteria of location choices are similar: accessibility to

transport infrastructures and availability of land, proximity with consumptions markets. If I look at the relationship between the logistics revolution, the development of the relevant infrastructures, and wholesale food markets, I can therefore say that the two major terminal infrastructures of the wholesale trade of the respective countries are also those which, from the infrastructural point of view, must face the greater pressure from logistics sector development.

As said above, the rise in MGD's market power has determined the capacity of big retailers to control the supply chain in detriment to suppliers, considering both producers and wholesalers. In Italy and France, this result has been attained in different ways associated with the structural differences of the retail sector discussed above. In Italy, a crucial role is played by purchasing groups that federate together with the less concentrated MGD companies, while in French the higher concentration rate gives purchasing groups less, even if still remarkable, importance. On the other side, the concentration trend, either in the procurement (in Italy) or in the distributive (in France) dimensions, made the freight flows management as the main asset for the maintaining of a competitive advantage.

Since one of the premises for the establishment of supply chain management as a competitive advantage is the previous massification of procurement flows, logistics practices developed later in Italy due to a lower concentration of the sector and a lower degree of vertical integration in MGD companies. In France, during the initial supermarket and hypermarket development period, in 1960s and 1970s, the dominant supply model was the direct delivery from producers and single wholesalers to each store unit. Transport costs were handled by suppliers. Following the multiplying of store number, their increasing average surface, and the constant increase in references assortment, big retailers started to adopt a different strategy. During the 1980s, they started building their own network of Distribution Centres, which assumed the shape of either a warehouse or a logistics platform (Chanut, Paché 2012). The procurement centralisation has been systematically paired with the centralisation of logistics flows directed towards each store, which are today only rarely directly supplied by producers or wholesalers. Since 1990s, after the centralisation of purchasing, producers and wholesalers that wanted to have access to consumers were obliged to build up market relations with buyer groups, losing direct contact with retail companies and therefore with consumption market trends. The Italian food retail sector followed a similar process in developing integrated logistics

services, although postponed by one decade and supported by the procurement centralisation assured by purchasing groups instead of retail concentration.

The imposing of mass procurement practices to assure cost efficacy, a proper quality and produce assortment asked for the development of new functions in the distributive system. These new functions entail freight logistics (with the spread of distribution, logistics platforms and cold chain facilities); new contractual practices with producers, wholesalers, and import companies (in terms of quality, safety, volume and packaging standards); and information management (Bazoche et al 2005; Green, Schaller 1996). The perishability of products makes the time dimension crucial, their fragility makes handling processes delicate and potentially expensive, their sensibility to temperature needs specific technology to guarantee health, nutritional and appearance qualities stable. To make this organisation possible, it has been necessary to build national and global transport networks with specialised and standardised infrastructures (Distribution Centres mentioned above), able to govern freight flows through different transport modes and integrate different transport phases through a variety of regulative and institutional contexts (Dallari, Curi 2010). An important infrastructural outcome of supply chain management is the concentration of storage or warehousing in one major facility instead of several. This spatial trend is combined with the diffusion of infrastructures designed to be flow and throughout-oriented (Hesse, Rodrigue 2004), instead of a warehouse holding cost intensive large inventories.

MGD's different shape in the two countries has had an impact both on the form, a lower degree of outsourcing and massification of flows in Italy, and on the timing of the development of food logistics, which instead of developing strongly between the 1980s and 1990s as in Ile-de-France, developed between the 1990s and 2000s. Indeed, flows massification was possible since retailers reached a sufficient level of economy of scale, during the 1980s in France and during the 1990s in Italy, and was boosted by horizontal competition (Steiner 2008).

If I compare Italian and French food logistics development, one of the crucial differences is the more developed outsourcing of French big retailers. According to European Commission esteems, at the beginning of 2000s French logistics' outsource was ranked second in Europe, while Italy was 13<sup>th</sup> (Boscacci 2003). This situation is mainly due to the different retail structure in these two countries and in the lesser tendency to delegate corporate functions typical of Italian entrepreneurial culture. This is not a



surprising dimension if I think about the differences in retail companies dimensions, which in Italy mirror the broader industrial sector features, typically shaped by SME, often family run (Burlando, Basta 2004). France, with bigger retail companies, and with a deeper and anticipated internationalisation process (Colla 2003), developed an earlier understanding of the strategic value of food logistics. The lower degree of outsourcing logistics in Italy is to be read as a weakness of this sector, compared to France and other European countries, to produce that integrated supply chain management that makes it the strength of the MGD. The consequences of this different structure are felt on the degree of integration of fruit and vegetables within the short chain managed with supply management techniques by the MGD. In France, the increasing importance of buyer groups is paired with the construction of Distribution Centres that have changed their supply chain organisation during the 1980s and 1990s. This reorganisation took place defining two main logistics channels. On one side, the so-called short chain between suppliers and stores, which connect directly production with Distribution Centres, eventually preceded by a step of goods treatment to standardise them. On the other, the long supply chain is structured by a variable number of intermediate men ending directly to the selling unit with no massification passage through a Distribution Centre. Let us consider now the specific situation concerning agri-food perishable products. In order to assess the capacity of MGD companies to restructure fruits and vegetable supply chain, I propose to distinguish the produce in four categories following the analysis made by Berger (2005) based on 2004 data:

- “Non-perishable products distributed through traditional channels” (producer >> intermediate >> wholesaler/wholesale market >> traditional retailer): for instance products such as apples, oranges, bananas, etc...
- “Non-perishable distributed through centralised channels” (producer/wholesaler >> distribution >> MGD store): in this case, the same type of product passes by maturation or conservation facilities within distribution centres before being distributed towards stores.
- “Perishable distributed through traditional channels”: for instance salads, strawberries, grapes, mushrooms, etc...
- “Perishable distributed through centralised channels”: in this case these same products pass by a distribution centre that allows the massification of freight flows towards single stores.

If I consider the distinction between short chain and long chain channels of distribution I see that 55% of the French agri-food produce consumed in the national market passed by long chain distribution channels, while in Italy this percentage reaches 71%. For the Italian case, the prevalence of traditional channels is confirmed also considering the difference between perishable and non-perishable products. Indeed, only 16% of non-perishable goods and 13% of perishable ones are distributed through centralised channels. Conversely, in the French consumption market, MGD distributed 25% of non-perishable and 20% of perishable goods. The discriminant factor seems to be the development of organisational skills amongst producer and wholesalers that can comply with MGD needs in terms of reliability in time deliveries, stability of produce quality, and packaging of the produce to allow flow massification and traceability.

Frequently, MGD implements private standards and prefers to use specialised wholesalers and suppliers capable of providing a larger assortment of products year-round (Henson, Hooker, 2001; Henson, Reardon, 2005). Indeed, the implementation of these standards is linked with the development of integrated and centralised supply system that shift away from reliance on traditional wholesalers and include dedicated wholesalers, or suppliers operating under mid-term but stable contracts (Reardon *et al.*, 2003; Berdegue *et al.*, 2005). When food standardisation linked to the development of logistics sector became more and more important during the 1990s, some wholesalers lack in corporate assets or in organisational skills to adapt themselves to these new market conditions, thus losing significant trade volume towards MGD companies.

For the Italian case, moreover, the short chain is characterised by a higher number of passages to connect the production phase to the Distribution Centre. If in France logistic organisation of the supply has the direct connection between goods treatment and Distribution Centres, in Italy it is necessary to go through a transport phase towards the first of the two intermediaries that on average stand between the treatment phase and the massification generated by the DC, and only then supply the sales points of the MGD. The presence of numerous steps in the supply chain is due to a low degree of concentration and organisational capacity on the part of these operators, making the procurement process more complex. If I look at the procurement strategies of perishable products, I see how these are influenced by the structure of all phases of the supply chain.

The role of Semmaris and Sogemi in favouring (or not) the development of logistics capacities for wholesalers remains crucial since in both national contexts the tensions between structural changes and role of WM deploy at the local scale, and because both infrastructures are terminal wholesale markets with the majority of freight flows supplying urban economy. In the MIN case, this tension is solved with the construction of spaces for product conditioning, and with the development of freight management organisational skills among wholesalers. Eventually, the solution comes from a new strategy of infrastructure development by Semmaris aimed at enhancing the role of a logistics hub for the infrastructure. In Sogemi's case this tension remained unsolved, there remains a difficulty on the part of the wholesalers present within the WM to guarantee the full traceability of the products and the standardisation of their quality over time: there are no structures for the conditioning of products, the cold chain is not continuous. Eventually, negotiations with MGD are mainly controlled by wholesalers located outside the WM.

### **3.4.1 Semmaris' active metabolism as a development asset in a changing food supply strategy.**

Semmaris' had been aware that the MIN was not only an institution to regulate the trading of products but also played a role in orchestrating their flows throughout the 1980s. At that time, wholesalers who had built the first warehouses inside the MIN began to increase the volume of goods sold without the transaction taking place in the dedicated warehouses but directly inside the warehouse or without even passing through the MIN. A possible consequence of this change in the organisation of the flows could have been the subtraction from Semmaris of the income deriving from the entrance of the goods into the areas for the commercialisation. The management company, in agreement with the wholesalers, identified a method of pricing the goods in transit, so as to continue collecting the resources necessary for the development of MIN starting from the entrepreneurial activity of the wholesalers. Also in the 1980s, Semmaris tried to convince the national government to authorise the construction of a new area dedicated to warehouse activities for wholesalers: the so-called *Zone Delta*. However, the State had different priorities and that development project remained in the drawer until the end of the 1990s, when, within the framework of an extensive investment plan, Marc Spielrein obtained authorisation to build the so-called Euro-Delta zones. Inaugurated in 2008, it will become an important

asset for the development of MIN's role as a logistics and food hub. Among the functions that have been assigned to it, it hosts Auchan's purchasing office and logistics facilities. This sensitivity to changes in the organisation of supply flows is favoured by a shift in the national policy framework relating to the regulation of retail trade during the 1980s. As far as the change in distribution channels is concerned, I have underlined above how this new regulatory framework favoured the horizontal development of MGD. Instead, if I consider the supply flows, I observe an unprecedented attention to the market forces stimulation in order to use competition between different value chains as a central tool of regulation. The new centrality of market dynamics for the regulation of food distribution introduces the issues of international competitiveness into Semmaris's policy process: the creation of added value to pursue it, the ability to manage supply flows and product processing to remain within the market of large-scale distribution, which increasingly replaces traditional trade.

Semmaris authorised several development projects from wholesalers, all of them concerning activities that produce added value for the MIN and for each company. New warehouses were planned to develop wholesalers' capacity to organise freight flows. Also, structures for food processing and packaging are built by wholesalers in order to guarantee a supply service which is consistent with the new standards and requirements of MGD companies. To give an idea of how much these activities have a significant weight in the transactions that take place in the MIN already in the 1980s, one suffices to consider the fact that, compared to 1 million tonnes of fruits and vegetables sold to retailers through the stores, another 450,000 were sold in 1988 through warehouse activities.

In the 1990s, the tensions linked to the development of alternative supply chains by MGD companies pushed the management towards the need to design a long-term industrial plan for the site. In that moment the organisational autonomy of Semmaris allowed for an incremental but constant modernisation of structural assets. In that decade the long lasting debt was fixed and the basis to reform Rungis from a regional distribution centre for traditional retailers to a logistics platforms were posed. Moreover, in 2004, the organisational mission of MIN operating companies is redefined by the national government, including the obligation to adopt an entrepreneurial approach to combine with the managerial one.<sup>115</sup> Therefore, the normative framework of this infrastructural policy

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<sup>115</sup> Ordonnance n° 2004-274 du 25 mars 2004 portant simplification du droit et des formalités pour les entreprises.

changed merging the idea of public service (food quality control and guarantee of supply of food for urban economies at a fair price for consumers) with a market oriented entrepreneurial approach.

Following the awareness of the new role of the MIN in the new distribution channels, at the end of the 1990s Semmaris planned various interventions which were then implemented during the 2000s. The most important intervention in terms of added value creation was the modernisation of the entire meat sector. It was important because it allowed the introduction in this sector of the possibility to carry out activities with higher added value, such as the processing of products, and to offer the standardisation of quality and packaging that is essential in a logic of supply based on the standardisation of flows. Actually, the modernisation of the meat sector began in the 1980s, when the process of vertical integration of the supply of MGD began, and resumed at the end of the 1990s, when a logistics revolution allowed the standardisation of supply flows and required the adoption of just-in-time practices.

The modernisation of this sector focuses on improving the cold chain and meat processing activities. The need for this investment by Semmaris enters the agenda of organisational action mainly due to exogenous pressures affecting the MIN's role within the national value chain and international supply chains. The modernisation of the sector was necessary in order to re-gain relations with customers who addressed their requests to companies that were able to guarantee products with tailor-made processes, such as MGD companies, institutional customers<sup>116</sup> and export sales channels<sup>117</sup>. On the other hand, international factors are linked to the pressure exerted on the French economy by the prospect of integrating national markets into the single European market. This is seen as an incentive to improve companies' competitive advantages in the presence of an increase in international competition. In addition to the issue of developing competitive assets, European integration brings a new regulatory framework that imposes itself as a constraint on the possibility of export which, as we have seen, is one of the topics that catalyses the attention of public decision-makers on national economic policies. The CEE's obligations relate to the conservation, transport, processing and marketing of meat. Legislation was constantly evolving and this prevented long-term investment planning. Modernisation efforts took several years. In 1987, the pig meat pavilions were completed and work was

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<sup>116</sup> Catering services, hospitals, military headquarters, schools, local authorities

<sup>117</sup> Semmaris board of directors– minute of the meeting n. 78 held in 25<sup>th</sup> October 1983

planned to improve the cold chain in the beef and poultry sector, while the implementation of the tripe sector improvement was still to be planned and it will be accomplished only in the 1990s<sup>118</sup>. The meat pavilion was renovated in 2000, whereas the new poultry pavilion was finished in 2011.

Semmaris is therefore not an actor who merely manages the physical dimension of the infrastructure. Its action strategy also includes a role as promoter of the competitive advantage of economic operators, and a role as agent in the processes of economic restructuring aimed at increasing the added value produced within the infrastructure.

The content of this added value concerns to a large extent the services wholesalers were able to provide thanks to new assets, which moreover enabled large-scale distribution to start considering MIN no longer as an archaic and useless infrastructure but as one of the possible resources for their supply. Among the different product sectors in the MIN, the meat sector already began to receive a reward for its modernisation by the end of the 1980s. Since then, processing laboratories have been working with large-scale retail trade more than traditional trade: for instance, 70% of processed pork meat is delivered for main supermarket brands such as Carrefour, Continent and Leclerc (Chemla 1994). The development of warehouses allowed wholesalers to offer continuous flow supply services which allows them to respond to requests from distributors within 12 or 24 hours, reducing the fixed cost due to the storage time of the goods, and gradually adapting their entrepreneurial culture to the just-in-time approach on which logistics are based.

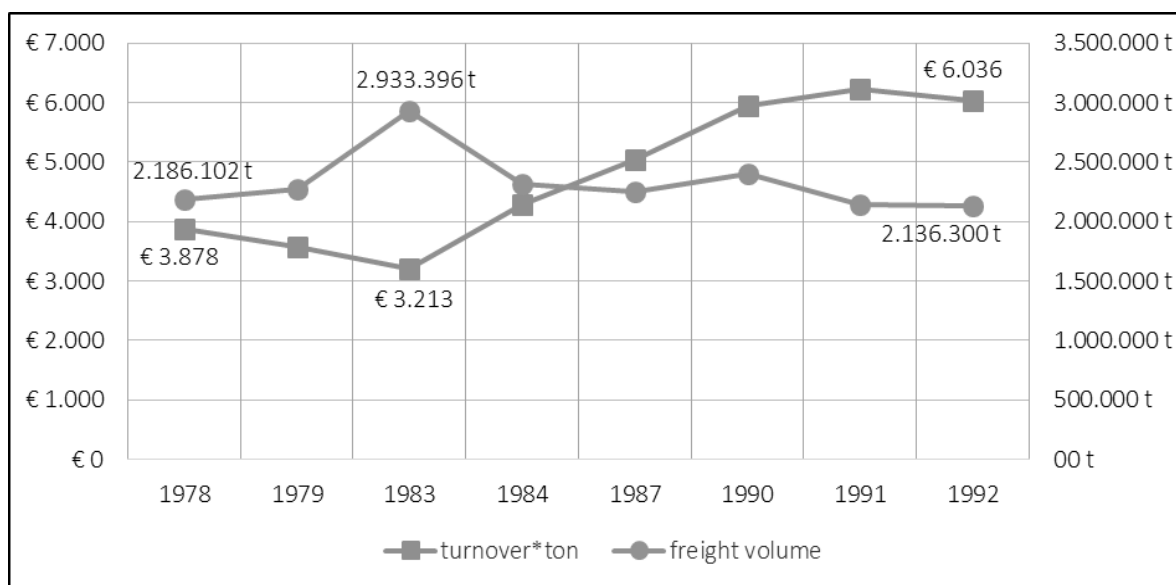
The purpose of the graph (See Fig. 3.8) is to compare the volume of food products introduced into the MIN with the value of economic transactions generated by businesses. The figures for the volume of goods are expressed in tonnes, while the added-value in economic transactions is expressed by the average ratio between the overall freight flow and the value of all economic transactions within the MIN, adjusted at constant prices in 2017<sup>119</sup>.

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<sup>118</sup> *Le Monde* “Le ventre d’Europe est à Rungis », 26<sup>th</sup> November 1987, p. 29.

<sup>119</sup> For the calculation of these values, I used the calculator of the equivalent historical values, based on the inflation rate, provided by INSEE.

**Fig. 3.8 Food transaction volume and economic transaction value within the MIN Rungis 1970 – 1992**



Source: Semmari, Rapports d'activité different years; Chemla 1994; Press review

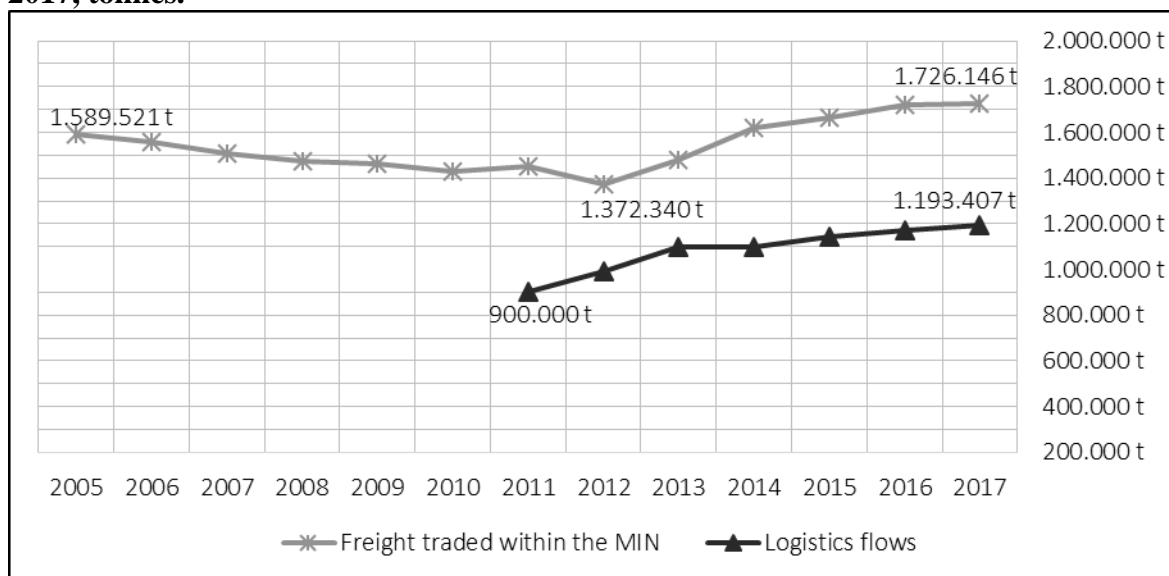
From the late 1970s, the number of applications for authorisation for construction of new warehouses increased, together with an increase in the value of economic transactions proportionally higher than the increase in the volume of goods. This trend continued in the 1980s while the vertical integration of MGD supply practices caused the freight volume to diminish. Added-value increased over the same period in which investments were made, whether they were conceived and implemented by individual wholesalers, or designed and implemented by Semmaris. We have already commented on the reversal of the upward trend in the volume of goods sold. However, what is interesting to note here is how Semmaris' modernising action and the space given to the development of wholesalers' organisational skills affected their sales turnover. The decrease in the volume of products observed since the 1990s is not entirely associated with a reduction in the role of the MIN in supply flows. In these years, a considerable part of the value of transactions and volumes of goods are gradually generated by MIN wholesalers without the goods passing via their points of sale. In this case, transactions take place with the goods moving from production sites and the wholesaler acting as an intermediary thanks to its ability to organise transport through company telematics protocols, not measured by Semmaris until 2011.

The pressures of market changes on the strategic development choices of MIN are exerted not only through the entrepreneurial action of wholesalers and the organisational action of Semmaris. The assumption of new policy priorities at national or local level influenced the structure of opportunity for development actions defined by Semmaris. At the beginning of the 2000s, Semmaris was finally able to develop the MIN extension project over the *Zone Delta*, which included the construction of an area dedicated to the logistics warehouses of wholesalers. A project already developed by the national government in the 1980s but for different priorities had never been included in the Master Plan for Regional Urban Development, a strategic document remained under close state supervision until 2007.

Another example of the interaction between market changes, political changes and development choices at Semmaris is the amount of opportunities opened up by the emergence of a new political coalition at the head of Paris from 2000 onwards. The political change coincided with a growing attention to the regulation of urban freight flows concerning Paris. This growing attention resulted into the design and implementation of different measures for urban logistics, aimed at coordinating different economic actors with the intention to promote more sustainable logistics practices. Within this policy area, the MIN is considered as an element that generates flows of goods but at the same time as an actor to be involved in their regulation. The awareness of it being a hub for food logistics at regional and national level is also reinforced by Semmaris itself, which, after developing its logistics assets, began to precisely measure the volume of goods passing through it without being traded within the MIN marketplace in 2011, and included this data in the annual report. The volume of logistics freight had been estimated until 2009 as around 40% of the goods marketed in MIN, figures from 2011 show that this share reached about 70%, strengthening the idea of the infrastructure as an important logistics hub and not only the gateway for urban food retail sector (Fig. 3.9).



**Fig. 3.9 Trading and logistics freight flows volume within MIN Paris-Rungis 2005 – 2017, tonnes.**



**Source:** Semmaris, Rapports d'activité different years.

Paris' policy agenda on urban freight logistics began to identify the boundaries of this new policy area in the early 2000s. In 2006, this led to the elaboration of guidelines for the identification of policy actions to be implemented in concert with private actors in the freight transport sector. It is from 2013 that Semmaris is directly involved in the development of innovative projects in partnership with Paris, to make more competitive, sustainable and efficient management of the flow of goods between MIN and Paris at the same time. In addition, since 2010 Semmaris has focused its organisational action on building cognitive and regulatory resources to support and guide the development of logistical skills among wholesalers and to attract new companies to MIN. Among the various dossiers and Semmaris' actions, it is important to mention:

- the adoption of incentives for the common management of freight logistics by wholesalers in order to promote the reduction of individual operating costs, and reduce environmental impact;
- the organisation of conferences and discussions on food logistics and urban logistics;
- the inauguration of a marketplace for online sales;
- the creation of a department within Semmaris dedicated to the development of real estate logistics in the areas adjacent to the MIN.

The growing role of Semmaris as an actor in the logistics sector since the 2000s is reflected in the willingness of the management company to participate in the construction of MIN's logistics facilities that help organise the upstream supply chain of wholesalers operating there. Despite the fact that the trend in the logistics sector has been to favour transport by road over rail since the early 1990s, Semmaris decided to invest in the modernisation of the rail terminal, involving the Ile-de-France region, the Val-de-Marne department and the public rail transport company SNCF to finance this investment. The modernisation of the railway terminal allowed the necessary competitiveness of the connection between the MIN Paris-Rungis and Perpignan, a production area from where an important quota of products (approximately 200.000 t per year) are channelled via a daily railway connection. Modernisation has not only stabilised and regularised the volumes entering from the South of France, but has also made this infrastructure attractive to MGD, which absorbs 50% of the goods coming onto the market by train.

Market changes in the distribution channel and food logistics sector have also had a recent effect on the regulatory framework that has guided the development of the MIN. Until the end of the 1990s, the rigid regulatory framework, managed in the decision-making processes by the decrees of the Council of State, did not undergo changes with regard to the maintenance of the monopoly in the MIN for food wholesale activity within the perimeters of positive and negative reference. Since the 2000s, several reforms have been implemented that modify the relationship between Semmaris and wholesalers, the MIN's legal status, as well as the configuration of the reference perimeters. In connection with the first aspect, MIN's wholesale companies have been able to grant economic rights over their investments and structural innovation of their activities since 2003. Thus, an economic operator can now mortgage economic rights and structural assets in order to have stronger guarantees to access loans to finance its investments. There are two changes in the regulation of the development of wholesale activities. The first is the decentralisation of decision-making powers regarding the authorisation for the opening of an activity of food wholesale: the competence shifts from the State Council to the Regional Prefect. In addition, the negative reference perimeter is being abolished, leaving market mechanisms to regulate the food wholesale outside the positive perimeter. The latter, which approximately includes Paris and the *petite couronne*, remains active with limited effectiveness compared to the past. Until 2003, any wholesale activity remained prohibited. Following the reform, the ban remains in place but can be waived by allowing the opening

of wholesale activities outside the MIN only following authorisation by the Prefect of the Ile-de-France region. In 2010, the positive reference perimeter was further weakened in terms of its regulatory capacity, with administrative authorisation now being granted only for wholesale areas over 1000m<sup>2</sup>. These legislative reforms are the result of a strengthening market logic in the policy approach governing the development of food distribution. The ability of market players to influence policy approaches is the result of a long process of incremental change that, in the French case, saw the emergence of the principle of competition as prevailing over the economic equilibrium regulated by political and administrative decisions already in the 1980s. The strengthening of this principle in the process of the institutionalisation of the European Union has established a supranational institutional pressure that has offered greater legitimacy to the economic actors who have in turn put pressure on public decision-makers to limit the monopolistic dimension of the MIN Paris-Rungis.

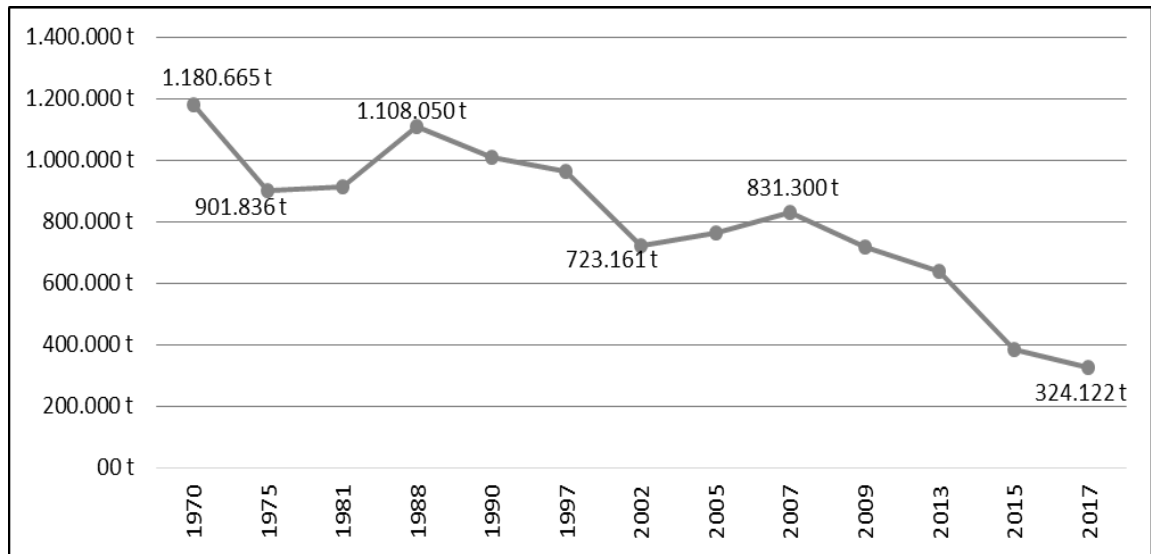
### **3.4.2 Milan wholesale markets policy inertia: cause of missed development opportunities**

In the case of Sogemi, the outcome of the interaction between market pressures and the path of infrastructure development is considerably different. Before considering the relationship between market dynamics and changes in infrastructure, it is necessary to explain the structural conditions of wholesale markets in the 1990s. The different sectors of the wholesale markets were still in different locations and those that were spatially close to each other did not have any spatial continuity that could facilitate the procurement of different product categories for MGD companies. Spatial proximity will only be achieved in 2000 with the move of the fish and flower market near the meat area, which will be closed due to inactivity in 2013. However, the different sectors remain separated from each other by the urban road network, and not integrated in a single logistics area. If I exclude the buildings inaugurated in 2000, the others have serious structural problems: the fruit and vegetables market has not benefitted from any kind of maintenance since it was inaugurated in 1965 and the last restructuring works for the poultry and rabbit market date back to the 1950s. Wholesalers' selling units have never been equipped with loading docks to speed up freight management. An activity that in other infrastructures is carried out in a short time by a single person requires a longer time and the employment of three workers

in Sogemi. The cold chain has not been modernised since 1965, which means that temperature stability cannot be guaranteed during loading and unloading, and there are no suitable weather covers during the handling of the goods. This leads to damage to the products during cold and hot months and rainy periods.

As I have highlighted for Semmaris, to understand the way the interaction between the market and the wholesale market takes place, I need to look at the operating company's role and the wholesalers', who are in direct contact with the economic changes in their business activity. Unlike Semmaris, Sogemi has not introduced the innovations necessary to maintain the position of the infrastructure in the flows of food logistics. The details and explanation of this outcome are rooted in the governance processes and in the interaction between interest groups and public actors that shaped this infrastructure policy. They will be analysed and explained in detail in Chapter 4, devoted to governance processes, and in Chapter 5, devoted to the strategies of action of interest groups and the practices of intermediation between their demands and policy priorities. What is useful to anticipate with regard to the role of Sogemi is the different degree of autonomy of organisational action it has in comparison with Semmaris and the different regulatory framework that guides its development priorities. The deep roots in the local political system and the strongly corporative approach of this policy, which we have already seen in Chapter II, operate as obstacles to the ability to read and act in response to the economic changes underway. Although there are no concrete results in terms of the organisation of economic activity or the production of structural assets, it is still possible to read the pressure of economic factors from the debates on the changes that in the 1980s and 1990s public actors discussed to introduce, even though these changes have not been implemented. The timing of the proposals trying to promote a different functioning is influenced by two factors: the institutional arrangement that defines the grid of opportunities for Sogemi and local political actors' action and market restructuring that becomes visible in the infrastructure in terms of volumes of goods traded by wholesalers. I will therefore consider the graphic representation of Sogemi freight volume a second time in order to relate it to aborted attempts to reform the infrastructure (Fig. 3.10).

**Fig. 3.10 Fruits and vegetables traded volume within Sogemi, 1970 – 2017**



**Source:** Sogemi, press review, policy documents.

As mentioned in previous paragraphs, Sogemi refused to authorise the construction of MGD logistics warehouses within the fruit and vegetables market area in the 1990s. This led to the closure of the purchasing office of one of the major food distribution companies in the region, which in those years developed a vertically integrated supply chain and which today manages its supply through the Distribution Centres built following this decision. Between 2001 and 2006, the idea of delocalising the general markets outside the city, with the aim of reorganizing their activities by building a food logistics hub, entered the urban political agenda as well as Sogemi organisational agenda. This relocation proposal followed a rapid reduction in the volume of goods traded within Sogemi between 1997 and 2001. This change is to be considered as a consequence of Esselunga exit from the infrastructure and therefore linked to the inability of wholesalers to establish stable relations with MGD due to the lack of structural and organisational logistical assets. The project developed by Sogemi management was not carried out due to the interaction between urban politic cycle and organisational leadership. Considering logistics spatialisation around Milan, the area occupied by wholesale markets represents a privileged location for the degree of accessibility, availability of space due to the reduction of its economic activity, and limited land costs. These factors favoured the penetration of a food logistics actor who obtained the authorisation to build a logistics warehouse in the area. This structure was inaugurated in 2009, overcoming the opposition of wholesalers

who saw the new player as a competitor in a market context already made difficult by the structural limits of the general market.

The entry of the urban logistics policy topic into the urban policy agenda opens a window of opportunity to convert the now underused spaces of general markets into platforms for the urban distribution of goods. Although this perspective is contained in policy documents relating to the governance of mobility and urban traffic, it lacks a stable coalition of actors strong enough to realise this idea. The representation of Sogemi as a possible asset for the governance of logistics does not arise, however, from the elaboration of a new policy perspective that can relaunch its development. Rather, it does from the encounter between the availability of urban soils, policies relating to the governance of metropolitan flows, private actors' interests in developing a very attractive location for the construction of logistics infrastructure. In this approach to the development of this urban area, where the function of wholesale food trade is increasingly less important in terms of volumes, I can read the decision to open up the possibility of building a logistics warehouse to private individuals, on an area managed by Sogemi hitherto never used. Finally, as the last element of difference, it is important to underline that Sogemi does not take on the role of promoter or supporter of the entrepreneurial activity of wholesalers, as Semmaris has been able to do over time. The inclusion of logistical functions in 2009 and in the near future is not the result of a process of developing the competitive advantages of companies within the infrastructure. Instead, it is a question of opening up the infrastructure to the specific interests of economic players in the logistics sector without the management company having to think about it or the wholesalers taking action to develop these structural assets from within. Milan's wholesale markets, now increasingly marginal, are thus flanked by new economic functions that are not necessarily connected with the operation of the infrastructure. In the case of Sogemi logistics functions introduced in 2009 and those that are foreseen in the next years come as a result of market external pressures. In the case of Semmaris, logistics functions have been developed from within since the 1980s, incrementally accompanying the economic changes underway outside. The logistical revolution in food distribution makes the limits and weaknesses of Milan's infrastructure even more evident. The result is its increasing marginalisation and a decline in the volumes of goods marketed that seems inexorable since 2007.

### ***3.5 Policy legitimacy profiles and their interaction with market pressures***

The changes in the market here discussed have acted not only on the operational functioning of the two infrastructures. The construction of the two wholesale markets is the result of policy processes that, in relation to the economic conditions of food distribution in the 1950s and 1960s, have identified these urban infrastructures as useful tools for the regulation of economic dynamics. The change in these dynamics has had an effect on their policy legitimacy and represents windows of opportunity for political actors, interest groups and individual economic actors to exert pressure aimed at revising the policy arrangement. The following chapters deal with the governance processes that have helped shape these windows of opportunity (Chapter IV), the directly involved interest groups' strategies of action (Chapter V) and the policy mechanisms that have taken shape over time (Chapter VI). In this section, however, I focus on the link between market changes and the policy dimensions that in both cases are influenced by them. I have identified three dimensions that clearly interact with market dynamics: the legitimacy of using public resources to maintain their functioning; the legitimacy of protection by public actors of the position in the supply chain of wholesalers active in the two markets; and the legitimacy of the infrastructures' urban insertion in relation to the economic and urban function they perform over time.

The action of economic changes on these three forms of legitimacy (economic resources, political resources, infrastructure urban insertion) passes through the ability of the operating company to pursue their policy goals: (a) ensuring the stability of food supply in urban areas in a context of strong urbanisation, (b) control of the healthiness and quality of perishable products, (c) regulation of price dynamics to avoid speculative behaviour. The development of MGD responded with market dynamics to these needs which, in the context of strong fragmentation of production, wholesale and retail, required the structuring intervention of public infrastructures. Supply stability is guaranteed by supply centralisation by the various retail distribution companies. The control of product healthiness is guaranteed by the standards defined by companies and used as a competitive advantage in competition with other economic actors. At a time when MGD is taking a dominant position in the distribution channels, the regulation of price dynamics takes place through market dynamics imposing low prices on producers, limiting the rent position of wholesalers by establishing economies of scale, and through competition between different

MGD companies in order to gain market margins for their horizontal growth. In the case of the MIN Paris-Rungis already in the 1980s, MGD distribution channels questioned the legitimacy of the public subsidies that had hitherto been allocated to promote the development of the infrastructure. A market dynamic that sees the role of traditional trade gradually diminish also reduces the centrality of the national champion of wholesale markets in structuring transactions between the actors of food supply. It was in this decade that Semmaris received pressure from the national government to become financially autonomous. This reorganisation of Semmaris' role in public action is to be seen in relation to the depth of the change that took place at that time. In the case of Italy and Lombardy, the structural transformation of retail trade followed a different trajectory. In the 1980s, the new sales format typical of MGD gradually began to spread, although only in the 1990s and 2000s the distribution channels for perishable products were reorganised. This change was one of the premises to push policy makers into designing a new infrastructural policy that involved the spatial concentration of all product categories to make Sogemi-managed markets attractive for the new economic entity. This attention of policy makers has resulted in the constant allocation of considerable economic resources. The policy proposals for space concentration will act as a source of legitimacy for the use of public resources until the end of the 1990s. Successive economic changes, leading to the marginalisation of the infrastructure in the new supply channels, have not led to the interruption of public subsidies. This happened in order to prevent bankruptcy for the management company in difficulty due to the reduction in wholesalers' sales volumes. The economic marginality of the infrastructure reduces the room for legitimacy for development interventions in the infrastructure as an urban logistic hub, and opens the way to real estate developers interested in introducing different urban functions in that area, through its relocation outside the city.

A second dimension of policy legitimacy affected by economic changes concerns forms of public regulation aimed at guaranteeing a competitive advantage to wholesalers operating within the two infrastructures. In the case of the MIN Paris-Rungis, the design of the infrastructure policy provides for the regulation of the economic geography of the wholesale trade in perishable goods. These constraints are driving wholesalers' spatial concentration within the MIN and the reduction of competition from companies outside the infrastructure. This policy element is one of the regulatory pillars of MIN national policy and is the one that more than others "resists" market pressures. Despite the fact that, as we



have seen, a form of public protection of the role of wholesalers is still active, the original concept of the reference perimeter begins to be questioned in the course of the 1990s. The reasons for this reassessment of the legitimacy of the protection perimeter lie precisely in the development of alternative distribution channels controlled by MGD. The purpose of the two perimeters was to guarantee the concentration of the flow of goods so as to trigger a dynamic of market competition. In the new economic context of the 1990s, this concentration is guaranteed by the market mechanisms fuelled by the functioning of the buyer groups, which already put the various possible suppliers in competition, triggering effective price control to avoid speculation and inflation phenomena. In addition, strong horizontal growth of MGD companies fosters competition at the retail stage. The result of these market pressures on the MIN Paris-Rungis policy will be the reforms of the 2000s.

In the case of Milan's wholesale markets, there is no similar instrument of protection for the purpose of offering a competitive advantage or for the purpose of obtaining a certain economic outcome from wholesale and retail transactions. However, what emerges from the early years of infrastructure management is an evident uncertainty in the enforcement of the rules on transactions within the infrastructure. In a context where wholesale activity is liberalised, there is a tendency to leave room for informal and undeclared economic activities, especially within the fruit and vegetables market. In this way, the presence of a subsidised infrastructure with a constant flow of public money, combined with widespread informality, translates into an economic condition favourable to wholesalers that allows them to slow down the process of marginalisation of the infrastructure.

The third dimension of legitimacy that I consider concerns the urban insertion of the two infrastructures. This aspect is central to the understanding of all aspects concerning the relationship between these two infrastructures and the economic change produced by the logistic revolution. To be more precise, when I consider urban insertion I connect the relationship between market and infrastructure with that between infrastructure and city. This double link can be summed up in the following way. If I look at the management of goods flows, cities have played over time the role of providing land and infrastructure, labour market, public resources, knowledge, rules for development. With a change in the way in which the mobility of goods is organised, it is necessary that the interweaving of collective goods supplied by the city to the infrastructure also changes in a coherent way. Otherwise, other interests and other urban functions can easily compete to occupy the same

land and benefit from the collective goods that can be offered by the city: policies, economic resources, people (workers and consumers), and of course other infrastructures.

The first aspect to highlight in this regard is the fact that the MIN Paris-Rungis is located outside the urban core of the Paris region. The chosen location is characterised by the presence of other infrastructures of national (Orly Airport) and regional importance (Sogaris). This area of the Parisian urban region, called *Pole d'Orly*, was destined in the 1960s to the organisation of the flow of people and goods, structuring its development around these urban functions. Milan's wholesale markets<sup>120</sup>, on the other hand, are developed in an area that was planned for urban economy supply functions already at the beginning of the 20th century. In that historical period the urban development of the city was such that there was no competition for the development of other urban functions in the same area. The different location of the two infrastructures creates different starting conditions for the future interaction between their urban insertion and logistics revolution. As far as the MIN is concerned, the ability of Semmaris and wholesalers to maintain economic competitiveness and interact with different levels of government in defining the infrastructure's role in urban logistics has meant that its inclusion was not put in danger. This is all the more relevant at a time when the area in which the infrastructure was built has seen its urban density increase and has been identified as a competitive pole for the internationalisation of *Metropole Grand Paris*, and for the insertion of urban functions with higher added value.

In addition to the cultural, occupational and structural role that it plays in the local fabric, the MIN Rungis, starting from the 2010s has strengthened its urban insertion by emphasising its role in the international outreach of the metropolitan economic system. The internationalisation of the metropolitan economy in the agri-food sector is reinforced by this infrastructure through two channels: the international activity of Semmaris and the orchestration of logistical flows by the economic operators that guarantee the penetration of French production into the international market. Considering the first element, Semmaris is playing the role of an international corporate actor establishing consultant relationships with other wholesale market operating companies and foreign public administrations. Considering the second element, the organisation of food flows sees 65% of them distributed within the Ile-de-France, 25% in the national context and 10% at

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<sup>120</sup> I here refer to meat, poultry, and fruit and vegetables wholesale markets and to the public slaughterhouse.

European and extra-European level<sup>121</sup>. Although the 10% share may seem marginal, it is to be considered that this is composed of high quality products, with a high cultural and symbolic value for the promotion of culture and the agri-food economy, in which the MIN Rungis represents the flagship assets for the promotion of Paris' image abroad.

In the case of Sogemi, the relationship between market dynamics and the legitimisation of urban insertion have developed differently. The location within municipal borders and the institutional local embeddedness of the infrastructure (See Chapt. II) have favoured the triggering of various pressures from political actors and interest groups (such as real estate developers) to relocate this land-consuming infrastructure outside of the municipal boundaries. Since the 1980s, every project to modify infrastructure to make it competitive with current economic changes has been accompanied by an attempt to move it or reduce its land consumption. In particular, when at the end of the 1970s the project of spatial concentration of the various wholesale markets entered the political agenda, the first policy solutions proposed envisaged delocalisation outside Milan, and in the 1980s an attempt was made to reduce the urban land used by the infrastructure. This second pressure was explicitly linked to the already marginal role of the Public Slaughterhouse and the meat market and aimed at locating other urban functions, such as residential or tertiary. A similar dynamic occurred in the 2000s, in the context of the economic transformations linked to the logistics revolution. Also on this occasion, the proposal of the public decision makers was the delocalisation of the entire infrastructure in order to be able to build a new logistic platform in a more suitable location. What I can therefore observe is the constant presence of market players trying to produce a reorganisation of the urban area occupied by wholesale markets, taking advantage of the marginalisation of some sectors due to the reorganisation of distribution circuits (in the 1980s and 1990s), or taking advantage of the logistics revolution (in the 2000s) and presenting the relocation as an opportunity for development of a new infrastructure functional to the new market conditions.

The legitimacy of the policy programme formulated in the 2000s laid in the need to reconnect wholesale markets to the changing economic context and to the desire to include urban functions considered more relevant for the development of the urban economy in that area. The lack of implementation of this policy idea was followed by the intention to

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<sup>121</sup> Atelier international du Grand Paris Cycle 1 Logistique urbaines, 2012. Workshop online archive :  
<http://www.ateliergrandparis.fr/ateliersdebats/croaif/metabolismes/croaifcycle1/rungis.php>

reorganise the functioning of the general markets by reducing the urban land occupied to the weight that the infrastructure had at the end of the 2000s, always in favour of the localisation of urban functions considered more important. Although the theme of urban insertion of this infrastructure has emerged on several occasions in the urban agenda since the 1970s, to date none of the policy debates has been translated into a new public policy.

The comparison between these two infrastructures shows that in both cases market changes have an impact on the legitimacy profile of these infrastructure policies. The outcome of the interaction between economic changes and the redefinition of policy legitimacy is different both in terms of the policy aspects that are reviewed and in terms of timing. The first element is explained by the form taken by the governance processes and by the interest groups' action strategies, aspects that will be analysed in the next two chapters. Timing, on the other hand, is based on processes of economic change. Finally, as we have observed with regard to the effects of the reorganisation of distribution channels and the logistical revolution, also with regard to the legitimacy of policy, the MIN Paris-Rungis shows greater plasticity in the redefinition of its profile of legitimacy in public action, in comparison with the dynamics of inertia to change that are observed in the case of Milan.

### ***3.6 Divergent development models for similar urban infrastructures***

The interaction between market changes and the functioning of the two infrastructures gives rise to two different paths of development for them, in many ways divergent. However, I would first highlight that despite the different timing of the changes in the organisation of distribution channels and in the logistics revolution, in the case of Milan and Paris we have observed similar pressures on the two infrastructures:

- the need to transform wholesale markets from trading places to locations offering value-added services to wholesalers and wholesalers' customers;
- the need to offer new services for freight transiting through the markets (quality control, tailor-made processing for customers, logistical traceability);

- the need to develop the logistic potential of the areas where goods are exchanged, with the creation of intermodal platforms (such as a railway freight terminal) and the opening of MGD to logistic platforms;
- the incentive to transfer outside urban areas in order to better fulfil a logistical role and leave room for higher urban functions.

In response to very similar market pressures, two different operating models emerge. The MIN is configured as an infrastructure that develops new logistical functions within it both by wholesalers and by MGD companies. It is a porous infrastructure compared to market dynamics and this characteristic is associated with the autonomy of the management company in defining the organisational agenda. Porousness also leads to a change in the regulation of the wholesale food trade, in which market mechanisms acquire more space. From an operational point of view, the result is an increase, starting in 2009, in the volumes of goods organised by the infrastructure, after a long period of slow decline.

The years around 2009 were a turning point for both infrastructures. In Sogemi's case, there is a strong tendency to reduce traded freight volumes, a trend that has accelerated dramatically in recent years. Only few wholesalers have maintained an economic relationship with MGD players: those operators who decided to build a logistics platform outside this infrastructure over time. The business structure within Sogemi is an important element to understand the way in which market changes have interacted with its role within the supply chain. In fact, it reflects the typical characteristic of the Italian agri-food sector: strong fragmentation. The companies present within Milan's infrastructure could have had the potential for a process of dimensional growth based on the fact that they have a high flow of goods on the market at least until the 2000s. However, Sogemi's focus on the infrastructure's physical dimension rather than on its entrepreneurial role, favoured a managerial approach centred on the management of the real estate dimension, leaving all aspects of enforcement of internal rules aside. An approach that has left no room for the production of competitive advantages either by building structural assets useful to wholesalers or by favouring concentration processes, aspects that we have instead seen within Semmaris in a gradual but constant way since the late 1970s. Sogemi strategy to maintain some competitive advantage for wholesalers in an economic context that is now disadvantageous for them has always served the purpose of limiting the enforcement of internal rules. Indeed, the spread of informality works as a resource to maintain

wholesalers' profit margins. The lack of rule enforcement favoured a search for competition based on informality and labour intense strategies rather than on organisational skills and technological innovation. If this freight management mode is convenient for a fragmented and poorly capitalised business structure, it is not attractive for MGD, which can organise their freight logistics independently. This infrastructure was able to maintain a central role at regional (and perhaps national) level in the distribution flows of fruit and vegetables until the 1990s. Things have changed during this decade due to two factors: the diffusion of the "logistic revolution" has made the infrastructure more and more obsolete; the MGD has developed its own logistic infrastructures in the Milan area.

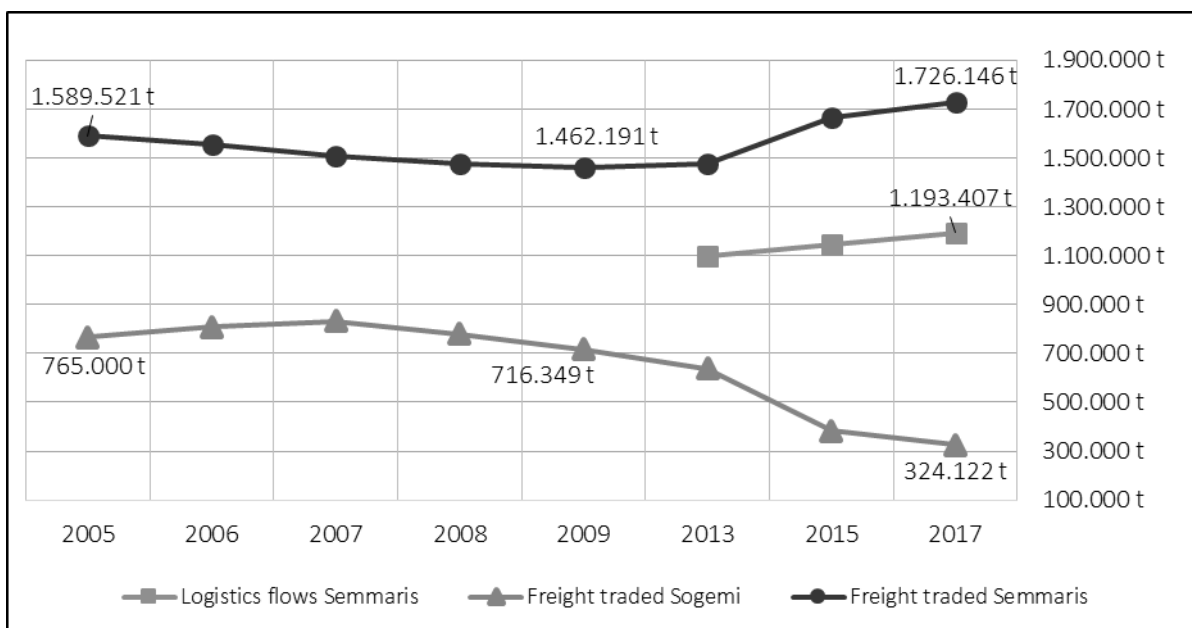
In the case of Semmaris, on the other hand, 2009 showed a reversal of the trend in freight volume reduction. The explanation can be found in previous years. Some aspects are crucial in this respect: the review of the regulation of the protection perimeter of the MIN Rungis established in 1969, the redefinition of the legal status of the relationship between wholesalers and Semmaris, the redefinition of the relationship between Semmaris and the State, and most importantly, the constant modernisation of its structural assets since the 1980s.

In this way, the MIN protected its role as a logistics platform alongside that of a marketplace for the intermediation of food products. Structural and organisational assets are also attractive for MGD, which has been present in the MIN since the first half of the 2000s. They use the MIN for several reasons. One of them is its insertion in a dense urban area at the heart of France's largest consumer market in terms of numbers, and one of the largest in Europe in terms of purchasing power. The second considers an urban land rent dynamic that has triggered a process of relocation for most logistics infrastructures to the *grand couronne*, leaving the MIN with a significant competitive advantage related to location, land price, and accessibility. The third reason refers to the commercial strategy of large-scale distribution which, in order to respond to changing consumers' tastes, combines standardised products supplied by massified flows with high-end, regional, seasonal or extremely perishable products, the management of which would be too costly if in the form of integrated logistics. At the aggregate level, the result is a progressive increase in the capacity of economic operators present in the MIN to orchestrate logistics flows. The organisation of goods flows sees the growth of the logistics function of the MIN with a constant increase in the transit of products that are not marketed directly in the MIN.

Semmaris becomes an active player in the management of food flows thanks to the development of a food hub of metropolitan, regional and national importance. The importance of the food hub is reinforced by the diversification of wholesalers' customers, among which an important part of the market is guaranteed by the Ho.Re.Ca sector and by MGD.

Milan's general markets appear to be an infrastructure that is impermeable to the dynamics of market transformations: no new logistical functions integrated with the activity of the wholesalers are introduced, and MGD is not accepted internally following the opposition of the same wholesalers who represent it as a competitor and not as a business partner. Its disconnection from market dynamics is associated with a lack of organisational autonomy of the management company with respect to the system of local interest groups. From an operational point of view, the result is a constant reduction in the volume of goods since the end of the 1990s. Sogemi is unable to adapt the infrastructure to the new needs of the market and loses its connection with the supply flows that affect the metropolitan region of Milan. The infrastructure therefore slips into the marginal role of managing the supply flows reserved for traditional retailers operating in the province of Milan, be they shopkeepers or street vendors (Fig. 3.11).

**Fig. 3.11 Freight flow dynamic for Semmaris and Sogemi 2005 – 2017**



**Source:** Sogemi; Semmaris

The marginalisation of the role of the infrastructure is reinforced by the lack of diversification of the clientele of this infrastructure, which is limited to an economic category that now has a reduced weight in food distribution. While in the 1960s and 1970s the general markets were of national importance, today their role is mainly local.



## **Section 2 The interaction between urban governance and food wholesale market policies**

# CHAPTER 4

## **Urban governance: an explanatory pillar for wholesale market infrastructural policy**

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In this chapter, I examine how the interaction between policy dynamics and the consolidation of urban governance processes (Le Galès 1995) explains the emerging of Semmaris as an actor in metropolitan governance, as well as the mix of inertia and policy failures in Milan.

In chapter 2, I argued that the interweaving of the party system with the local bureaucracy, and the interaction with policy rules stratified into a corporatist policy approach, allowed interest groups to effectively act on veto strategies when faced with attempts to change the politics of wholesaling through the construction of the new infrastructure (Fligstein 1996). In this chapter, I account for the role of Milan urban governance in two periods: between 1975 and 1993 and between 1993 and today. I have chosen this periodization to give analytical value to political change occurred in 1975, which coincides with the emergence of a new logic of urban governance, and to the profound reorganization of the political system after the Tangentopoli judicial scandal in 1992. This passage of Italian political history resulted in new administrative policies for local government organization as well as a different role for political parties. As a result, the role of interest groups also changed. Rather than exercising purely veto actions in a

party-controlled system, they developed, albeit unevenly, a propensity to act as strategic actors seeking to build coalitions in order to influence policy and urban governance processes. The political leadership instability and the presence of contrasting interest over the development of the infrastructure, hindered stable collective action eventually leading to policy inertia.

In the case of MIN Paris-Rungis, the territorialisation of public action was the basis upon which the increasingly autonomous operating company set its own agenda for infrastructural development. When the process of establishing metropolitan governance in the Paris region began in the 2000s, this autonomy translated into a growing capacity to build up institutional relations with local and non-local actors. The density of these relations and the long-term stability of Semmaris' and UNIGROS' leadership has allowed for the construction of a transversal coalition of institutional and economic actors which has redefined Semmaris from a simple MIN operating company to an actor for territorial development in its own right.

In both cases, there was also a shift from public regulation to a regulation increasingly based on market mechanisms. The different institutional configuration and the different modes of urban governance influenced the way market mechanisms acquired increasing weight. In the Paris case, the institutionalisation of the wholesalers' role and the growing autonomy of Semmaris anchored the infrastructure in the economic dynamics discussed in chapter 3, allowing for the reorganisation of its functioning. The effects of this shift include the reduction of public subsidies to support operational functioning, the growth of an entrepreneurial approach to regulation, and the entry of a corporate actor rooted in the regional economy. In Milan's case, the operating company's embeddedness in the political system and the change in the logic of urban governance after 1975 made it possible to insert a market logic into the governance of the infrastructure spatial dimension. Wholesale markets governance was affected by pressure from actors interested in tertiary and residential functions as opposed to wholesaling activities. Dynamics in the real estate development market have served as reference points for the elaboration of failing policies, leaving room only for slow and limited changes consisting in the spatial concentration of different wholesale markets achieved in 2000, and, from 2006 onwards, for the partial inclusion of logistics functions. These latter, however, have been decoupled from the functioning of the wholesale markets.

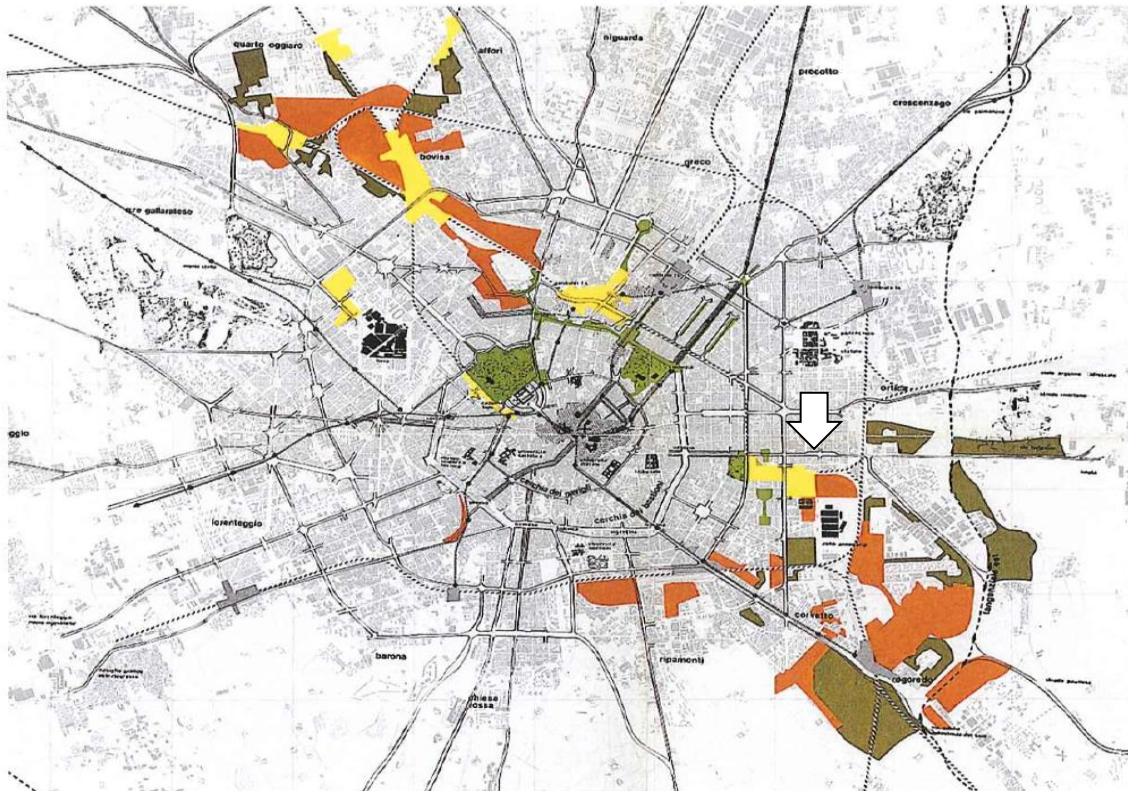
In other words, I found a similar logic of change at play in both cases: that is, a weakening of public and administrative regulation in favour of market dynamics, albeit with different outcomes due to the mediation of the institutional environment.

#### ***4.1 The rise of a new strategy for urban development and wholesaling in Milan***

During the 1970s, the process of spatial decentralization of both population and industry triggered urban economic and demographic restructuring. Among the economic sectors that have largely driven the reconfiguration of the urban economy, I can highlight professional services, advanced technology, producer services, and fashion (Savitch, Kantor 2002). This process, linked to the national and global dynamic of reorganizing industrial production in a post-fordist direction, exerted pressure on the strategic choices of the urban governments leading Milan in the 1970s and the 1980s. In this political and economic context, a new strategy for the urban development of Milan emerged. For the first time, an attempt was made to slow the concentration of tertiary activities in the city centre and to encourage more polycentric patterns. This strategy sought to direct private urban development activities both in areas affected by deindustrialisation and in the urban gaps that previous urban development had left behind. The tools and resources used by urban government included direct control over land use by means of planning competences, public ownership of land, and the construction of major transport infrastructure that could set development priorities and guide private investments in development programs (Savitch, Kantor 2002). As far as control over land use is concerned, a revision of the urban plan issued in 1953 was approved in 1980. Other instruments which have been utilized include policy documents dealing with urban development, issued to define the cognitive framework in which both political parties and private interests should engage. Two of these were approved in the 1980s. The first, the result of a political discussion begun in the 1970s, was approved in 1984 and was entitled *Documento Direttore Progetto Passante* (DDPP). It referred to areas identified by the local administration to promote the urban transformations that should have accompanied the construction of a subway transit line directly connected to the regional railway network. Among them, I find the Porta Vittoria freight terminal (identified by the arrow in fig. 4.1)

and the municipal slaughterhouse, both cognitively displaced from urban spatial organization due to the transformative potential of their urban insertion, itself generated by the decision to construct the first urban station of the new transit line there (Fig. 4.1).

**Fig. 4.1 Map of the planned urban developments along the *Passante* path.**



\*The white arrow points to the wholesale market area. The areas of the Porta Vittoria freight terminal, the meat wholesale market and the public slaughterhouse are coloured yellow. The small southern area coloured brown includes the poultry market, while the nearby grey area identifies the fruit and vegetable market.

- Development projects areas
- Land use revision areas

**Source:** Documento Direttore of Progetto Passante, 1984

This urban development project was confirmed by a second policy document approved in 1988. The Dismissed Industrial Areas Master Plan (DIAMP) defined the same areas as ‘strategic’ for the insertion of residential, tertiary, and commercial functions (Kaika, Ruggiero 2016). This second programmatic document opened a window of opportunity for a new actor in Milan urban governance: universities. In the institutional configuration of Milanese urban government, universities have historically played an

important role as final recipients of urban policy choices, but at the end of the 1980s they began to take on the role of promoters of new projects. The State University of Milan (*Università Statale degli Studi di Milano*) proposed transforming the Porta Vittoria railway terminal and the public slaughterhouse into a new university hub. The project failed due to opposition from wholesalers and the Union of Commerce, thus favouring the transformation of the Pirelli area into a new pole for the advanced service sector, and eventually led to the inauguration of the *Università degli Studi di Milano-Bicocca* in 1998.

The new strategy for urban governance was accompanied by a political change that saw a centre-left coalition leading the local government for the first time, almost uninterruptedly, from 1975 to 1993. During this period, attempts were made to translate this logic into the redevelopment of the wholesale market area on at least three occasions. On each of these episodes, it was possible to observe wholesalers and the Union of Commerce acting as veto actors to block development programmes. In order to understand the interaction between policy process and modes of governance, I am going to focus on the roles of actors in urban development programmes as well as the channels of access to decision-making dynamics for private actors and interest groups.

One variable which defines the structure of opportunities for actor's agency is intergovernmental support (Kantor, Savitch 2002). This refers to the degree to which higher levels of government support or constrain local public action. The Italian intergovernmental system foresaw little discretion for local sources of revenues and made local finance massively dependant on central government funding. The fragmentation of competencies between different levels of government reinforces the role of political parties (Savitch, Kantor 2002). One consequence of this form of state organization, as we saw in chapter 2, is the considerable effort invested in coalition building by political parties which control, by means of a pervasive spoil system mechanism, a compartmentalized and fragmented state administration as well as local interests (Tarrow, 1977). Parties are therefore the informal channels of vertical integration and of horizontal coordination: they allow the integration of resources, expertise, and capacity for public action.

In Milan, urban development programs were defined by the direct control of political elites over agenda setting and resource allocation. Favourable market conditions (Kantor, Savitch 2002) made investments in the urban marketplace an attractive option and allowed politicians to design constraints for private actors' participation and to orient the space and modalities of private profit. Combining public control over urban land with favourable

market conditions allowed local government to reduce public risk, shifting investment of financial resources in development programs onto corporate actors. Political elites' control over urban governance was also achieved through the pervasive use of public companies operating as a direct emanation of the party system thanks to a systematic spoil system to select their management members.

The deep penetration of parties into the socio-economic realm through such patronage and the spoils system heightened their reciprocal dependence and made stable coalitions difficult to achieve (Vicari, Molotch 1990). In the absence of broad and transversal coalitions, decision-making was stalemated to such an extent that it absorbed all resources available to the actors (temporal, cognitive, political, organizational), making it hard to coordinate interests and objectives around a common objective in order to feed the governance process (Le Galès 1995).

Urban governance does not work as a homogeneous process but is rather the result of a sum of partially different logics within urban politics sectors, deployed according to specific institutional arrangements (Pierre 1999). In the case of wholesale markets policy, interest groups succeeded in preventing policy changes that would have resulted from the implementation of development programs designed for that urban sector. This was possible thanks to the Union of Commerce, an organization able to structure governance processes, and thanks to their ties to the Christian Democrats (DC), one of the main parties in urban politics. Wholesalers, by mobilizing both collective action resources, succeeded in leveraging the constitutive instability and fragmentation of the local political system.

#### **4.1.1 Adapting infrastructure policy to new political goals**

In Chapter II, I showed how local interest groups have had a strong impact on the regulation of the operation of the infrastructure. Here I will turn my analytical focus to their mode of action and the configuration of actors that takes place around the desire to continue the spatial concentration of wholesale infrastructures.

During the first half of the 1970s, two interest groups with stakes in wholesale markets were able to shape the policy agenda concerning their development: the Union of Commerce and SOFICO, a financial company established by wholesalers and their local and national business organizations. From the early years of the decade onwards, they called for the spatial concentration of wholesale markets located in different urban areas,

demanding public investment to achieve this goal. The governing coalition, in those years was led by the DC, fully shared this formulation of the policy problem. In 1974, it approved a statement in favour of local government engagement in the new infrastructure policy. Although the policy initiative remained in the hands of the political parties themselves, on this occasion they actually acted as a transmission belt between stakeholders' requests and public decisional arenas.

The 1975 local elections brought a new coalition comprising the PCI, PSI and PSDI to power. The emergence of a new urban governance strategy fed into the policy management of one of the most important urban infrastructures in terms of land use, urban fabric structuring, and labour. The first proposal to relocate all wholesale markets outside the city and build a new infrastructure of 400 hectares (almost double that of the MIN Paris-Rungis), the option Milan policy makers considered the best benchmark, was discussed in 1978. It was rejected by the DC-led regional government, which controlled planning competences for the development of new wholesale markets. The Christian Democrats wanted to protect this infrastructure as a resource for the local regulation of interests in the food trade,<sup>122</sup> and to prevent a different configuration of the local political economy of this sector, which might be triggered by a national scale infrastructure. The prevailing representation of interests at the local level, whether regional or urban, was an obstacle for policy change and an inertia factor in infrastructural development strategies, favouring instead short-term distributive policies (Trigilia 2007). Despite the strong intergovernmental support setting that characterises the Italian *state* structure, Milan was left alone in this policy cycle: there was no fiscal support, no coordination planning and development, and no lateral regional integration with other cities. There were also opponents of the delocalization proposal within the governing coalition such as the Ortomercato Srl president, Luigi Carnevale (PCI, 1976-1982). Their main argument was that the municipality had direct control of the land where the wholesale markets were located and should have made strategic use of such an asset. Because of the regional veto, it was decided to maintain the location of the infrastructures already present near the Porta Vittoria railway terminal.

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<sup>122</sup> The result of the contrast between the policy priorities of the two levels of government is that in Lombardy in the 1980s a total of 8 wholesale markets were active (Ferro 1987), of which 4 built at the end of the 1970s and 3 in the early 1980s.



The new infrastructure was called Food City to underline the urban value of the space and the economic and social value of the concentration of all wholesale marketing activities in a single area. The Food city policy design includes four main elements. One is the organizational unity of all WMs operation. The fruit and vegetable wholesale market had previously been managed by Ortomercato Spa while the others had been overseen by distinct offices within the local administration. The organisational unity of their management was presented as a way of creating economies of scale that would reduce management costs and offer new and more efficient services to wholesalers. The second is the participation of wholesalers in the capital and the management of the new operation company. The legitimation of this decision was based on the divergent interests of wholesalers and the local administration. Wholesalers asked to participate in the decisions of the operational management in order to influence its organizational agenda. The political coalition in power, on the other hand, prioritized transferring operational costs from public bodies to corporate actors.

This position is indicative of a different political-economic approach to that pursued by the DC-led political coalition up to 1975. The aim, in fact, was to reduce the burden on the public sector of subsidising the operation of the new infrastructure and to directly or indirectly allocate resources so as to benefit the various wholesalers. The third element is the spatial concentration and integration of various products categories in the same area. Finally, there is the addition of new product categories, such as dairy and wine products. The rationale for spatial concentration and selling new products resides in the fact that modern retailers offering different product categories under the same roof were starting to become part of the commercial landscape.

The attention of all the actors involved, whether political parties or interest groups, was on the whole focused on the land and structural dimensions of the new wholesale markets (political parties) or on the logic of allocating the financing costs (wholesalers and the Union of Commerce). None of the fieldwork sources available<sup>123</sup> mention the role of the future management company or of the infrastructure itself in supply or value chain organization; nor do they cover the entrepreneurial development of wholesalers. While these two topics were at the centre of the political debate and policy formulation

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<sup>123</sup> Local and national newspapers, grey literature, policy documents, minutes of political debates

concerning the MIN Paris-Rungis, in Milan they were completely outside the cognitive framework of the actors.

#### **4.1.2 The constitution of Sogemi: A political arena rather than a management company!**

In 1978, the Ortomercato Spa operating company was renamed Sogemi Spa.<sup>124</sup> The municipality also redefined the official corporate purpose to include the management of other existing wholesale markets, including other food categories like dairy and wine products. It was also entrusted with the management of the public slaughterhouse and with the task of designing and building the new infrastructure. Furthermore, Sogemi was granted the concession to the land involved in 1979. Unlike Semmaris, Sogemi was tasked with the development of the structural project. In the French case, this had been delegated to professionals working for the *state* administration. Policy makers presented this choice as a way of organically guiding the implementation process by using the public company and thus assuring party control over it, as would become typical for other development programs in the 1980s. The eventually outcome over the years to come will be an almost permanent conflict dynamic rooted in this institutional configuration and generated by the constellation of actors and their strategic actions.

Since its establishment, the financial equilibrium of the new company has proved to be fragile. The infrastructure that came under its management responsibilities (seafood, meat and poultry wholesale markets) and the public slaughterhouse had until then been managed by administrative offices. The corporatist approach, which favoured wholesalers, had resulted in the maintenance of tariffs, which were significantly lower than operating costs. Each market's deficit was by annual municipal subsidies. When their management was entrusted to Sogemi, the financial deficit began to burden the company's balance sheet. This financial fragility was then used by wholesalers in their veto actions against attempts to modify the political economy of the infrastructure. Due to the characteristics of the local political system and the institutional configuration in which public policies for wholesale markets are implemented, the choice of including wholesalers within Sogemi's management added another veto point to public action processes. The initial idea foresaw 30% of the share capital coming from the financial company SOFIMA, a subsidiary of

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<sup>124</sup> Società per l'Impianto e L'Esercizio dei Mercati Annonari all'Ingrosso di Milano

SOFICO, set up on an ad hoc basis by wholesalers in the various markets. However, due to their hesitation and the willingness of the Union of Commerce to have a voice in this new infrastructure policy, nine percent of the shares ended up in the hands of the latter. In addition to involving interest groups within the shareholder assembly, the new company statute also stipulated their membership within the administrative board, granting them four members out of nine.<sup>125</sup>

Reproducing the political dimension of Ortomercato Spa, Sogemi functioned not only as a deliberative arena but also as a tool to regulate the conflicts that arose during the implementation process. The decision to assign the elaboration of the project to Sogemi and the definition of the financial plan for its realization, as well as the composition of the administrative board (dominated by political parties and interest groups), rooted its organizational functioning in the dynamics of urban governance. One of the effects of this embedding was the instability of the membership and management structure, which consequently followed the rhythm of urban political cycles and paid the price of party conflicts within urban government coalitions. The modalities of solution of these conflicts foresaw either a different structure for the governing coalition or the substitution of the members of the municipal *Giunta* while maintaining the same political coalition. Similarly, in cases of conflict in the policy process, the proposed solution was to replace a member of the management or to reorganize its structure, even eliminating the administrative board to limit internal conflicts.

#### **4.1.3 The ‘Food City’ policy process as a political economic device.**

In 1979, the president of Sogemi, Luigi Carnevale, proposed a different policy setting. It consisted in signing a contract with a real estate company, granting land exploitation rights to Sogemi and defining an agreement between Sogemi and the real estate company for rights concessions over the following 60 years. The goal was to allow the private investment to amortize and make the program appealing to urban developers. To do so, the land convention between Milan and Sogemi was amended to allow the operating company to concede land rights to a different private actor in April 1981. After a few days, on 28 April, the full development program was entrusted to a real estate

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<sup>125</sup> Shareholders Assembly – minute of the session held in 23<sup>rd</sup> December 1979

company called IMMA, which seems to have been set up ad hoc to take on the contract,<sup>126</sup> marking the assignment as a case of political patronage.

The contractual conditions were a matter of contention and triggered conflicts with interest groups, which eventually led to the policy's failure. Two central elements concerning the political economy of the infrastructure were at stake. The PCI was in favour of granting consumer cooperatives access to the new infrastructure. Consumer cooperatives constituted the first network of federated supermarkets and were intended to control price dynamics for consumers. They were also in the political orbit of PCI. During the 1980s and 1990s, they consolidated their role as MGD by carrying out mergers that created the conditions for an economy of scale. The second element at stake was the allocation of resources between public and private actors. According to the policy setting designed by the contract with IMMA, wholesalers would have financed the entire project through the purchase of land rights, conceded free to IMMA by Sogemi.

Let's take a closer look at how the roles of the different actors were defined. IMMA took on the task of constructing residential and tertiary buildings in the poultry wholesale market and public slaughterhouse areas and of constructing the Food City project drawn up by Sogemi. The residential and tertiary buildings would remain the property of IMMA, which could then sell them on the real estate market. Wholesalers who wished to secure a point of sale within the new markets would have to purchase the surface rights, which they would control for 60 years, from IMMA in advance. The price would be set in order to cover the expected construction costs, without any mark-up by IMMA. However, all remaining units would be operated directly by IMMA, which would use the surface rights as a source of financial income without any price regulation by Sogemi, opening the infrastructure management to financial speculation. Indeed, the transfer of these rights could also take place in favour of other financial entities interested in land rents. The only constraint for these financial actors was to keep wholesaling economic function trade

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<sup>126</sup> On the basis of the information collected during the fieldwork, we know that IMMA was founded on 28th November 1980, only five months before signing the contract with Sogemi. The company name includes the following sentence: 'The creation of the Food City for wholesale and retail markets and the transfer to third parties of the real rights inherent in the structures built'. Furthermore, no public bid was issued and the company was chosen directly by the local administration. Source: Letter sent to the office of Milan Public Prosecutor by city councillors Basilio Rizzo and Raffaele de Grada, concerning the relationship between the city government and the real estate company IMMA, during the 'Food City' policy program, 6th March 1984

within them. Sogemi's role would be limited to the management of services: regulation of freight-handling, supply of cold-chain assets, lighting, cleaning, security, access control, and enforcement of market regulation. In the policy design, the public actor built an opportunity for urban development and placed constraints on the action of private actors to obtain a collective good, but the whole operation was designed to shift funding responsibility and financial risks to the users of the infrastructure. We can therefore see an intermediate mixed policy approach between a fully market-oriented infrastructure approach and a policy fully guided by public resources.

As highlighted by Vicari and Molotch (1990) and Savitch and Kantor (2002), party elites used contracts with private actors involved in urban development programmes as a way to fulfil their ideological agendas. Accordingly, the terms of the contract highlighted the desire to change the logic of governing wholesale markets from a device devoted to regulating relations between local government and food distribution interest groups to a device useful for steering urban development governance. The key element in this developmental program was the redefinition of the relationship between local businesses and the party system in favour of new players who, acquired a growing role in the choices of urban governance: real estate companies, and later in the 1980s, university institutions. Control of relations between political and these actors remained firmly in the hands of the parties. IMMA never played a political role in the negotiations between parties, Sogemi, the Union of Commerce, and wholesalers. It remained in stand-by mode observing the evolution of negotiations, consistently with the governance logic discussed above.

Exploiting their veto capacity, wholesalers were able to obtain a series of changes to the contractual terms, eventually leading to a policy failure guaranteed by excluding any urban development in the area from the wider urban agenda. The policy conflict management style reproduced the one adopted in the resolution of party conflicts in urban governance. After an initial bargaining period, it was decided to change the membership of the management and replace Luigi Carnevale with Gabriele Bonatti (PSDI, 1982-1984) as president of Sogemi. In light of the persistence of a stalemate that prevented the continuation of policy implementation, it was decided to expand the integration of local interests within the administrative board in 1983, giving one more representative to parties and one to wholesalers. Only when both strategies (management revision and increasing voice to stakeholders) had ended in policy failure did the city government decided to close

any room for further voice appointing sole administrator without any administrative board (Tab. 4.1).

**Tab. 4.1 Links between governance and policy conflicts and Sogemi organizational changes 1978 – 1985.**

	1978	1979	1980	1981	1982	1983	1984	1985
Commerce Deputy mayor	Baccalini (PSI) 1975 - 1978	Party conflict	Valentini (PSDI) 1978 - 1980	Malena (PSI) 1980 - 1983		Party and policy conflict	Capone (PSDI) 1984-1987	
Sogemi Leadership	Luigi Carnevale (PCI) 1976 - 1982		Policy conflict	Bonatti (PSDI) 1982 - 1984			Burnengo (PSDI) 1984 - 1987	
Management structure	Administrative board 13 members			Policy conflict	Administrative board 15 members		no administrative board	
Government coalition	PCI - PSI - PSDI (1975 - 1985)							

**Source:** Sogemi, local press review, administrative archives.

To put pressure on Sogemi, wholesalers from markets previously ruled directly by local administrative offices refused to pay proposed tariff increases and utilized veto strategies in the approval of adjustments within the market commissions. As I have already mentioned, the shift from the administrative management to Sogemi created a problem of financial sustainability.

Over the course of the negotiations between 1981 and 1983, the Union of Commerce signed an agreement that sanctioned a compromise with the municipality. The wholesalers represented by SOFIMA briefly left the Union of Commerce after it signed an agreement in 1982 without involving them. The decision to abandon the Union of Commerce weakened its representative weight in urban governance, and the fear of losing legitimacy as a reference institution for trade governance and urban development led the Union of Commerce to repeal the agreement with the municipality following the pressures of wholesalers, who in turn re-joined the organization. The stalemate led to change in the Sogemi leadership. Before leaving his position, Carnevale attempted to capitalize as on the PCI's political patronage within IMMA and signed a new contract in July 1982 in which some of the wholesalers' claims were accepted. The goal was to secure the PCI agenda

within party competition dynamics.<sup>127</sup> The contract was signed without the authorization of the shareholders' assembly, opening a potential new front for legal action by wholesalers.

The wholesalers' response to this action was an official statement from AGO, the professional association of fruit and vegetable wholesalers, of their refusal to finance IMMA's construction of the new infrastructure.<sup>128</sup> Their position thus gradually became more radical, following a pattern of growing demands. At the beginning of negotiations, they asked for better guarantees on the criteria for determining their share of the financing of the project; they then asked for a reduction in project costs before eventually claiming that the project must be fully financed by public actors. Their demands tended to push the municipality back towards the previous logic of infrastructure government, approved by the DC's 1974 statement, thereby preventing a change to its political economy.

The contract signed by Carnevale was repealed by the new Sogemi management as a result of the wholesalers' opposition. Meanwhile, the problem of Sogemi's budget reduced both Sogemi and the local government's room for manoeuvre, undermining their ambition to at least prevent the bankruptcy of the company established only a few years previously and preserve the achieved organizational unity. Towards the end of 1983, after numerous mediation meetings, the mayor, the Commerce Assessor, the Union of Commerce, and the wholesalers signed an agreement for the revision of the policy setting to make IMMA a simple builder of the infrastructure, while the management of market rules (Fligstein 1996) returned to the control of Sogemi and, by extension, the wholesalers. This agreement re-established the influence of the wholesalers, the Union of Commerce, and parties close to them over the governance of the infrastructure. The agreement, however, was not implemented. At the end of 1983, the sum of all the debtor factors reached 21 billion lire (34 million euros in 2017). Following a fierce debate in the city council, the majority of the parties reached an agreement to pay off the debt, reset the management with the elimination of the administrative board and replace president Bonatti (PSDI) with a sole administrator, Michele Burnengo (PSDI, 1984-1987). It was also decided to abandon the development program that had produced such a profound clash between urban government and interest groups, effectively blocking any possible intervention aimed at modernizing

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<sup>127</sup> Shareholders Assembly – minute of the session held in 23<sup>rd</sup> July 1982; Speech at the City Council by Trade Deputy Mayor Paolo Malena (1980 – 1983) concerning management issues of the operating company, 20<sup>th</sup> December 1983

<sup>128</sup> Corriere della Sera, "Città Annonaria: i commercianti vogliono ridiscutere gli accordi raggiunti a Palazzo Marino", 7<sup>th</sup> October 1982, p. 22

the infrastructure. The debt write-off was financed exclusively by the local administration through a series of capital increases that reduced the shareholding of wholesalers and the Union of Commerce to 0.1 percent each, establishing a situation, which is still in place today. This operation marked the return of infrastructural government as it had been practiced in the 1970s: it remained an economic device for indirectly subsidizing the entrepreneurial activity of a small number of economic actors. To put it in analytical terms, the role of actors, the rules that had guided their relations, and the way policy resources were allocated demonstrated the political will to introduce a new kind of regulation among political, public and private actors in this policy sector (Lange, Regini 1989; Le Galès 1998). This political agenda is expressed with new policy goals and generated opposition from local interest groups. The effectiveness of veto strategies can be measured by comparing the three regulatory models elaborated during the failed Food City policy:

- At the beginning there was an arrangement to delegate infrastructure management to a real estate actor and open the markets to financial and commercial challengers.
- In the second model, the public actor reduced financial rent margins for IMMA, increased the influence of Sogemi, and reintroduced limits to the action for corporate challengers.
- In the third model, IMMA had only an executive role and no space was made for corporate challengers.

Together with the policy failure, the urban governance also failed to promote a different spatial organization of the wholesale markets that could pave the way toward further development projects and attract new urban functions into the Porta Vittoria area.

In order to avoid policy failure, it would have been necessary to establish a governance capacity to coordinate the organizational action of Sogemi, the public action of the local administration, the priorities of parties that occupied positions in the relative spoil system, and the interests of the wholesalers. The intertwining between political context and policy rules, however, was redundant, increasing the points of uncertainty and revision of decisions already taken. There were several decision-making arenas concerned in the pursuance of policy implementation and affected by the contentious dynamics that derived from it: the municipal council, the municipal commerce committee, the Sogemi members' assembly, the Sogemi board of directors, and each wholesale market commission. They were so intertwined and their roles so overlapping that often even preliminary debates and



agreements reached in one area were revised in the others. Finally, the policy setting envisaged obtaining the following outcomes within a short time period: the establishment of a new public company, the approval of a capital increase for Sogemi, the sale of land property rights to wholesalers, and the entry into the regulatory model of financial actors and corporate challengers. This political strategy was far too complex for a fragmented mode of governance and for a policy sector scattered with veto points.

#### **4.1.4 Party politics as usual: an incremental, inertial, and clientelist policy approach that eventually proved successful.**

After the Food City policy failure, the new formulation of the policy problem focused on the structural problems of existing wholesale markets due to ageing<sup>129</sup> while avoiding questions concerning the political economy of their management. The lack of maintenance even triggered the intervention of health officials<sup>130</sup> and judges to force Sogemi to fix hygienic risks.<sup>131</sup> Aside from structural problems, the new policy targeted Sogemi's financial sustainability. Indeed, difficulties in adapting tariffs to operational costs due to wholesalers' resistance and veto strategies<sup>132</sup> were still a major obstacle for the organizational activity of the new operating company. To relieve some financial burden, the contract between the municipality and Sogemi was amended in 1985. In the new contract, the public slaughterhouse's operating costs were subsidized with public funds: between 1984 and 1987, when these subventions were eventually stopped, the municipality of Milan covered 6.5 billion liras (7.2 million in 2017 euros) of losses.<sup>133</sup>

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<sup>129</sup> The meat wholesale market and the public slaughterhouse were opened in 1930, the seafood wholesale market in 1931, and the poultry market in 1925.

<sup>130</sup> *Corriere della Sera*, 'Sopralluogo al macello pubblico dopo la denuncia dell'assessore', 6<sup>th</sup> January 1984, pg. 21

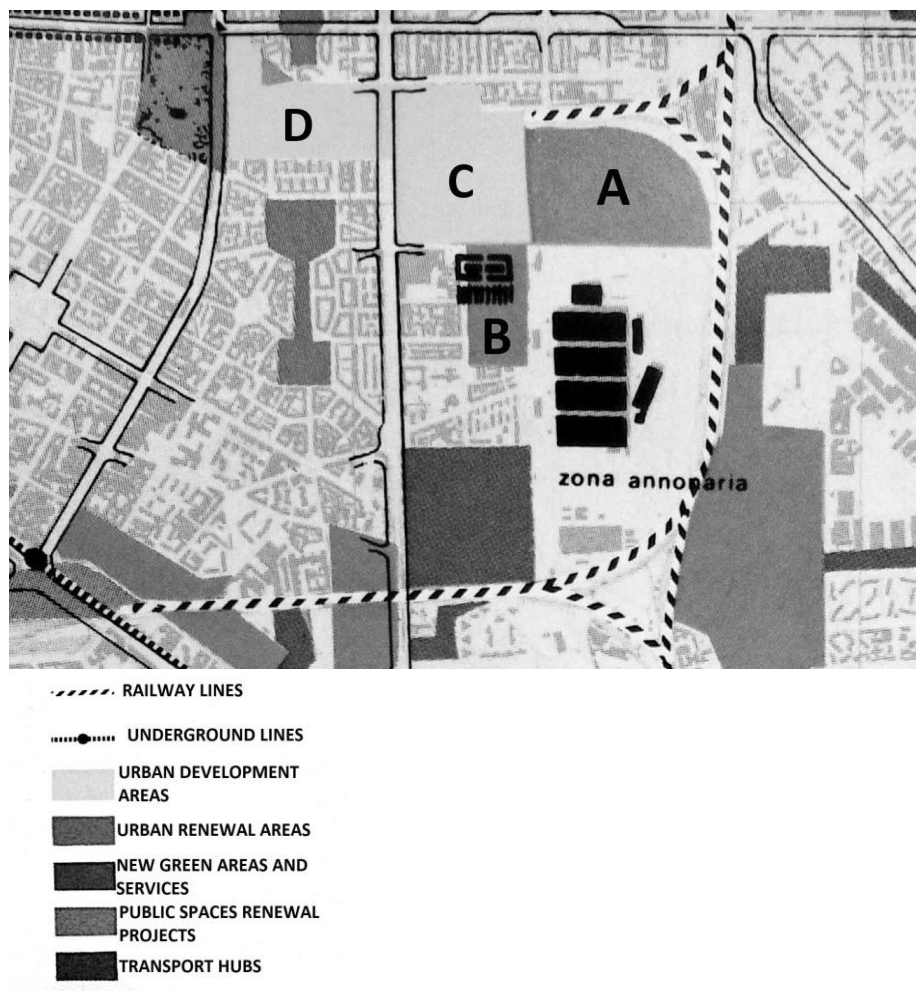
<sup>131</sup> Public statement by the Associazione Commercianti Prodotti Ittici, about the 'Food City' policy program, 25<sup>th</sup> November 1983; *Corriere della Sera*, "Inchiesta aperta sul macello pubblico", 21<sup>st</sup> January 1984, p. 22; *Corriere della Sera*, "Butteremo un miliardo per lavori in un Macello che è tutto da rifare", 20<sup>th</sup> October 1984, p. 24; *Corriere della Sera – Corriere Milanese*, "Sta cadendo a pezzi il mercato dei fiori", 18<sup>th</sup> September 1985, p. 30; Trade commission – minute of session held in 8<sup>th</sup> May 1986

<sup>132</sup> *Corriere della Sera*, "Inefficienze e paralisi denunciate dal Cincinnato dei mercati annonari", *missing page*, 16<sup>th</sup> October 1984; *Corriere della Sera – Corriere Milanese*, "Caro affitti all'ortomercato. I grossisti contro la Sogemi", 26<sup>th</sup> October 1984, p.32; *Corriere della Sera – Corriere Milanese*, "Le nuove tariffe dei grossisti 'Aumenti congrui' dice Capone", 29<sup>th</sup> October 1984, p.19

<sup>133</sup> Shareholders Assembly – minute of the session held in 12<sup>th</sup> April 1987; Sogemi (1998).

Compared to the Food City policy, this new policy cycle shifted its priorities back to the corporatist approach of the 1970s. In order to avoid conflict with the Union of Commerce and wholesalers, political elites also decided to finance the entire implementation process, transferring public funds into Sogemi's budget. All proposals aimed at modifying the management of the rules of the markets (Fligstein 1996) were set aside. The only policy objective retained from the policy design was the spatial concentration of the seafood and flower and plant wholesale markets into the 'A' area (Fig. 4.2).

**Fig. 4.2 Wholesale markets and freight terminal areas object of development projects between 1978 and 1993.**



'A' area: future location for seafood and horticulture wholesale markets

'B' area: poultry wholesale market

'C' area: meat wholesale market and public slaughterhouse

'D' area: Porta Vittoria freight terminal

**Source:** Elaboration of the author from *Documento Direttore* of the *Progetto Passante*, 1984

The Union of Commerce and wholesalers not only influenced the definition of an incremental infrastructure policy but also the agenda setting for urban governance. Proof of this is that although the city government strategy continued to provide for the relocation of the meat sector, this priority was neither proposed in the moment when a government coalition without the DC came to power, nor when new windows of opportunity arose from the availability of funds from the national government that could provide the resources to implement a development program. Examples were the *Piano Mercati* approved in 1986, and the Three years university development plan approved in 1991 to fund the construction of new universities in urban areas.

The fact that there were no urban development programs for such areas, at least until 1988, shifted the decision-making process from local government and the city council to Sogemi's management, making it an institutional arena that lent itself to the reproduction of practices of political patronage rooted in the spoil system that governed its membership. Sogemi's embeddedness in the political system also manifested itself in management instability and in the lack of coordination between organizational action and governance priorities – a consequence of growing party conflicts. The inclusion in 1986 of the DC in the governing coalition, a move designed as a countermeasure against the political instability of the time, led to the reconstitution of the administrative board and to the assignment of the presidency of Sogemi to Dario De Gennaro (DC, 1987-1990). The influence of interest groups on the urban agenda was strengthened, as the DC became part of the governing coalition. However, shortly after that, the governing coalition changed again with the exclusion of the DC, triggering a lack of coordination between the management and the local administration. The resignation of De Gennaro ahead of the 1990 elections led to the appointment of Enzo Canciani (PSI, 1990-1991), who was in turn soon replaced by Riccardo Casalegno (PDS and ex-PCI, 1991-1992). The political instability of the urban government linked to the dynamics of party competition and party factionalism led to the resignation of Casalegno a month after the start of the investigations of Tangentopoli that led to the start of hundreds of trials throughout Italy.

The incremental construction of the two new wholesale markets was organized around individual contracts not coordinated among them: the management of the only cold chain asset that previously provided refrigeration service to the fruit and vegetable wholesale market was outsourced following clientelist criteria; to build a new cold-chain assets for the seafood market a monopolistic contract was stipulated with ECAS, a

company owned by a Milan-based fish wholesaler while another contract was stipulated with a group of companies for the construction of the wholesale markets. Each of these contracts was characterized by adjustments and revisions based on the change in Sogemi's management and changes in the government coalition.

The defining features of this policy cycle are its corporatist approach, clientelism, and the role of interest groups in the decision-making process.<sup>134</sup> The corporatist dimension can be traced back to the decision to subsidise the operation of the meat sector in 1985-1988, thus avoiding increasing costs for wholesalers, and to fully finance the new markets with public money without adjusting concession fees. Clientelism is evident in the contractual commitments with private actors subject to constant review and to a climate of uncertainty, which placed the business system in a position of dependence on the decision-making power of political parties.<sup>135</sup> The decision to suspend the public slaughterhouse subsidy in 1988 was related to both the DC's exit from the governing coalition of which it had been a member between 1986-1987 and the second attempt by the PCI and the PSI to promote a new urban development program. With the restructuring of political power and thanks to the policy windows opened by the national government, after the approval of *Piano Mercati* in 1986 and later of the University development Plan in 1991,<sup>136</sup> the reorganisation of the urban insertion of wholesale markets became again part of the agenda.

The governance of land destination envisaged the construction of a university pole in line with the role of the *Passante Ferroviario* in areas 'C' and 'D', a goal confirmed by the cognitive framework designed by DIAMP which was published in 1988. The debate over the development of these areas was then intertwined with the participation in the national

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<sup>134</sup> Shareholders Assembly – minute of the session held in 10th October 1991; *Corriere della Sera* – Cronaca di Milano, “Lite sull’ortomercato”, 11th October 1991, p. 45; Shareholders Assembly – minute of the session held in 21st February 1992

<sup>135</sup> *Corriere della Sera* – Cronaca di Milano, “Rilancio Ortomercato. I privati non si fidano”, 27th September 1991, p. 40; *Corriere della Sera* – Cronaca di Milano, “Ombre cupe sull’Ortomercato”, 29th September 1991, p. 28; *Corriere della Sera* – Cronaca di Milano, “Caso Ortomercato licenze nel mirino”, 30th September 1991, p. 36; *Corriere della Sera* – Cronaca di Milano, “Una catena di scandali e tangenti”, 5th October 1991, p. 46; Shareholders Assembly – minute of the session held in 10th October 1991; *Corriere della Sera* – Cronaca di Milano, “Ortomercato, la resa dei conti”, 17th March 1993, p. 42; *Corriere della Sera* – Cronaca di Milano, “Ortomercato, arrivano i conti”, 8th June 1993, p. 48; *Corriere della Sera* – Cronaca di Milano, “L’Edilizia scende a patti”, 28th January 1994, p. 44; Official communication from the company ECAS to different institutional actors concerning the failure by Sogemi to comply with the contracts signed with it, 7th September 1995

<sup>136</sup> See, Triennial University development Plan, DPR 28/10/1991

funding scheme approved in 1986 for the modernization of wholesale market infrastructures: the so-called 'Piano Mercati' mentioned in chapter 2. Again, the Union of Commerce and wholesalers mobilized with veto strategies to prevent the University development and triggered actors' coalition instability during the attempt to implement the Piano Mercati locally. However, in this second case, Milan's failure to participate in this national policy can also be attributed to the high level of conflict and fragmentation within the party system. Eventually, in 1994, after the political earthquake of *Tangentopoli*, the fish and flower markets were completed. Due to construction errors, it took a further six years before they could be inaugurated in 2000, fifteen years after the city council's approval of the program.

#### **4.1.5 The 'Piano Mercati': A new governance opportunity to reorganize urban functions within and around Sogemi's soils.**

During the 1980s, a relevant share of goods flows were already being traded outside wholesale markets as a result of the liberalization of wholesaling activity in 1959. This was due mainly to the inferiority of the public infrastructure linked to the low technical quality of services provided.<sup>137</sup> Indeed, as we saw in chapter 3, competition was no longer based solely on price dynamics, but also on the ability to organise and manage all the transactions that took place from production to consumption. To react to structural economic changes, a national funding scheme to modernize wholesale markets was approved in 1986. For the first time, 35 years after France, a national public policy targeted the organization of the national network of wholesaling infrastructures. As in France, the policy was aimed at identifying markets of national interest to structure the supply chain. This idea, however, demanded a compromise with the local corporatist approach regarding the funding of regional and provincial infrastructures. The policy design was such that only operating companies in which corporate actors (wholesalers or retailers) participated and which submitted projects foreseeing the spatial concentration of different food categories were eligible for funding. As we can see, the Milan Food City failed policy, inspiration drew from French MINs policy, was reproduced after ten years at the national level (Golfetto

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<sup>137</sup> Technological innovations were not taken into account in the management of markets (for example in the collection and processing of information), and there was a lack of complementary technical services with added value, such as services for homogenization of products, packaging, and basic processing.

1987; Sottile 1994). Despite the idea of promoting more competitive services within the funded infrastructures, the implementation process of the *Piano Mercati* was focused almost entirely on structural assets and largely neglected important organizational reforms.

The approval of this national policy represented a window of opportunity for Milan: Sogemi operated the most important market in Italy, the land was already owned by the municipality, and this time there was political, organizational and economic support from the national government. While the contracts analyzed above were being signed amidst uncertainties and revisions, the political discussion to participate to the *Piano Mercati* began. Two main issues were at stake: the party dynamics at play within centre-periphery relations and the definition of new strategic choices for the urban development of Milan, once again embedding the wholesale market infrastructure policy in urban governance processes. This new attempt to implement an urban agenda which had been defined years previously was reinforced by the growing influence of new actors in Milan's governance: universities and real estate actors, the latter represented by the business association Assoimpredil, which had the power to steer the debate around the Sogemi development. The PSI and PCI were in favour of relocating it outside the municipality. Their plan was to sell public land managed by Sogemi to urban developers and use the profit to partially fund the new infrastructure and use the wholesale market land for a vast urban renovation project. As one can imagine, DC, Union of Commerce and wholesalers immediately mobilized to block this project. Once again, the policy setting gave local interest groups a veto power since they needed to be present in the shareholding structure to make the operating company eligible. The idea of relocating the infrastructure was consequently abandoned in 1989 due to the fact that the institutional configuration of this policy area provided wholesalers with ample political resources. In March 1990, a new mixed economy company was established including wholesalers within the shareholding structure: *Comercati 2000*. In July 1990, it submitted a funding application; in December, it was granted 117 billion liras of state funding (113.6 million in 2017 euros). Two other steps were necessary: the submission of the executive project and the transfer of the concession to the areas from Sogemi to *Comercati 2000*. Between 1990 and 1992, urban politics was troubled by numerous, overlapping events, dynamics, and processes which, fed into one another and made it impossible to produce the collective action necessary to carry out these two steps. The end of the 1980s was characterized by a high degree of conflict between and within the parties. This came at the expense of the ability to achieve

coordination between local government and Sogemi. The two-year period between 1990 and 1992 witnessed the appointment of a trade deputy mayor who had never held positions in local government and who seemed to be unaware of all the illegal practices of political patronage, which had been used to govern infrastructure in previous years. For this reason, it effectively blocked all of Sogemi decisions to avoid being involved in them. The links between the fruit and vegetable market and weapon and drug trafficking meanwhile emerged<sup>138</sup>. A local anti-mafia committee set up to investigate the regulation of the trade sector brought to light episodes of corruption and tax evasion among wholesalers,<sup>139</sup> the presence of organised crime in the management of licences for flower street vendors,<sup>140</sup> and the corrupt practices of employees in the Trade Department. In February 1992, Mario Chiesa, the manager of a municipal public company, was arrested and revealed the mechanism of corruption that had kept the political system in place in the previous 10 years.

At the same time, mobilizing the cognitive framework shaped by the DIAMP in 1988, the State University asked the municipality of Milan to amend the urban plan. The new program became a subject of public debate in late 1991 and was increasingly brought into connection with the Piano Mercati policy, which was already under pressure due to the complexity of integrating interest groups in its implementation. The municipality of Milan agreed to place the development of a university pole at the top of its agenda and Sogemi, following the new priority, signed a contract to allow the construction of university buildings in the public slaughterhouse area<sup>141</sup>. This decision mobilized the opposition of the Union of Commerce and wholesalers who sued Sogemi, arguing that the concession of land to the university contravened the company's statute. Furthermore, both interest groups threatened the municipality with their departure from Comercati 2000 – a potent threat given that the presence of private actors within the operating company had been a crucial eligibility criterion for receiving 117 billion liras of funding for building the new infrastructure in the first place. Thanks to their veto position, market operators blocked the project proposed by the University of Milan. The result was to move the university project to another urban area that had meanwhile become available thanks to the willingness of

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<sup>138</sup> *Corriere della Sera*, "Armi e droga sotto l'insalata", 13<sup>th</sup> September 1991, p. 15

<sup>139</sup> *Corriere della Sera – Cronaca di Milano*, "Caso Ortomercato licenze nel mirino", 30<sup>th</sup> September 1991, p. 36

<sup>140</sup> *La Repubblica*, "Milano, ora sono due le inchieste antimafia", 3<sup>rd</sup> October 1990, Online Archive

<sup>141</sup> Shareholders Assembly – minute of the session held in 21<sup>st</sup> February 1992

Pirelli to convert its industrial site north of Milan. In the institutional fragmentation of the early 1990s, the local political elite defined developmental priorities based on the opportunities that the urban market offered it, losing its ability to direct investments. On the eve of Tangentopoli, the political elite lacked a clear sense of perspective. Instead, there was the pursuit of individual windows of opportunity to produce urban transformations based on ad hoc public-private coalitions.

The impossibility of producing the minimum stability needed to guide the passage from Sogemi to the operating task Comercati 2000 so that the latter could have ownership of the land had a simple consequence: on 25<sup>th</sup> January 1993, Milan lost the national funds for the modernization of the wholesale markets.

#### ***4.2 Restructuring local government organization: new opportunities, same implementation problems for wholesale markets' policy in Milan***

Italian urban governments remained largely unaffected by institutional reform processes in the decades after the conclusion of the Second World War. This period of institutional stability entered a new season in the 1990s because of endogenous and exogenous factors. On the endogenous side was the crisis of confidence in democratic institutions which followed *Tangentopoli* and led to a deep restructuring of the party system. On the exogenous side was the need to reform the state's organizational structure (Della Porta 1996) in order to provide territories with instruments with which to leverage strategic actions to deal with new economic dynamics associated with the globalization process (Allulli, Tortorella 2013). The 1990s was a decade of thoroughgoing institutional changes. Laws 142/1990 and 81/1993 led to a profound revision of the organization of local government by strengthening the executive power and clipping the autonomy of the city council.

In 1993, the direct election of mayors was introduced in all municipalities. The municipal council's mandate became dependant on the stability of the mayor's office, strengthening its influence over the city council. Furthermore, the mayor was granted the power of directly choosing members of the executive body. The role of the *assessore* was now based on the personal trust between him/her and the mayor, thus bypassing the city council. This provided greater autonomy of government action from the direct influence of



party organizations. The role of deputy mayor was also revised. Policy departments were no longer 'feudal bodies' controlled by a specific party to be managed according to a rigid partisan logic. Since their legitimacy was directly linked to that of the mayor, they took on the role of direct intermediaries of the particular interests present in urban societies. The latter, since the role of the parties was no longer as central as it had been in the 1980s, became the direct recipients of corporate demands and were entrusted by voters with the task of directly governing all issues that were likely to lead to political conflict at the local level. As we will shortly see, the mayor and the councillors personally managed relationships with the different actors without their strategies or decisions being directly and organically influenced by transversal party priorities (Magnier 2004). In 1997, a new reform law for local self-government reorganised the division of powers between national and sub-national levels of government, strengthening the role of the regions and redefining the principles of the organisational functioning of local administration in order to reduce political influence over bureaucratic practices. In addition to the reinforcement of regional governments within the state's organization, regional presidents began to be directly elected after 1995 without passing from the legitimation of regional council, strengthening and personalizing regional executive power. This law was then followed by a reform of the constitution in 2001, which sanctioned a strong federalist imprint on a regional basis for the Italian state.

In 1990, the metropolitan government was (formally) introduced within the intergovernmental structure. The legislator's logic was to adapt administrative organization to the territorial dynamics which had characterized the organization of urban areas (Del Fabbro 2017). However this decision was never implemented. After Tangentopoli, Milan experienced a period of political and decision-making stalemate which undermined its ability to develop urban public policies and produce collective action (Pasqui 2007). In this context, the perspective and policy issue of the constitution of the metropolitan city was overshadowed in the political agenda (Dente 2005). This remains the case in Milan given that, despite the constitution of the metropolitan government in 2015 following the new law 56/2014, the city still struggles to find an institutional setting to promote actual metropolitan governance.

Due to institutional changes, the restructuring of the state, and profound economic changes, the new party system retains an important role in the selection of the local political elite but no longer functions as the main forum for political elaboration and

negotiation. These two aspects are instead rooted in more open networks between different actors (public and private), giving greater centrality to the executive body and the mayor in shaping these coalitions of actors.

#### **4.2.1 Political elites open new opportunities for market forces in shaping urban governance agenda**

After Tangentopoli, the local political system entered a phase of transition and fragmentation. The 1993 elections brought the *Lega Nord* (Northern League) and saw the formation of a single-party government led by Marco Formentini (1993-1997). The profound institutional changes, the destabilization of the relations that had presided over the production of local power, and the political instability of the executive meant that these years were to be characterized by the difficulties of a government which possessed little capacity for public action. In this changing institutional context a new strategic vision for development was not elaborated. The wholesale markets managed by Sogemi thus remained unaffected by new policy interventions, confirming the fact that their presence in the urban agenda is linked to the land dimension and their urban insertion.

Besides the organization of local government and the redefinition of the system and the role of the parties in local and national society, a number of other institutional changes were relevant to the elaboration of a new strategy and a logic of governance in Milan. At the end of the 1990s, the regional government introduced a new instrument for urban policies (PII)<sup>142</sup> which allowed for the elaboration of urban development programmes and introduced marked elements of flexibility into the constraints defined by the urban planning document<sup>143</sup>.

This innovation redefined the rules governing relations between public and private actors, opening up the definition of an urban agenda to the real estate developers' interests and producing a change in the institutional arrangement of urban governance. The premise was the political change that led to the leadership of the regional government by Roberto Formigoni (1997-2013), elected within a centre-right coalition and endowed with an unprecedented legitimacy linked to institutional reforms. The restructuring of the political system reduced the role of the parties in the definition of political dynamics, opening them

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<sup>142</sup> Programma Integrato di Intervento, Legge 9/1999

<sup>143</sup> *Piano Regolatore Generale*

to the influence of coalitions of more varied socio-political actors. In the case of regional and Milan politics, these years were defined by increasingly important role of the entrepreneurial and political movement *Comunione e Liberazione* (Communion and Liberation, hereafter CL), a network of interests in health, welfare and the real estate sectors. The personalization of executive power in urban and regional government shifted the process of political power construction into the realm of elected officials' personal relationships. Even where parties retained a role as mediators they were no longer the pivotal component. CL's influence was also evident in the governing coalition led by mayor Gabriele Albertini (Forza Italia (FI) - 1997-2006) within which he controlled both mandates of the urban planning department.

This influence is particularly evident in the definition of the new urban governance strategy based on the expansion of Milan's urban market through the promotion of numerous urban development projects. The opening to real estate market interests was favoured by the redefinition of the intergovernmental support structure. Central government transfers decreased on average from 65 percent to 22 percent of local current revenues in Italy between 1990 and 2004 (Bobbio, Piperno 2010). The combination between central grants reduction, higher control over the local tax levy, and control over local expenditure triggered an entrepreneurial governance approach in the interest of finding new sources of revenue. The reduction of state transfers, the greater political autonomy of the mayor from the parties, and the new logic of production of the city facilitated by the innovation of regional regulations and the openness to lobbying by the real estate sector came together to define a new strategy of urban governance. In addition to the growth of the urban market through real estate development, there was also a concentration of projects within municipal boundaries, thus ensuring the direct management of political relations between urban government and private actors. In 2000, a new document redefining the cognitive framework for urban planning policies in Milan and setting urban development priorities was approved by the city council.<sup>144</sup> It included spatial guidelines for future urban development programs as well as providing for their integration with those that had already been figured out at the end of 1980s: the north-west/south-east axis defined by the route of the Passante, and the north-east/south-west axis defined by the Pirelli conversion program that gave rise to the Bicocca area. Among





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<sup>144</sup> Assessorato allo Sviluppo del Territorio (2000), Documento di inquadramento delle politiche urbanistiche a Milano, *Ricostruire la Grande Milano*, Comune di Milano

the prioritized urban development programmes we once again find the urban requalification of the Porta Vittoria railway terminal, adjacent to the wholesale markets, and the opening of the rest of the area to private sector proposals. (Fig. 4.3).

**Fig. 4.3 Spatial organization of new urban development programs in the *Documento di Inquadramento*.**



-  Areas open to urban development proposals
-  Approved urban development projects
-  Strategic areas outlined in the *Documento di Inquadramento*
-  Porta Vittoria area and wholesale markets

**Source:** Documento di inquadramento delle politiche urbanistiche a Milano (2000)

This strategic document was a barometer of political change, institutional change, and a change in the mode of urban governance that has had a significant impact on the choices relating to wholesale markets of Milan. Let's see how.

#### **4.2.2 Organizational autonomy for Sogemi: a new channel of local embeddedness.**

The first element I wish to consider in order to understand the link between governance processes and infrastructure policy is the new form of the operating company's rootedness in urban policy and local administration. In the new institutional context there was no longer any overlap between parties, local government and mixed economy public companies. Sogemi's embedding field was no longer the interweaving of interests within the party system but rather that of the policy rules that once again came to play a more important role in regulating relations between local elected officials, interest groups and local institutions. Policy rules identify three organisational dimensions which need to be considered if I want to understand the effect of development policies on infrastructure between 1997 and 2017: (1) the shareholders' assembly; (2) the management structure comprising the board of directors and the sole director; and (3) the market commissions.

1. The shareholders' assembly is a good indicator of the relative weight of the different stakeholders in the decision-making process. After 1984, the Union of Commerce and wholesalers' participation was purely symbolic and lacked any formal decision-making weight. Up to 2004, the shareholders' meeting monopolised by the Municipality held powers of extraordinary management such as decisions concerning structural interventions, the (de)localisation of markets and the regulation of land resources. After 2004, the decision-making power for extraordinary management was transferred to the administrative board, increasing Sogemi's decision-making autonomy. This reorganization coincided with mayor Gabriele Albertini's intention to relocate wholesale markets outside the municipal boundaries, an operation that required decision-making autonomy to avoid possible slowdowns due to pressure from traders.
2. Sogemi's management continued to undergo structural and membership adjustments between 1997 and 2017, reproducing the dynamics of the 1980s which

I analyzed earlier and assuming two types of configuration: i) the presence of a sole director; and ii) the presence of a board of directors led by a president. The decision regarding the number of members was to be made by the assembly and to reflect the will of the local government to open or close a space of deliberation with socio-economic actors. The break with the past was apparent in the selection of board members. Whereas these had previously been people belonging to the local party system, they now represented the different professional sectors or the collective interests mobilised for the elaboration and implementation of the infrastructure policy. As in the past, the changes in leadership continued to be linked to political power dynamics and the regulation of wholesalers' and traders' interests. In the new context, a third factor of instability is added: the degree of autonomy of enjoyed by the mayor, who in some cases was able to open a space for personal rather than collective legitimacy in the choice of Sogemi's leadership. It is true that even in the 1980s it was the mayor who had held the power to formally appoint the leadership as well as the power to convoke the market commissions. The new institutional context, however, freed its actions, and those of the assessors, from the direct influence of the parties, qualifying these choices as an expression of the personal political agenda.

3. The third organisational dimension concerns market commissions. These were deliberative arenas, one for each market, provided for by the regional law concerning the functioning of wholesale markets. Their function was to express an opinion on all operational aspects and therefore act on the enforcement of economic regulation, affecting the degree of competitiveness of economic actors and the added value that Sogemi could offer them. Although the Commission's decisions are not binding under the law, in practice Sogemi has always considered them as such. Their composition includes a majority of economic operators and trade unions, flanked by three municipal councillors. As we have seen above and in chapter 2, these commissions have functioned as a tool to slow down or prevent the increase in tariffs and rents, thus defending the profit margin of wholesalers and buyers active within the market at the expense of the economic sustainability of the managing company. They have also weakened the ability to take organisational action with regard to the application of sanctions related to breaches of the rules of procedure. Although provided for on a monthly basis, from 2007 to 2011 they were

never convened by the municipality, closing a deliberative space that was considered an obstacle to the development of the infrastructure. At the same time, the decision not to convene them was useful for wholesalers in order to avoid penalties for violations of the internal regulations and the updating of rents.

### **4.2.3 Commodification of public land as leverage for wholesale market development**

The logic of governance is driven during the 1980s by the allocation of resources by parties to local interest groups through the conflict between two different political strategies: one corporate and pursued by the DC and another entrepreneurial and pursued by the PCI and PSI. Today, following the institutional changes of the 1990s, the logic is to put together the resources that are present in the local context rather than allocating them through parties. Another discontinuity with the past, which is also linked to institutional change, is the greater incidence of market logic where previously party-political evaluations prevailed. Before the 1980s, parties controlled this process through the mechanism of loyalty. Today, this same control is guaranteed by the regulation of personal relationships within the local elite and the selection of central figures based on a mix of personal trust, professional skills, and relational capital. If I look at the way wholesale markets have been governed, the growing influence of market logic over the last 20 years (1997-2017) is readily apparent. Differences in governance strategies move within this new framework for public action and are influenced by the interest group being mobilised to pool the resources needed for the proposed action. During Gabriel Albertini's second term as mayor Albertini (2001-2006), the aim was to coordinate and attract the resources available in the real estate sector, in line with the composition of the political coalition leading the city. During Letizia Moratti's mayoralty (FI - 2006-2011), the resources mobilized were linked to Milan's trade interest groups, one of the pillars of political consensus in the city. During Giuliano Pisapia's mayoralty, this market logic remained present in the two development plans that were taken into account. However, the desire to avoid unduly favouring the profit possibilities of the real estate sector and tilting distribution dynamics in favour of wholesalers and traditional trade led to the abandonment of both projects. The governing coalition was, in fact, based on the political support of a transversal social coalition interested in the development of urban collective goods and in

the reduction of the growth dynamics of the urban market triggered under Albertini and Moratti's mayoralities.

Within these different strategies of infrastructural governance, the growth of the market logic has manifested itself in the constant presence of policy arrangements based on the financial advantage, which can be activated on the soils of wholesale markets thanks to their urban insertion. The use of the urban marketplace is now established as the starting point for the mobilization of the resources necessary for the transformation of this infrastructure. The real estate market was one of the central pillars of Sogemi's attempt to relocate during Albertini's second term in office. During Moratti's term of office was as well crucial, especially when she tried to develop new tertiary functions related to the role of wholesale markets. This was true also during Pisapia's when he decided to abandon the only development program ever approved by the city council after 1985.

The red thread connecting all these periods was instability, fragmentation and the difficulty of producing collective action. The reduction of the role of the parties as resources for the political integration of the different local collective actors was not compensated for in Milan's case by the development of other actors able to guarantee a dynamic of stable collective action supported by a shared vision of the future of the city. This aspect has been visible when the membership of Sogemi's management has been modified on the basis of the political cycle or as a result of pressure exerted along the internal relations of the local elite. It has also been visible in the center-periphery relations that have affected the project of the City of Taste (*Città del Gusto*) elaborated by the president of Sogemi Roberto Predolin (2007-2010) as well as the project to create new tertiary functions proposed by Nicolò Dubini (2014-2016). The centrality of the networks of local politicians has been in evidence evident in the composition of the board of directors, as for example when Albertini attempted to redefine it by mediating between the pressures of political allies in competition with his personal relationships of trust outside the party system. It can also be seen in the choice of Predolin (2007-2010) and Predeal (2010-2014) as presidents of Sogemi. These networks act as sources of instability in a similar way to how party politics functioned in the 1980s: they produce tensions that are then transmitted to different policy sectors, thus hindering, in the case of wholesale markets, the elaboration of a medium to long-term strategic plan.



#### **4.2.4 A history of failed implementations: political changes and infrastructure policies for the wholesale markets**

The governance of Milan's wholesale markets has been marked by the inability of Sogemi and local governments to define a shared project capable of coordinating the action of all the actors involved since the 1990s. The pace of the political cycle and the configuration of local interests have played a decisive role in interrupting the implementation of numerous economic recovery projects, leading to their continuous review and leaving the infrastructure in a state of growing structural and organizational deficiency.

Since the end of the 1990s the wholesale markets policy issue has centred on a number of different problems which were already present in the past but have gradually become more relevant: (1) the physical degradation of the infrastructure; (2) the economic marginalization of the infrastructure highlighted in chapter 3; (3) the financial viability of the operating company, at risk since the 1980s due to wholesalers' refusal to pay the entirety of their fees; and (4) widespread labour market informality and the presence of criminal networks within the fruit and vegetable market. As in the past, public action promoted by the local government has focused fundamentally on the land dimension of the infrastructure, leaving the responsibility of solving all other problematic dimensions to Sogemi.

Between 1993 and 1998, Sogemi was managed by a sole director appointed by the Northern League mayor Marco Formentini. The sole director cancelled previous resolutions which had assigned the areas of the meat sector to the real estate development of the university and was also in charge of formulating a proposal for the relaunch of the markets while taking care of Sogemi's economic recovery. The plan was presented to the new government led by the centre-right mayor Gabriele Albertini in 1998. However, it was never discussed and the new mayor proceeded to appoint a new board of directors led by a member of the Union of Commerce. During this administrative term, the new fish and flower markets were inaugurated, while the restructuring of the fruit and vegetable market remained blocked. Gabriele Albertini's second term in office saw the emergence of real estate interests in the areas granted to Sogemi and the composition of the board of directors (to which people close to the economic sector had been appointed) was a reflection of this. The restructuring plan presented to the municipality in 2002 provided for the relocation of the wholesale markets outside the administrative borders, freeing up an area of about

800,000 square metres including the priority urban development axes identified in the urban Policy framework document, *Ricostruire la Grande Milano* (Assessorato allo Sviluppo del Territorio, 2000). The plan was shelved by the municipality's technical offices and political pressure within the coalition led to the resignation of president Serena Manzin, who was strongly supported by mayor Albertini, and to a reshuffling of the administrative board. The new board of directors began working on a new relocation plan in 2004, but Albertini's mayoralty came to an end in 2006 without any decision having been made. During the electoral campaign the balance between the interests around the infrastructure changed had again.

Letizia Moratti's victory in the 2006 mayoral election was also based on strong support from the Union of Commerce. Both retailers and wholesalers represented by it have always opposed any notion of relocating the wholesale markets. The new mayor did not disappoint the interest groups that had supported her: she rejected the idea of moving them and encouraged the establishment of a board whose members were politically aligned with the positions of the Union of Commerce. Moreover, for the first time since the 1980s, the wholesalers had their own representative within it. Sogemi's new management used the Expo 2015 momentum to propose a real estate development project to attract tertiary functions into the underutilized areas of the meat sector: the so-called 'City of Taste'. In 2008, several board resolutions were approved to modify the concession of land to Sogemi and lay the organizational foundations for the implementation of the project, which was set aside in 2009 in the face of changing conditions in the real estate market and the unwillingness of the national government to provide financial support. The consequence was the demise of the administrative board and the selection of a new management group. At this stage, the mayor appointed the first president drawn from outside the local and national political system, albeit one with whom she enjoyed, however, a personal bond of trust: Luigi Predeval. Between 2010 and 2011, Sogemi proposed a new infrastructural project that provided for the maintenance of the infrastructure in its current location and the valorisation of the underused areas of the meat sector. This was the only project developed without the clear opposition of the commercial operators involved (wholesalers, retailers, and street vendors). The municipal resolution by which it became operational was approved by a vote in favour of both the majority and the opposition a month before the election of the first center-left council since the 1980s. The new coalition government

immediately expressed doubts as to whether it would be appropriate to implement a burdensome plan in an uncertain financial environment.

The new political coalition, led by the mayor Giuliano Pisapia (2011-2016), entrusted the elaboration of a new development plan to ensure the development of the areas without financially exposing administration to a financial advisor. Having judged the conditions proposed by the advisors to be inconsistent with the urban policy guidelines followed by the local government, a new manager (once again outside conventional political affiliations) was appointed as sole administrator. In the space of two years, Sogemi announced an international call for projects, unsuccessfully attempting to involve the Ministry of Agriculture in supporting the development of the infrastructure, and finally defining a development plan that it expected to be financed with resources derived from the valorisation of the areas through the inclusion of tertiary activities. Having received a statement of the administration's refusal to implement the proposed development plan, the sole administrator resigned. In 2017, Sogemi came under the management of an administrative board composed of two members, one an expert in logistics, the other in food distribution. An incremental infrastructural restructuring plan is currently being drawn up. This envisages the transfer of land to Sogemi that can then be used to apply for a bank loan, which would be accompanied by a municipal contribution and the economic participation of wholesalers.

#### **A) Local interest groups: economically marginal but institutionally central**

In 1997, a new centre-right government coalition was elected. It was led by mayor Gabriele Albertini (1997-2006), a member of Forza Italia, a centre-right party which was founded in 1994 and led by Silvio Berlusconi ever since. Albertini, a Milanese entrepreneur active in local business associations, had the requisite relational capital at his disposal to build a coalition of interests drawn from the business sphere.<sup>145</sup> These interests were represented by the Union of Commerce and the *Assolombarda*, the regional section of the national entrepreneurs association *Confindustria*. The Union of Commerce played a crucial role during his first term in office (1997-2001). For the first time since Sogemi's

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<sup>145</sup> He has held various roles in *Confindustria* and *Assolombarda*, and was president of the SME *Federmeccanica* organization.

foundation, its president (Simonpaolo Buongiardino, 1998-2001) was appointed directly from among the ranks of the Union of Commerce, which, as we have seen, is the largest representative organisation of Milanese traders. The composition of Sogemi's board of directors reflected the mayor's personal relationships and his desire to open up the management of wholesale markets to the real estate business sector. His style of government meanwhile reflected, regarding wholesale markets at least, his professional background, and Albertini favoured public action based on the principle of efficiency rather than that of the consociativism which had structured modes of governance in the 1980s (Perulli, 1999). The decision to include the Union of Commerce at the head of the infrastructure can be read as a strategy to integrate a sector of the urban economy with which the mayor had no direct relations into the political coalition, thus using Sogemi as a political resource for local government.

*'Buongiardino was a choice made for reasons of good neighborhood. Sangalli<sup>146</sup> was quite a strong and powerful character and I believe that Berlusconi also intervened there, making a phone call and urging Albertini to put him there to foster the relationship between Forza Italia and Unione Commercio. [...] Buongiardino was to be the interface between the administration, the management [of wholesale markets] and entrepreneurs.'*

[Local politician, right-wing party]

During Albertini's first term in office, Buongiardino drew up a plan to restructure the fruit and vegetable, and poultry markets. However, this was not politically supported by the municipality, which allowed the administrative deadlines for the start of the works to expire. The local elections of 2001 confirmed Albertini's leadership of the urban government and marked the strengthening of the interests of real estate operators, whose role as policy entrepreneurs was supported by the reforms introduced by the regional government for the governance of urban development programs imbued with the interests of Communion and Liberation. The pressures of the real estate developers were given free reign to influence the policy agenda and this, in addition to initiating deep urban

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<sup>146</sup> Carlo Sangalli was in 1997 and still is today in 2017 the president of the Milan and regional Union of Commerce, and will be elected in 2006 president of the national *Confcommercio*. From 1970s to 1994 was an national politician being then an influential person in the local political system.

transformations in several areas (see in Fig 4.3), also involved Sogemi. The new management was led by Serena Manzin (2002-2005), chosen on the basis of her relationship of trust with the mayor and in defiance of the wishes of the other parties in the coalition. The composition of the administrative board was dominated by people who were personally close to Albertini and who come from business associations and the real estate sector. The mayor personally choose the members to minimize resistance within Sogemi. The development programme for that urban area crystallized around reducing the trading of products to a minimum, building a logistics platform outside Milan with which to govern supply flows, and opening Sogemi's land to real estate speculation. The financing of the operation was to be obtained from the development of the land concession to Sogemi (75 percent) and the participation of wholesalers interested in maintaining a sales point in the new infrastructures (25 percent).

After initially being approved by the local government, the plan was rejected by the city council. The reason the same majority councillors gave in explanation of their vote was the protection of the interests of economic operators. The failure to approve Serena Manzin's development plan led to the non-renewal of her role and the appointment of Paolo Lombardi (2005-2007). Once again, the mayor, facing pressure from the coalition of parties that supported him, proposed another candidate selected from his personal social network and based his choice on personal trust rather than the local party dynamics. The aim was to introduce a trusted person to the management in order to secure the spatial relocation of the infrastructure. In the end, a new plan was not issued. The interviews collected during the fieldwork nonetheless allow us to reconstruct the political economy that guided its design.

*'The union applied its influence on the council and then the council was not easy for us. And then we also had to honor Ignazio La Russa<sup>147</sup> who said not to relocate it because Dino Abbascià<sup>148</sup> said so ... they have been friends for years so that they often go to the stadium together'*

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<sup>147</sup> Local politician in the 1980s who rose to national prominence in the 1990s. La Russa was at the time the local leader of Alleanza Nazionale, a right wing party founded in 1994 that was in coalition with Forza Italia in the local government.

<sup>148</sup> Important local entrepreneur active in food procurement for specialized retailers and Ho.Re.Ca companies. Until his death in 2015, Abbascià was active within the food and vegetables retailers association and an important member of the Apulian community in Milan.

*'Then Albertini and Berlusconi started to argue about Forza Italia political strategies and then it's quick. It's enough that the boss [Silvio Berlusconi] doesn't call to say: 'So you guys listen to me, you vote like that because I said so', as I think happens now for Moratti's mandate. Without a direct order, the small dynamics of every single councillor who cultivates his own interests and relations immediately came into play.'*

[Sogemi board member, period 1998 – 2011]

The local administration would have taken on all the financial risks of the real estate operation in order to make private investments attractive within the framework of the international marketplace of urban development programs. The socialization of risks was therefore associated with the privatization of profits, in part due to the flexibility provided by the PII instrument in favour of real estate developers. This political economy approach was a novelty for the urban governance of wholesale markets. For the first time, the Milan opened the governance of the infrastructure to a thoroughgoing market logic. The governance strategy developed in the Framework Document, which conceives market mechanisms as free to exert their effects on urban soil, was thus extended to include the governance of Sogemi. The failure of this policy program came to be associated not only with the mobilization of the Union of Commerce that led to the government Letizia Moratti (2006-2011). Another problem became evident in the governance of this urban sector: the difficulty of securing Milan's place in the international real estate investment scene. In fact, the coalition of players that was consolidating around the general markets was marked by a strong local embeddedness in which the only interlocutors policymakers imagined as being potentially interested were local real estate operators with whom long-term relationships existed. This difficulty was partly the result of the institutional configuration. The different role of the parties, more effective in coordinating the actions of local politicians than producing political integration on the basis of party loyalty, and the increased weight of private actors in the decision-making dynamics, favoured the influence of the Union of Commerce on politics and urban policy. As with institutional changes in local government, the way in which influence was exercised also changed. This was no longer through stable links between organisations and parties structured by principles of partisanship but rather through the establishment of personal ties between organisations and individual local politicians, a dynamic which emerged on all occasions when party politics did not explicitly impose decisions.

The influence of the retail sector over this policy was based on two elements. One concerned collective action capacity. This can be measured by looking at the weight of its membership: 39.4 percent of companies in the trade sector were associated, a considerable number especially when one compares it to the 10.7 percent of the *Assolombarda*, the economic institution supporting Albertini (Perulli, 1999). The second concerned its capacity to produce institutional redundancy. In 1997, Carlo Sangalli was elected as president of the Chamber of Commerce of Milan (1997 to the present) while at the same time retaining the presidency of the Union of Commerce of Milan (1996 to the present) and later obtaining the national confederation presidency (2006 to the present). This new institutional configuration and the reorganization of the alliances of local and national elites opened the constellations of interests to a greater variability of possible coalitions. These coalitions no longer found the main point of integration within the parties but within social relations.

The new candidate and future mayor of the centre-right coalition, Letizia Moratti, sought the support of the Union of Commerce, and the interest groups within the organization became one of the pillars of her political coalition within the city. Thanks to pressures from above on Moratti, attempts were already made during the electoral campaign to prevent Sogemi's organizational agenda.

*'The Union's opposition was not visible because then you go to the election campaign and then the candidate said: here everything stops I do not agree that you do the relocation operation. She won very well also thanks to the Union of Commerce.'*

[Sogemi board member, period 1997-2011]

Once Moratti had assumed power, the policy agenda changed. Instead of reorganizing functions within this urban sector, the urban insertion of wholesale markets was secured in order to support the claims of wholesalers and traders. This policy change was accompanied by the same way of governing the infrastructure based on the land dimension. During Moratti's term in office, two different development plans were approved. One sought the legitimacy necessary for implementation in the policy window opened with the assignment of Expo 2015, taking as its main theme 'Feeding the planet,

energy for life'. The second attempted to politically integrate the interests of real estate developers and those of retailers and wholesalers.

In 2007, the public slaughterhouse was closed. The municipality of Milan had meanwhile been working on the construction of the city's candidacy for the Bureau International des Expositions (BIE) since 2006. In 2007, the new president of Sogemi Roberto Predolin (2007-2010) developed a new transformation project for wholesale markets. The objective was to build the so-called City of Taste and Health (*Città del Gusto e della Salute*), a cultural, commercial, and research infrastructure organized around the theme of the development of the agri-food sector to be located in the areas of the meat sector. This policy program was included in the Expo dossier. The analysis of this policy failure is a good entry point to account for the role of interest groups within the new institutional arrangement.

The award of Expo 2015 to Milan in March 2008 was greeted with enthusiasm by various collective actors within the city: Assolombarda, the Union of Commerce, and the Chamber of Commerce. However, the mayor found herself ever more isolated in the local and national political context. She also had difficulties piloting the progress of the dossier (Galimberti 2013). The progressive isolation of Letizia Moratti can be explained by the interweaving of two aspects of the institutional configuration of urban government which interacted with the mobilization of local interest groups. One is the centrality of the mayor as an actor who must be able to build and promote, together with the assessors, collective action for urban governance processes. The second is the more central role of local interest groups in a context of reduced vertical integration and party weakness. The mayor assigned too much importance to the first and too little to the second, triggering conflicts within the Expo 2015 coalition on which the stability the *Città del Gusto* policy program depended for funding. Coalition instability also included centre-periphery relationships. Indeed, there was an intergovernmental coalition in favour of the relocation of Sogemi, supported by real estate developers and by the Communion and Liberation lobby. The outcome of local conflicts was to strengthen the leadership of the regional governor Roberto Formigoni while, at the national level, finance minister Giulio Tremonti put the entire policy programme at risk by blocking national funding (Galimberti, 2013). To these political actors we should add regional figures – Davide Boni (Lega Nord, 2005-2010) – and municipal figures – Carlo Masseroli (Forza Italia-CL area, 2006-2011) – as well as the assessors for urban planning and the assessor of commerce in Milan Giovanni Terzi (Forza



Italia, 2006-2011). All of them supported the idea of relocating wholesale markets outside the city and therefore the opening of a strategic urban area to speculation. Once again, the lack of intergovernmental support, political conflict, and the lack of a clear institutional framework for collective action produced difficulties in steering the entire implementation process.

This political dynamic within the coalition of the urban government and in central-periphery relations was the result of conflicting pressures from different local interest groups. Traders, represented by the Union of Commerce, the mayor and the president of Sogemi had an interest in keeping the infrastructure in its urban insertion to avoid changes to its management and to avoid the increase in the costs of procurement of products. Real estate developers, instead, mobilized their political resources through the movement of Communion and Liberation (represented by Formigoni in the regional government and Masseroli in the urban government) to obtain an opening for building speculation within the areas in concession to Sogemi. In 2005, the Lombardy region amended its legislation on urban planning by introducing a more flexible instrument open to private interests: the Plan for the Government of the Territory (PGT). The Municipality of Milan adopted this new document in July 2010, approving it after a heated political debate in February 2011. The Master Plan was grounded on the idea of progressive and intensive urban growth, targeting real estate interests as the core of local economic development (Galuzzi 2014; Anselmi 2015). When the opportunity to implement the *Città del Gusto e della Salute* policy program with the support of national funding disappeared, this policy was adapted to the regulatory framework identified by the new Urban Master Plan. The new rule setting was favourable to an important local real estate developer active in the urban economy since the 1980s and with strong links to the local and national political system: Salvatore Ligresti. A pillar of the new framework was the assignment of virtual development values to agricultural land in the southern part of the city, a significant part of which was owned by Ligresti. These values could then be exchanged for development values in other areas of the city. As we know, wholesale markets are rooted in land development dynamics, and a decision was made to grant Salvatore Ligresti a great deal of discretion over the 130,000 square meters of the wholesale market meat area. The close link between urban governance dynamics and the governance of general markets once again emerged clearly here. In the absence of national support, policy formulation does not depend on political priorities but on the resources that can be extracted from the local urban development market. The City

of Taste project was therefore reduced from 135,000 to 40,000 square meters. As in previous cases, the political economy of this project foresaw financial risk being managed by the public actor (distributed between Sogemi and the municipality of Milan) while real estate developers, or more precisely Ligresti, received an important profit opportunity from the policy program. The consideration obtained from the urbanisation fees of the meat area would then be used as a financial basis to contract a debt with the banking system to finance the requalification of the fruit and vegetable market, prepared in the meantime by the new management of Sogemi led by Luigi Predeval (2010-2014). In the selection of the new management, the most important criterion for the mayor was again personal trust, which had been abstracted from party politics dynamics. Predeval was an outsider in the local and national political system. The content of the development plan drawn up between 2010 and 2011 focused for the first time on all the strategic aspects relating to the supply chain management of logistics flows. The fact that for the first time since the 1980 the logistics role of this infrastructure was factually taken into account has a structural explanation. Food logistics actors had shown their interest in developing platforms within the fruit and vegetable market for several years by this point. In 2009, for example, the first warehouse was inaugurated by a food logistics operator. The political proximity of Predolin (2007-2010) and the wholesalers and the appointment of their representatives to the administrative board had favoured the implementation of this new asset without the opposition of economic operators, despite the fact that no purchase constraint within the wholesale market was imposed on this logistics operator. The elaboration of a plan to develop Sogemi's logistical role was also made possible by Predeval's professional managerial experience in the field of food distribution. This new policy programme obtained the votes of the Democratic Party (a centre-left party founded in 2007), the support of wholesalers, and the support of the Union of Commerce.

The local elections of 2011 brought about a profound change in the political coalition of the new urban government led by Giuliano Pisapia (2011-2016). From the point of view of the link between representation of interest groups and elected political elite in local government, a restructuring of the field of local stakeholders within local government was not immediately visible. Without going into an in-depth analysis, it is possible to affirm that the new political coalition represented a varied network of widespread interests that cannot be directly traced back to a clearly identifiable socio-

economic block, as it was for Albertini (entrepreneurial and real estate sector) and Moratti (real estate sector and commerce).

The first effect of the political change relevant to this research concerns the revision of the priorities of urban governance: the PGT was revised by reducing the permitted area of urban transformation and the volumes of new construction. The revision also concerned the regulatory framework reducing the weight of market mechanisms in the allocation of building indices, directing the equalization mechanism only in areas identified as priority areas and not across the whole city (Galuzzi 2014). With the changing priorities and governance strategy, the governance of wholesale markets also remained firmly on the agenda. The fact that the design of Predeval's plan assigned financial risk to local government, and that the extent of the risk was regulated through the real estate market mechanism, contradicted the new urban governance strategy. As the new urban governance strategy changed, an incompatible policy programme was abandoned. The fact that the strategy had changed, however, does not mean that the logic of urban governance changed as well. Between 2012 and 2016, two other wholesale market development plans were discussed. The first of these retained the project elaborated by Predeval, who remained at the head of Sogemi until 2014. The main difference to the policy arrangement the Moratti administration had designed around this project was the desire to eliminate any financial risk to the local administration. A feasibility study was therefore commissioned to document potential outcomes from the urban point of view of entrusting the collection of financial resources to the dynamics of the real estate market and allowing the economic participation of economic operators within the infrastructure. The market logic, therefore, remained the regulatory element structuring the governance of this urban infrastructure, although both the political coalition and the structure of the interest groups represented within it had changed. The outcome of this study was ready in 2014 and showed the need to allow for speculation that would produce an urban volume incompatible with the criteria identified in the new PGT. The project was therefore abandoned and once the organizational mandate of Predeval ended it Nicolò Dubini (2014-2016) was once again appointed as sole administrator. It is important to note the change in the position and configuration of local interest groups was tied to changes in government strategy. This urban governance dynamic, however, did not affect the basic logic that had imposed itself at the end of the 1990s. Another important aspect is the role of the political culture of local elites and the role of the institutional configuration in influencing the relationship between

interest groups and the government of wholesale markets. During Pisapia's term in office, Franco D'Alfonso was appointed trade deputy mayor. His political career had begun in the 1970s within the ranks of the PSI and he continues to be recognized as an exemplar of the political culture of reformist socialism that was the basis for the political action of socialist councillors between the 1970s and 1980s to this day. D'Alfonso designed a policy arrangement that reproduced the approach of the Food City imagined by Paolo Malena (trade deputy mayor, 1980 - 1983).

The real estate actor who would have been responsible for real estate speculation would also have managed the land dimension of the infrastructure as well as overseeing economic relations with the wholesalers, leaving to Sogemi only the task of providing services. The difference resided in the institutional configuration that shifted the center of public action production from the party system to the system of relations between public and private actors, consequently reorganizing the sources from which to extract policy resources. These were no longer within the organization of the state but dispersed between it and the market. After the abandonment of this project because of the incompatibility of its effects with the new government objectives, the appointment of Dubini as sole administrator was justified by the desire to save on operating costs and coincided with the exit of the issue of urban development of the areas managed by Sogemi. The entire executive's attention was in fact focused on the finalization of Expo 2015, the urban renewal and transformation interventions connected to it, and on the implementation of a new metro line – all projects initiated by previous governments that in the meantime profoundly altered the organization of the city. As for Sogemi's previous leadership, Dubini was also involved in drawing up a plan for the development of wholesale markets, although there was a lack of coordination with the political agenda of the department of commerce and the mayor. The project idea was to reduce the area used for marketing activities in favour of commercial and research activities linked to the agri-food sector. From the point of view of the WM's role in the urban context, the economic context, and the organisation of logistic flows, priority was given to a greater interpenetration between it and new urban functions to develop rather than seeking to enhance the strategic position in distribution flows. The plan was rejected by the city council, which declared it difficult to implement from the financial point of view since it involved an investment of about 500 million euros by private actors without the certainty of being able to trigger interest in the real estate market. Following this refusal, Dubini decided to resign shortly before the June

2016 elections that returned a centre-left coalition to the city government, this time led by Giuseppe Sala, the former CEO of Expo 2015 who had steered the entire implementation process of this major international event. The presidency of Sogemi fell to Cesare Ferrero (2017 to the present), a manager with a professional background in the banking and real estate development sectors. In the course of his one-year mandate, an incremental development project was drawn up that abandoned any attempt to produce an overall transformation of the area occupied by wholesale markets. The new policy programme provided for the demolition and reconstruction of the fruit and vegetable market building and the construction of two food logistics platforms conceived as logistical assets useful both to general market operators and to big food retailers and other food logistics operators. The financing burden of the new policy programme (about 100 million euros) rested entirely on the shoulders of the local administration and Sogemi. Once again, there was a change in the way resources for the governance of the general markets was allocated, albeit without altering the basic logic based on the regulation of land size. The administration, in fact, transferred full ownership of the land to Sogemi in order to stabilize the financial situation of the management company, whose participation in turn involved covering 45.6 million euros worth of the total cost by means of a bank loan. The municipality of Milan was to provide the remaining 49 million euros. The formulation of the plan introduced for the second time, after the difficult start of the works that led to the construction of the seafood and horticulture market inaugurated in 2000, an incremental approach to the process of transformation of the wholesale markets. In 2018, a public call for tenders was launched to identify a real estate operators interested in working on a building that would be used for services, another separate call for tenders for the construction of a logistics platform of approximately 14,000 square meters, and a third call for tenders for the demolition and reconstruction of the pavilions in which the economic operators would be housed. The project was strongly supported by wholesalers with a larger entrepreneurial dimension and weakly opposed by small and medium-sized wholesalers. This dimensional distinction is important precisely because of its value in terms of collective action. In fact, in March 2017, for the first time since the 1930s, a new professional association was formed to represent the interests of fruit and vegetable wholesalers. The Association of Fruit and Vegetable Market Dealers (ACMO) comprised six of the most developed companies in the market. In some cases, these had also set up logistics platforms outside the wholesale markets to revive commercial relations with the

retail trade after its exit from the fruit and vegetable market during the 1990s and 2000s. The historic AGO association, by contrast, counts only small and medium-sized enterprises among its members who are likely to have difficulty in sustaining the increase in expenses, even if these will be faced with more competitive structures, and will face a process of concentration in their entrepreneurial structure.

*'There will be a selection but it is inevitable: probably in the end, between closures and aggregations, will work in the new market about half of the companies now active.'*

[wholesaler member of ACMO] <sup>149</sup>

*'There will be three to four heavy years of issues to be defined and problems to be managed: the willingness to dialogue in order to arrive at a concrete project is there, we are potentially close to the point of no return, but the wholesalers are waiting for precise answers and commitments.'*

[AGO's president] <sup>150</sup>

The policy programme, which will be implemented from 2018 onwards, is therefore the result of the recognition by Sogemi's management and the urban government of the new structure and organisation of food distribution. Public action is focused on the production of new logistics assets, and a new infrastructure that, from a structural point of view, will support the development of wholesalers with a larger company size, an essential condition for guaranteeing the services indispensable to the relationship with the large-scale retail trade. An incremental policy approach, the only type to have produced concrete results over the last thirty years, has once again been chosen.

It is not possible to say whether this policy programme will actually be implemented and when. What can be said is that the premises for a positive policy outcome are there: there is no conflict dynamic with wholesalers or with the Union of Commerce; there are no positions explicitly opposed to intervention by local political actors; and the implementation does not depend on market dynamics or financial speculation that leave open margins of uncertainty which are difficult to govern. From the point of view of the relationship between governance and policy, it is important to highlight that, for the first time since 1985, the governance of this infrastructure seems to be less embedded in urban

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<sup>149</sup> Italiafruit News 'La road map del nuovo Mercato di Milano', 21 marzo 2018, Archivio Online

<sup>150</sup> Italiafruit News 'La road map del nuovo Mercato di Milano', 21 marzo 2018, Archivio Online

governance strategies and as such is less likely to be affected by the difficulties linked to the fragmentation of public action.

### ***4.3 From policy device to governance actor: the long run of Semmaris***

Semmaris has followed a policy path that has led the company, since the 2000s, to develop a growing degree of agency. This, within the framework of the metropolitan governance construction process, has made it an autonomous actor capable of building coalitions, promoting policies, and facilitating the implementation of urban development programs. Until at least the 1980s, its organisational roots were defined by the pervasiveness of the state administration, while political parties did not have the weight and influence which I highlighted in Milan's case. Correspondingly, the transformation Semmaris' role reflects the reorganization of the French state, a process which in the 1980s. This includes a different administrative organization and the growth of the public action capacity of the subnational levels of government, especially in the construction of metropolitan governance.

In fact, the changes in the priorities of economic policy had a complementary role in producing the premises, which allowed the transformation of Semmaris from a device for the regulation of economic transactions and the organization of food distribution into an actor of urban governance in the metropolitan region of Paris. In this part of the chapter, I will analyse the processes that determined this outcome, highlighting the links between them and the role of Semmaris in the territorial context in which the MIN infrastructure is located. We can identify two phases. The first phase was influenced by two processes that developed independently: the reorganization of the state initiated in the 1980s and concluded by end of the 1990s and the growth of organizational autonomy linked to the different approach to the policy of the MIN that has been imposed since the 1980s. The second phase was, by contrast, linked to the consolidation of urban governance on a metropolitan scale since the 2000s.

### 4.3.1 State reorganization as the matrix of Semmaris' organizational autonomy

Regarding other national contexts, the reconfiguration of the state was linked to the revision of national policy competences which accompanied the construction and institutionalization of the European Union and the reduction of its capacity to regulate the economy on a national scale as a result of the globalization of the economy (Le Galès 1999). Following the reforms promoted by the socialist government chaired by Pierre Mauroy (1981-1984) during the presidential term of Francois Mitterrand (1981-1995), the local political system was transformed from one in which negotiation within centre-periphery relations prevailed to one characterized by *'an increasingly complex process of negotiation in which several categories of actors (state experts, local councillors, territorial administrators, private interests and so forth) legitimately claim an interest'* (Négrier 1999: 127).

#### **A) The redefinition of the public action model: territorial collective action as an opportunity for horizontal relations.**

If I look at the Parisian region, the reorganisation of the state between the late 1970s and the 1980s involved different levels of government. This process included the establishment of an urban government in Paris directly elected by citizens (1975) while simultaneously retaining the prerogatives of a municipality and a department; the constitution of the Île-de-France region (1976) and the subsequent establishment of direct elections for the formation of its government (1986); and, finally, the reinforcement of the executive power of the departments (1982). With these reforms, departments, like the region, moved from being territorial institutions to real political communities. As a result, the competences of the city-department Paris were extended to important policy areas such as urban planning, social services, and education.

This overall reorganization led to, and to a certain extent finds some of its premises in, the transformation of the modes of regulation and the integration of actors within public action. From an institutional point of view, until the 1960s public action took the form of so-called *régulation croisée* or 'cross-regulation' (Crozier, Thoenig 1975). This model of public action 'production' was characterised by the prevailing logic of a decisional system internal to the administrations involved, in which the role of state administrative branches were pivotal. In the 1980s, by contrast, a model for the 'construction' of public action



began to emerge. This was characterised by the progressive increase in agency of subnational government levels, opening up a process of *collective action* involving different administrative levels and other social actors, which would emerge more clearly during the 1990s (Crozier, Thoenig 1975; O' Leary 1987; Lorrain 1993; Duran and Thoenig 1996). This new model was organized around the centrality of the territory in public action, which became the site of public action and the labour of producing a fundamental resource for the strategic action of political actors: legitimisation and consensus. In the French case, the new propensity to build coalitions of actors outside the traditional centre-periphery channels within state administrations was driven by a system of public actors. This was also facilitated and encouraged by the practice of *cumul des mandats* ('accumulation of elected positions'). Despite the several reforms introduced between 1985 and 2014 to reduce the weight of this element within the political system, it has remained possible to hold elective roles across different levels of local government. The decentralisation process had the largest impact on departments, executives and, with the partial exception of Île de France, regional councils (Borraz 2000). The ability of local political actors to integrate the available resources into the different levels of sub-national government therefore became crucial. Since the 1980s, public action has been confronted with problems whose resolution requires the involvement of more than one government body in order to recompose the distribution of policy competences and to coordinate public action capacities that were under development in each government level. These opportunities translate into an attempt by subnational governments to carve out their own strategic autonomy within local development governance.

The reorganization of the state opened up a space for a new model of organizational action within Semmaris which was less centred on the central figure of the president, who had customarily the planning power of state administrations, and more open to the collective construction of problems and solutions with territorial actors. In this dynamic of openness, Semmaris began to play a coordinating role and to establish horizontal relations with the different levels of government in order to build coalitions of actors interested in participating in the strategic development of the MIN. The local authorities involved have been the municipalities where it is located (Chevilly-Laure; Rungis; Thiais), the Val-de-Marne Department, Paris, and the Île-de-France region. The coordination activity concerned not only the different policy competences and the possibilities of financial participation by the single levels of government. Indeed, in parallel with the reorganisation

of policy competences and the decentralisation of public action capacity, different territorial policy agendas began to emerge. In order to be effective, the coordination activity of Semmaris had to allow the integration of different interests.

Both its physical and organizational dimensions favoured the gradual construction of collective action involving MIN's development. The physical dimension involved four territorial communities and three different government levels (Chevilly-Larue;<sup>151</sup> Rungis; Val-de-Marne Department; Île-de-France), while its organisational dimension added both the state and the main food wholesalers at the regional scale (UNIGROS). Changes to the institutional configuration presiding over public action made the organizational dimension a privileged space in which to start experimenting with a new model based on collective action. At the same time, it was still through the type of institutional embedding that the process of territorialisation of Semmaris' organisational action became possible. Let us now see what kind of impact this institutional reform has had on the relationship with Semmaris for each level of government directly or indirectly involved in the functioning of the MIN, . One of the steps linked to decentralisation is the separation of Paris' interests from the functioning of the MIN. With the establishment of an urban government autonomous from the direct influence of the state, the priority of Paris became the consolidation of its capacity for public action. The reorganisation of the government in Paris did not translate overnight into the full effectiveness of a new government institution. Over the years, local government has developed its organisational capacity, structured the services to be offered to citizens, trained new staff, attracted the skills needed to define and solve policy problems, coordinated existing sources of knowledge, implemented new administrative routines and processes to make political decisions operational, and guided the processes of public policy implementation. The priority of Paris had been the institutionalization of an administrative machine that is able to guarantee autonomy of action vis-a-vis the state, as well as being conducive to the development of public policies that produce strong political legitimation of the mayor and his or her party, both of which are involved in a political struggle for hegemony within the conservative political field. As I have already mentioned, Chirac used its visibility to gain national acceptance. Thus,

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<sup>151</sup> The areas of MIN managed by Semmaris fall within two municipalities of the Val-de-Marne Department: Chevilly-Larue and Rungis, with a higher share of the MIN surface within the administrative boundaries of the former (See Fig. 9. 2 and Fig. 9. 3). More precisely, of the 220 hectares occupied by MIN, 141 fall within the municipality of Chevilly-Larue, thus occupying more than one third of the municipal area (422 hectares).

attention is given to urban development,<sup>152</sup> housing policies, social policies, and cultural policies. Paris' lack of attention to the development of this infrastructure is linked to two elements. The first is the material dimension of Semmaris, which places it outside the territory and therefore outside the political dynamics related to policy issues more visible to the urban constituency. The second concerns the fact that the state is still directly involved in its management and secures the functioning of the infrastructure for the urban region.

Despite its institutional weakness, or perhaps precisely for this reason, the Île-de-France region has concentrated part of its efforts on building collective action around policies for the development of local public transport infrastructure, road networks, and recognizes in the MIN of Rungis one of the policy systems in which it is relevant to participate in the constellation of actors. However, I do not want to overstate the role of the regional government here. During the 1980s, it was limited to participating in the financing of projects for the modernisation of structural assets decided by Semmaris. However, it is significant to highlight that the region is the only level of government not represented on the Administrative Board which, despite that, decided to invest part of its budget in the promotion of this economic pole, paving the way for it to become an important player in collective action processes. Over the years, the role of the region has specialized in some aspects of this infrastructure policy, mobilizing the expertise available within the IAURIF:<sup>153</sup> evaluation of the role of MIN in the geography of freight flows; assessing the economic value of the infrastructure; assessing the MIN's food supply impact within Île-

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<sup>152</sup> Four urban development projects stand out: the spatial reorganization of the land occupied by MIN Paris La Villette in the north-east quadrant; the planning of urban functions to be organized in the heart of the capital after the relocation of Les Halles; urban development in the areas previously occupied by the industrial structures of the Citroën group in the south-west sector of the city; and the urban transformation project of the Bercy right bank. The project that would lead to the urban transformation of the Seine left bank area in Torcy were added to these dossiers in the second half of the 1980s.

<sup>153</sup> The *Institut d'aménagement et d'urbanisme de la région Île-de-France* (IAU Île-de-France) is a foundation whose missions are those of an urban planning agency for the Île-de-France region. The institute was created by a decree on 4 May 1960 under the name IAURP (*Institut d'aménagement et d'urbanisme de la Région parisienne*). It took on a new dimension under the impetus of its new president, Paul Delouvrier, who was appointed general delegate to the Paris region district in 1961 and then prefect of the Île-de-France region from 1966 to 1969. It instructed IAURP to carry out the general studies (demography, housing, activities, transport, public facilities, etc.) necessary for the development of the region. It became the IAURIF (*Institut d'aménagement et d'urbanisme de la région d'Île-de-France*) in 1976 and continued its general studies. In 2008, it became the Institut d'aménagement et d'urbanisme d'Île-de-France (IAU), and is the prime contractor for the revision of the SDRIF, approved in 2013.

de-France; and assessing Semmaris' strengths and weaknesses in a context of economic change.

As with the position taken by Paris in the constellation of actors mobilizing around the development of the MIN, the department of Val-de-Marne focused on building its own local development agenda. However, the importance of MIN Rungis for Val-de-Marne as an economic pole, structuring pole of the labour market<sup>154</sup>, and as a central node in the organization of flows pushes the department to be one of the protagonists in the process of institutionalizing the collective action produced to guide the development of MIN. The policy priorities of the 1980s and 1990s focused on the construction of a coalition of actors in favour of the continuity of the presence of the infrastructure on the territory of the department. During these two decades, the changes in the structure of the economy in the Paris urban region have seen a sharp reduction in the industrial workforce in favour of the service sector. The MIN thus represented as a stabilizing force for both economic development and the workforce. In addition to its economic role, the relationship between Val-de-Marne and Semmaris focused on the development of public transport infrastructure, intended both as a lever to support economic development and territorial attractiveness for new urban residential functions.

An important structuring role for the public action of municipal governments concerned the economic resources deriving from the economic activity of MIN, linked to the local taxation of Chevilly-Larue, and Rungis.<sup>155</sup> Indeed, at the beginning of the 1980s, the *tax professionnelle* covered almost (or slightly more than) 50% of the quota of income from local finance for municipalities. It is therefore possible to imagine how much the role of MIN was structural and structuring for the public action capacity of the municipalities that host its surface.<sup>156</sup>

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<sup>154</sup> Pôle Aménagement et développement économique (PADEC), direction du développement économique et de l'emploi, (1983) « Le marché d'intérêt national de Rungis. » Code : 3372W 24 ; Pôle Aménagement et développement économique (PADEC), direction du développement économique et de l'emploi (1989), « Le marché d'intérêt national de Rungis » Code : 3372W 23.

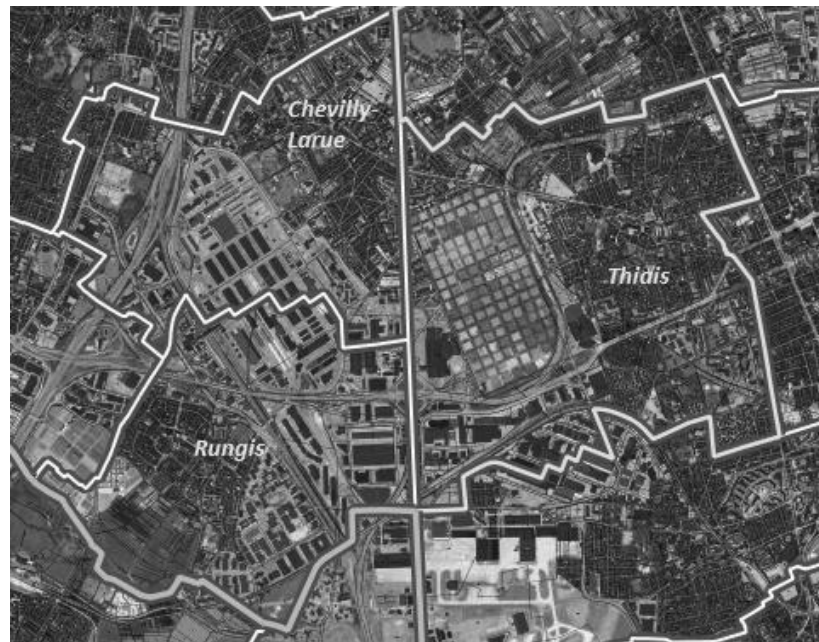
<sup>155</sup> The management of local taxation in these two cities does not involve any inter-municipal cooperation body (établissements publiques de coopération intercommunale - EPCI) until 2016, when the 2015 law on the new territorial organization of the state provides, in the framework of the metropolitanisation of the government of Paris, the mandatory establishment of territorial cooperation bodies (établissement public territorial - EPT).

<sup>156</sup> *Le Monde*, “M. André Delelis, ministre du commerce et de l’artisanat : ‘Nous ne chercheront pas à être dirigiste’”, 12<sup>th</sup> January 1982, Accessed via *Europresse*

## **B) Seizing the chances of decentralization**

The second process that reconfigured the context in which Semmaris was embedded and, in synergy with decentralization, opened up the possibility of its organizational autonomy for public action was that of territorialization. The process of territorialisation of Semmaris' organizational action passed both through the reconfiguration of the institutional setting of the subnational governments of the local government and through the material and organizational dimension of the MIN. What role did the physical dimension which has proved to be so crucial in the governance of wholesale markets in Milan play? In the case of Milan, the physical dimension played a role in relation to the urban insertion of Sogemi within the municipal boundaries. Similarly, in the case of Semmaris the urban insertion was the pillar that determined the type of relationship between the infrastructure and the organization of local government. The extension of the MIN directly involved three different municipalities (See Fig. 4.4). To this, one should however add the different institutional roots of the organizational functioning of Semmaris. If for Sogemi this involved only the municipality of Milan, Semmaris witnessed the participation of Val-de-Marne, Paris, and the state in its management. The interaction between the physical and organisational dimensions of the infrastructure has drawn the boundaries of the constellation of actors that have been engaged in the definition of policy problems and in the construction of organizational and public action to solve them.

**Fig. 4.4 Administrative boundaries of the Communes in the proximity of the MIN Paris – Rungis.**



**Source:** Our elaboration from <https://www.annuaire-mairie.fr/cadastre-chevilly-larue.html>

What I define here as a process of territorialisation refers to the strengthening of the organizational links between Semmaris and the subnational levels of government influenced from different points of view by the presence of the MIN. During the 1980s, Semmaris built its organizational agenda through the stabilization of new external relations with the city of Chevilly-Larue, the department Val-de-Marne, the region Île-de-France, and the city of Paris. The strengthening of territorial ties took place within policy projects that represented common development interests between local governments that saw their capacity for public action grow and Semmaris. Semmaris' territorial embedding was made possible thanks to the institutional changes produced by the decentralisation process started in the early 1980s. The new framework of rules for local authorities has given them greater discretion and freedom of decision in the management of their partnership relations with the operators of urban technical infrastructures, among which we can obviously include the MIN Paris-Rungis (Lorraine 1993).

One of the elements of Semmaris territorialisation is linked to the mobilisation of local authorities in favour of a better public transport connection between Paris, the infrastructure, and within Val-de-Marne department. The development of the southern part of the Parisian urban region since the 1960s, and the development of Orly Airport since the

1970s, has helped to make the extension of the Paris subway within the Val-de-Marne region part of the policy agenda for the development of local transport infrastructures. Since the early years of his institutional career as a local politician, Guy Pettenati (mayor of Chevilly-Larue, 1977-2002, and general councillor of Val-de-Marne, 1979-2004) promoted an institutional entrepreneurial approach to bring this issue to the fore of Semmaris' organizational agenda, to place it at the heart of the Val-de-Marne Department's policy agenda, and to build a coalition of actors involving other territorial communities.

During these years, Guy Pettenati engaged with the various presidents of Semmaris concerning the public transport dossier as well as the prefects,<sup>157</sup> and the RATP functionaries. In 1992, an association involving institutional and social actors in the territory which supported the need for an extension of the M7 tramway line towards south to reach the MIN was established. On the one hand, Semmaris had acted directly with various local actors and institutions; on the other hand, it had started to become a decision-making arena in which first attempts at coordination between different actors, with convergent interests on some policy measures, were tried out. Urban development during the 1980s and the 1990s was still under the direct control of the state. It was only in 1994 that the Regional Master Plan included the proposal for new transport infrastructures to be constructed around the MIN. This document recognised the usefulness of building a tramway connection between the M7 Villejuif-Aragon terminus and the MIN, which was eventually built between 2000 and 2011.

In the first years of implementation of a financial protocol signed in 1983 (see below) between Semmaris and the state, it was decided within the Administrative Board that part of the savings obtained from the budget revision should be allocated to the construction of a waste to energy plant that could monetize the waste produced by the wholesalers operating within the MIN. The policy formulation process and implementation of this new energetic asset had the dual effect of favouring a process of institutionalisation of the collective action of different actors as well as producing a growing territorialisation of Semmaris through the relations with them. Although this was mainly an internal Semmaris problem, the organisation of the plant financing reflected the constellation and role of the actors involved. Semmaris covered more than two thirds of the costs by

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<sup>157</sup> Semmaris board of directors – minute of the meeting n. 78 held in 25<sup>th</sup> October 1983

borrowing 74.4 million francs (22.5 million euro in 2017<sup>158</sup>) from publicly owned credit institutions. The state meanwhile participated in the investment with a grant of 17.5 million francs (5.3 million euro in 2017) and acted as a tax regulator by repaying 12 million francs in VAT (3.6 million euro in 2017) as a measure to support Semmaris' investment capacity. The remaining 8 million francs (2.4 million euro in 2017) were made available by the local authorities to cover a total of 111 million francs (33.6 million euro in 2017).<sup>159</sup> Once built, the plant became an energy infrastructure used by three municipalities marked by MIN urban insertion: Chevilly-Larue, Thiais and Orly. While the public transport dossier was mainly mobilised by Pettenati, the project saw Semmaris as a promoter. The coordination of different institutional actors was eased by the establishment of a *Syndicat intercommunal pour l'élimination des déchets* (SIED) in 1980, later called *Syndicat intercommunal pour l'élimination et valorisation des déchets* (SIEVD). After two years of work, the new infrastructure was inaugurated in 1985. In other words, Semmaris acted as a broker between different stakeholders, constituting a new institutional framework to regulate institutional relations around a specific policy issue. The following year, two other municipalities in the area joined the *Syndicat*: Haÿ-les-Roses and Villeneuve-le-Roi. Semmaris' organizational action reproduced characteristics similar to those that were beginning to take shape in public action after the institutional reform of 1982. Indeed, the constellation of actors was not defined by purely administrative criteria aimed at coordinating formal competences, as in the case of the *regulation croisée* model. Participation in decision-making, implementation and management was rather defined by the interests of different actors who decide to pool their resources in order to achieve a shared goal, as in a *collective action* model.

Another dossier important to the development of the MIN that had long occupied Semmaris' organizational agenda concerned the development of the Zone Delta, an area adjacent to that occupied by the MIN. During the 1970s and 1980s, Semmaris authorized wholesalers to construct new warehouses. With the growth in turnover, volume of goods, and the gradual change in the organisation of the food supply chain, wholesalers'

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<sup>158</sup> All conversions from Francs to Euro, include the cumulated inflation and are calculated using the Insee online tool: <https://www.insee.fr/fr/information/2417794>

<sup>159</sup> Cour de Comptes - Troisième Chambre - Quatrième section, "Rapport conclusion sur le comptes de gestion de la Société d'Economie Mixte d'Aménagement et de Gestion du Marché d'Intérêt National de la Région Parisienne (SEMMARIS) Exercices 1978 à 1983" – 16<sup>th</sup> October 1985



companies began to build warehouses in which to organize the flow of goods that did not pass through the MIN's physical marketplace. This developmental dynamic was supported by all stakeholders. Wholesalers could increase their turnover, Semmaris had an interest in encouraging the development of logistical skills and supporting the growth of the number of *grossistes à service complet*,<sup>160</sup> and the municipality of Chevilly-Larue had an interest in seeing an increase in revenue from economic activities located in its territory.

Until then, the construction of new structural assets within the MIN had not followed a planned strategy. Rather, Semmaris granted permission to build based on individual requests from wholesalers, taking advantage of the availability of land within the infrastructure. This had already led to a shortage of space for internal growth in the 1980s, a problem that became more acute in the 1990s when the need to reorganise the internal logistics flows of the MIN to make them more efficient and competitive arose. In 1983, the president of Semmaris Jean Menguy (1981-1987) took the initiative to confront state political priorities, which retained control over the strategic choices of urban and economic development, to allocate an area of about 12 hectares for the development of logistics warehouses. Semmaris enrolled UNIGROS, the Val-de-Marne department, and the Île-de-France to make the case for the benefits of the project to state administrations from the very start.<sup>161</sup> This coalition of actors was in fact ineffective and the state maintained control of the area, allocating it to other functions which it considered a priority. However, it is important to underline that Semmaris also acted this occasion as a broker to bring together the complementary interests of the subnational governments, since the first months of the start of the decentralization process. It was only when the construction of the A86, whose shipyards were located in the Delta Zone, was completed in the 1990s that the possibility of implementing this development project was re-opened. After the restructuring of the Semmaris budgets obtained by the management of Marc Spielrein (1993-2012), this development programme finally found favourable conditions for its implementation in 2001. In a local context characterized by the opposition of citizens' committees concerned about its environmental effects, Semmaris was now an autonomous

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<sup>160</sup> Unlike the so-called *grossistes au carreau*, that focus their business activity on the economic transactions that take place within the MIN, these companies have also developed organizational skills for the selection, packaging and distribution of products according to the needs of different customers. (specialized and unspecialized retailers, MGD and Ho.Re.Ca sector)

<sup>161</sup> Semmaris board of directors– minute of the meeting n. 77 held in 27th April 1983

actor able to build the coalition of actors necessary to carry it forward and inaugurate this logistical asset in 2004.<sup>162</sup>

All these development projects had one element in common: the state remained an important player but it was no longer the central figure. It no longer defined the timing, resources, and methods of implementation of infrastructural development, which were instead decided by Semmaris and local governments. Decision-making processes were increasingly shaped by collective action in which the definition of problems, their priorities, and their solutions was based on the interests and priorities of local governments, Semmaris, and wholesalers.

### **C) The organizational autonomy of Semmaris: a cumulative outcome of institutional changes**

During the 1980s and 1990s, parallel to the process of the territorialisation of Semmaris' organisational action, its organisational autonomy also increased. The consolidation of organizational autonomy was based on several elements that had their premise in the decentralization of public action and in the territorialization of Semmaris' institutional relations. These elements concerned the relationship between Semmaris and the state administrations, the role of Semmaris in the governance of the business structure of wholesalers, in the management of the development strategies of the MIN, and the role of the membership of the management of Semmaris. Over time, these individual aspects intertwined with each and gave Semmaris a capacity for action which, with the change in the institutional configuration of local governance since the 2000s, has made it a fully-fledged player in governance.

First, I consider the relationship between Semmaris and the state in all its administrative layers and government levels. The significant modernisation measures undertaken at Rungis in the 1980s had generally been two-thirds financed by public funds. Factors of structural and institutional change induced public actors to review this type of relationship in the late 1980s and, more radically, in the 1990s. The structural change concerned the different economic organization of the food distribution sector, which, as highlighted in chapter 3, called into question the policy legitimacy of this infrastructure as a consequence of the decline of MINs market share in food distribution at the national

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<sup>162</sup> *Le Parisien*, “Les travaux d’extension du MIN débloqués” 4th February 2003, Online Archive

level. As discussed in Chapter I, the state aimed to rationalise and modernise the French distribution system. However, the concentration, rationalization and modernization of distribution circuits took place at a faster pace than expected by the 'planners' of the CGP. Moreover, these processes of economic reorganization affected the retail side and not the wholesale side (as had been the intention of the MIN policy), thus pushing for the revision of the policy priorities in the regulation of the sector (La Page, 1995). The institutional change concerned the new priorities involving the public action of local governments, especially in Paris, which the concentration of economic resources in the management of new competencies and no longer in financing a public policy that had always had a strong national and state character. In concrete terms, this meant that, even if one-off subsidies projects were not excluded, no specific budget line would now be allocated specifically for the modernisation of markets.

A concrete example of the change in the relationship between Semmaris and the state is the signing of a new protocol for Semmaris' budget recovery in 1981, which aimed to improve economic performance and reduce not only the budget deficit but also the debts it had accumulated with the state and the banking system since 1969. At the end of the 1970s, the state's objective was to direct the organisational agenda of Semmaris. Although adopting a similar instrument to regulate economic relations with the Semmaris, on this occasion the aim was to reduce the economic dependence of the management company on the institutional environment, using the protocol as a lever to define a framework within which Semmaris' actions could be increasingly autonomous. The protocol implied one constraint and several opportunities. The constraint was reaching a budget equilibrium while augmenting the quota of self-funded investments. The opportunities consisted in the free choice of the path to follow to achieve the goal. The MIN concession to Semmaris was revised from 30 to 50 years, bringing its expiry date forward to 2017. This revision would enable wholesalers who could do so to plan the depreciation of their investments over a longer period of time and thus have a better negotiating position with the banks to which they would ask for loans.

As Semmaris' budget gradually returned to equilibrium, incentive actions from the ministry of finance and the ministry of commerce focused on promoting Semmaris investments that would generate added-value for the economic activities in place. A number of these investments provided the ground upon which the process of collective

action institutionalisation among local authorities, Semmaris, the state, and wholesalers was realized.

Even when UNIGROS was not explicitly involved in the coalitions of actors assembled for the realization of these investments, its role within Semmaris was crucial to securing the necessary economic resources for the operating company. We have already seen in Chapter I that UNIGROS was a crucial player in building Semmaris' management capacity. The growing participation of wholesalers in the financial equilibrium of Semmaris was to be a constant throughout the decade. Year by year, the administrative board approved tariff adjustments which on many occasions went beyond the intention to recover inflation by increasing the capitalisation of Semmaris in real terms. For instance, wholesalers accepted an 11.5 percent increase in their concession tariffs on 1 January 1981 and a further increase of 13.5 percent in July 1981.<sup>163</sup> It is important to highlight the manner in which this debt restructuring activity paved the way for a new dynamic of interest intermediation within Semmaris based on a redesigned decision-making process. For the first time in Semmaris' history, tariffs imposed on wholesalers for concessions and services offered were higher than the operational costs.

As one can easily imagine, individual wholesalers and professional associations tried to limit the growing economic demands of Semmaris. UNIGROS acted as an intermediary between Semmaris and the wholesalers in order to get the tariff increases accepted, presenting them as a strategy for the development of the MIN as a collective asset and therefore as a competitive advantage for the companies. In addition to the budget constraint, the state designed a new structure of opportunities that made it easier for the self-financing of Semmaris through the contributions of wholesalers and eased the position of these entrepreneurs with regard to applying for loans for investments on their competitiveness, thus strengthening the profile of the MIN as a collective asset. The management company was not seen as a public service that should simply guarantee the routine operation of the infrastructure for the sake of private profits but as a collective good to be developed in order to protect wholesalers' position in market organization,<sup>164</sup> and thus requiring the participation of each corporate actor to work as such, in their interests. The normative framework centred on the promotion of the sector's modernization

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<sup>163</sup> *Le Matin* "Marché de Rungis : le budget sera équilibré", 19<sup>th</sup> December 1980, Accessed via Europresse; *Le Monde*, "Le bons comptes font les bons marchés", 22<sup>nd</sup> December 1980, Accessed via Europresse

<sup>164</sup> Semmaris board of directors– minute of the meeting n. 77 held in 27<sup>th</sup> April 1983

and the sharing of the objectives of the organizational agenda adopted as management strategy by Bou allowed the construction of this type of representation, so different from the one that dominated the relationship between Sogemi, Unione del Commercio di Milano and AGO in the same period. UNIGROS facilitated the construction of a new style of interest intermediation between interests within the MIN. Its role emerged as that of a collective actor which acted as a reference point for Semmaris in its relations with the various product sectors<sup>165</sup> and for wholesalers in mediating between their interests and that of the operating company.

The premises for the integration of the wholesaler's interests within the Semmaris' organizational action were established at the outset. Libert Bou, in fact, decided against a top-down implementation of the state's policy objectives established with the construction of the MIN Paris-Rungis; as we have seen, the economic structure changed only partially and slowly. Even the development of the figure of the complete service wholesaler was left to the free entrepreneurial choice of the wholesalers, imposing few constraints in this sense.

As part of this new model of organisational action within the MIN, a common mission of Semmaris and UNIGROS and a sharing of medium-term objectives was established. In other words, the financial constraint set out in the 1981 protocol was translated into an opportunity for the institutionalisation of collective action within the MIN, aimed at increasing Semmaris' agency capacity on the one hand and the legitimacy of wholesalers on the other. In addition to making resources available for the development programmes already analysed, Semmaris identified, in agreement with the members of the administrative board<sup>166</sup> (which included wholesalers from the various product sectors) which investments to focus on. These were:

- the modernisation of the meat sector to ensure the cold chain would comply with European legislation and enable MIN to become an important export channel; and
- the modernisation of the entry toll system so as to improve the control of the flows of hauliers, wholesalers, and retailers with new technical tools.

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<sup>165</sup> Fruits and Vegetables, Tripe Products, Meat, Poultry and Game, Seafood, Horticulture, Restaurants, Service companies

<sup>166</sup> Semmaris board of directors– minute of the meeting n. 77 held in 27<sup>th</sup> April 1983

The administrative board estimated the cost of modernising the meat sector at around 63 million francs (15.4 million euro in 2017).<sup>167</sup> The financing structure of this investment was defined and steered by Semmaris but foresaw the direct involvement of other actors in the provision of economic resources. Over the years, the state had financed 40% percent of the construction work, the meat wholesalers<sup>168</sup> 33 percent, and the local authorities 27 percent. The priority which legitimized the participation of the state, and in particular of the ministry of commerce, was supporting the development of those companies that wanted to invest in improving their competitive advantage in the domestic and international market,<sup>169</sup> leaving aside the policy argument of supporting the modernization of the distribution circuit that was already on track despite planners' previsions. In the initial phase of the investment project, Menguy acted as a broker between the interests of the state and wholesalers vis-a-vis the local authorities in order to find the necessary economic resources. Consistent with the new institutional setting, this brokerage activity was not only vertical (Semmaris-state) but included horizontal features (Semmaris-subnational governments). Looking at the minutes of 1980s administrative board meetings, it becomes clear that over time the participation of the Paris municipality, the Val-de-Marne department and the Île-de-France region in the annual funding set up for the operation took place with ever fewer delays and eventually without the need for reminders or pressure from Menguy or wholesalers. The impression I get from this is of a progressive stabilization of the role of Semmaris in the budgets of the different territorial communities which, let us remember, had acquired important doses of decision-making autonomy only in 1982. It is interesting to note that the region, although it did not have a stake in MIN, also provided financial support for this operation. This decision seems consistent with the growing centrality of territorial development for the construction of public action, in which MIN was one of the most important lungs for the regional economy, both in terms of job opportunities and competitive assets for the territory.

In order to adapt to *supply chain reorganization and new procurement practices of big retailers*, Semmaris began imposing stiffer taxes on flows passing through the MIN

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<sup>167</sup> Semmaris board of directors– minute of the meeting n. 92 held in 28<sup>th</sup> April 1987

<sup>168</sup> Cour de Comptes - Troisième Chambre - Quatrième section, "Rapport conclusion sur le comptes de gestion de la Société d'Economie Mixte d'Aménagement et de Gestion du Marché d'Intérêt National de la Région Parisienne (SEMMARIS) Exercices 1978 à 1983" – 16<sup>th</sup> October 1985; Semmaris board of directors– minute of the meeting n. 98 held in 9<sup>th</sup> Decembet 1988

<sup>169</sup> Semmaris board of directors– minute of the meeting n. 78 held in 25<sup>th</sup> October 1983

and not only those freight volumes traded within the marketplace buildings.<sup>170</sup> Initially, a definition of the concept of ‘transit’ took shape within the administrative board as a result of a common debate between Semmaris and UNIGROS. ‘Transit’ was eventually defined as a passage of goods within the MIN, with a load breakage (*transit point*) before the shipment to customers who did not carry out the transaction within the MIN.<sup>171</sup> The second step of this collective approach to problem formulation framing was the collaboration between and Semmaris and UNIGROS and within each professional associations coordinated by UNIGROS to understand the forms and extent of the new economic practice in each wholesale market sectors. Through a process of gradual stratification of the knowledge about the phenomenon, a tariff was eventually defined which was acceptable to Semmaris, which was keen to protect its budget, and the wholesalers, who were anxious to retain their increased share of profits and avoid excessive tariffs and contentious dynamics.

When there were grievances or tensions between Semmaris and the wholesalers, the institutionalizing model of collective action placed UNIGROS in a broker role between Semmaris and individual wholesalers or professional associations and member of the federation. The mediation position occupied by UNIGROS gave room to a mutual compromise between Semmaris and the wholesalers. The type of non-conflictual relationship that was established gave UNIGROS the capital of legitimacy necessary to maintain bargaining leverage it needed with Semmaris to amend decisions disadvantageous to wholesalers, as well as allowing Semmaris to avoid intra-organisational conflicts that might jeopardize the implementation of its strategic choices.

The membership of Semmaris administrative board is another element that has functioned as a resource to strengthen the agency capacity of the management company. Since 1984,<sup>172</sup> it has been composed of 14 members. Until 2007, when the state sold half of its shares (corresponding to 33 percent of all shares) to a promoter of the commercial

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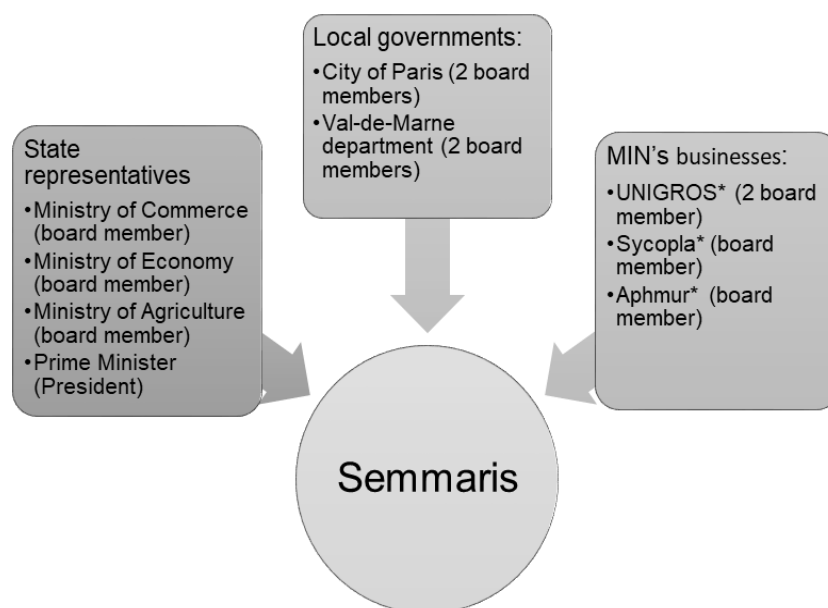
<sup>170</sup> Semmaris board of directors– minute of the meeting n. 87 held in 29<sup>th</sup> April 1985; Semmaris board of directors– minute of the meeting n. 89 held in 13<sup>th</sup> May 1986; Letters exchanged among Fédération Nationale des Transports Routiers, the Préfet d’Etat en Val-de-Marne, the Ministre de l’Équipement du Logement et des Transports, and Semmaris management, between 10<sup>th</sup> September – 21<sup>st</sup> November 1986; Semmaris board of directors– minute of the meeting n. 91 held in 3<sup>rd</sup> December 1986

<sup>171</sup> Semmaris board of directors– minute of the meeting n. 89 held in 13<sup>th</sup> May 1986

<sup>172</sup> The two members representing the employees joined the administrative board as a result of a company law reform introduced during Francois Mitterrand’s first presidential term. (Parti socialiste, 1981-1995).

real estate sector, it was divided as follows: 4 members appointed by the state, 4 appointed by local governments, 4 members representing the wholesalers of the MIN, and 2 members representing the employees. From the outset, therefore, the management structure of Semmaris prioritized the desire to integrate the various interests within it rather than reflect the distribution of share capital in a balanced way (See tab 1.4, in Chapter I). The presence of the state reflected the desire to develop the MIN as an infrastructure with a national role in regulating distribution circuits. The presence of local authorities is consistent with the awareness of the important role MIN played in the regional economy. The presence of wholesale companies points to an awareness that these types of infrastructure cannot function properly without the users on whose behalf it is supposed to make strategic decisions (Fig. 4.5).

**Fig. 4.5 Semmaris administrative board stakeholders structure**



\*Notes: UNIGROS (*Union Syndical de grossistes du MIN de Rungis*) is second level business organization that federates the large majority of sectoral professional organization present within the MIN; Sycopla (*Chambre Syndicale du Commerce en Gros des Produits Laitiers et Avicoles du MIN de Paris Rungis*) is a business association whose members are wholesalers in the dairy and poultry sectors; Aphmur (*Association des Producteurs. Horticoles Usagers du MIN*) is a business association gathering horticulturists producers present within the MIN.

**Source:** Elaboration of the author.



If I consider the structure of the board of directors in the process of decentralization of public action, I can better understand how this organizational arena became a space for the institutionalization of new forms of collective action involving Semmaris, local interest groups, and local public actors. Besides favouring the territorialisation of organisational action, this provided legitimacy to the operating company as a site for the formulation of policies for territorial development and the integration of economic interests and political agendas. Another crucial element that accompanied the management of Semmaris was the stability of some of its members, especially when compared with the high turnover in the management of Sogemi observed in the case of Milan. The stability of the leadership of UNIGROS and the constant presence of its president Edmond Hervouet on the board of directors of Semmaris in the 1980s and 1990s are particularly noteworthy. This stability was not only a feature of these two decades but, as we will see in the following section, continues to define the management of Semmaris in the present.

Semmaris' statutes do not provide for direct representation of the municipalities that have been so heavily affected in their spatial structure by its insertion (Chevilly-Larue, Rungis, Thias), but at least since the 1980s administrative board meetings have been open to the possibility of other institutional figures participating in discussions, albeit without voting rights. Among them, I find the mayor of Chevilly-Larue Guy Pettenati (1977 - 2003) in a stable and continuous way. The constant presence of this local politician facilitated both the representation the demands and policy priorities of the territorial community of Chevilly-Larue and the integration of these same priorities into the broader framework of Val-de-Marne department public policies, a sub-national government level where held the role of *conseiller général* for many years (1979 - 2004). A similar role was played by Gaston Viens, mayor of Orly (1965-2009), who also represented Val-de-Marne within the administrative board throughout the 1980s. In this case, the role of integration of interests focused on linking MIN, departmental policies, and local policies of another municipality deeply marked by the infrastructural knot around MIN that includes, as we have seen, Orly Airport. The fact that members of the administrative board have held other important roles outside Semmaris, both in local institutions and in professional associations, has become a peculiar element of the links between Semmaris and other actors within the processes of urban governance. In other words, the composition of its board became an instrument to fuel the circulation of knowledge, resources, and the development of relations between actors. Finally, if I consider the stability of Semmaris'

leadership, Jean Menguy, its president, was confirmed at the head of the company three times in the 1980s and interrupted his term in 1987 only because of an accident that led to his premature death. His reconfirmation took place without being influenced by political changes in the national government when, from 1986 to 1988, prime minister Jacques Chirac led a conservative government under the presidency of Mitterrand. The same stability was present over almost twenty years during Marc Spielrein's tenure as president of Semmaris (1994-2012) after his appointment by the conservative prime minister (Edouard Balladur 1993-1995). Also in his case, the position was renewed regardless of political changes at the national level, which saw the presence of a government led by socialists (Lionel Jospin 1997-2002) under the presidency of Chirac (1995-2007). The stability of the management connected to the local actors can be contrasted with the instability of the representatives of the state, who were frequently replaced during the entire period examined in this chapter, that is, from the 1980s to the present day.

The weakly political nature of these appointments can also be seen in the professional profiles of these two presidents. Jean Menguy was a figure with a distinctly different profile than his predecessors. He did not include any clear and explicit links to the political realm in his biography. His professional profile was that of a well-established prefect who was appointed as head of Semmaris at the age of 56. Therefore, he was a man socialized to the role of executor of the interests and priorities of national governments in territorial policies. His lack of openly political leadership and membership ensured that he would be able to renew his office despite political changes. Being less tied to political dynamics made it possible to build a climate of mutual trust with different government levels and interest groups. I do not want to argue that a politically oriented choice appointment would have made that impossible. However, reduced politicisation allowed him to identify objectives and strategies within Semmaris without the political parties' agendas playing an explicit or implicit, voluntary or involuntary role and making collective action more complex. On one side, the 'prefectural' profile had acted as a guarantee for the national government regarding the president's commitment to achieving the objectives set by national administrations. On the other, leadership stability was one of the elements that favoured the maintenance of a stable relationship with both the representatives of territorial communities and with the representatives of wholesalers.

Spielrein's profile is different from a professional point of view, but fairly similar path from an institutional one. He was a highly-qualified civil engineer who had been

granted the honorary title of *Ingénieur des ponts et chaussées* and received a diploma in political science by the *Institut d'études politique de Paris*. Throughout his professional career he held numerous positions in the economy, welfare and health ministries. In addition to these positions within the state administration, he also had managerial experience in the private sector. He came to lead Semmaris after a period of instability in its management following the mandates of Jean Menguy, which had also triggered a new negative trend in the budget. In line with his professional skills in engineering and corporate management, he identified Semmaris' priorities in adapting the structural assets of the MIN to changes in the distribution market and management reorganisation. In agreement with the wholesalers, he prepared an investment plan for the renewal of the cold chain in all sectors, the modernization of the wholesale meat sector, and the implementation of the Zone Delta program. The most important element, once again, was the stability of its leadership and the ability to build a long-term alliance with wholesalers, factors which allowed Semmaris to ask them for an important economic contribution to increase the competitive advantage of the infrastructure in a new economic context. During the 1990s, the process of integrating wholesalers into Semmaris' organisational activities matured. The institutionalisation of the relations between Semmaris and interest groups allowed it to act, depending on the situation, as a collective actor representing the operators in local governments agendas, to act in coalition with these same actors, or else to ensure that the role of the single actors in various institutional arenas did not conflict with the strategic objectives elaborated within the administrative board. Such autonomy from state inference and the internal institutionalization has been the premise for its role as a collective actor in the urban governance institutional arrangement beginning in the 2000s with the metropolization process.

In particular, the desire to redesign the priorities of urban development in this already densely urbanized area the state to intervene directly in the regulation of real estate investment through the design of state-led real estate developer EPA-ORSA in 2007 (*Etablissement Public d'Aménagement – Orly, Rungis, Seine-Amont*), urging local actors to mobilize their resources for collective action. Among different local actors, I am going to analyze how Semmaris and wholesalers professional associations gradually developed resources to express autonomous agency and coordination skills within the governance processes. In this way, it an element which characterized the MIN Paris-Rungis infrastructure policy over time will become clear. This public policy had an impact on

different policy sectors and on different territorial scales, promoting the mobilization of different actors who had to interact to respond to changes in state organization, changes in policies, and changes in the configuration of the decision-making arenas of territorial governance.

#### **4.3.2 Building metropolitan governance in Paris: an institutional rearrangement with Semmaris' agency liberation as a byproduct**

In this section of the chapter, I will consider the changes in the political and institutional context in which Semmaris was embedded to highlight the connection between its change and the consolidation of Semmaris' role as an actor in the construction of local governance. The aspects of this change which I intend to take into consideration are linked to different factors that involved, and intertwined with, the operation of the infrastructure and moved in the same direction: the construction of metropolitan governance in the Paris region.

Following the process of territorialization of public action and reorganization of the state, the Paris urban region at the end of the 1990s was characterized by a mosaic of powers overlapping in some cases and competing in others: municipalities, departments, and the Île-de-France region. The levels of departmental government had been able to exploit the potential offered by the laws of decentralization to structure their territory and develop autonomous policies. The privileged relationship between Paris and the state, which had largely structured local government since the Second World War, did not favour the spread of a polycentric vision of local governance from the regional core city towards the urban area. At the local level, this was due to both institutional factors (the overlapping of municipal and departmental competences) and political factors linked to the role of its mayor Chirac in national politics,<sup>173</sup> making the French capital resemble to a 'state within the state' (Lefèvre 2003: 292). As scholars have pointed out (Savitch, Kantor 2002), the mode of governance in Paris was structured by the prevalence of public actors, among them the state, who owned and controlled all the resources necessary to guide urban development and establish relations with other actors starting with the policy priorities

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<sup>173</sup> Over his long term in government, Chirac also occupied the role of guide of the national government (1986-1988), as well as being a member of parliament (1967-1995), and eventually resident of republic (1995-2007).

elaborated within the city governments. The state's role in local development was not only present in the decision-making dynamics of the urban government in Paris. Even after the first regional elections in 1986, the state continued to maintain a much stricter supervisory relationship over Île-de-France than it did over other French regions. In particular, two policy areas remained under its direct control: transport infrastructure development and urban planning, areas which, as we have seen in the case of Milan, were crucial in influencing urban governance choices relating to infrastructure such as the MIN. Only in 2000, following the passing of the *Loi Solidarité et Renouvellement Urbain* (SRU), did Île-de-France receive the formal competence for the elaboration and implementation of the planning of the infrastructural Regional Master Plan (SDRIF).<sup>174</sup> As far as the municipal level is concerned, what can be observed is the persistence of a greater degree of institutional fragmentation if I compare Île-de-France with other regions. The lack of an institutional framework of lateral integration, the consolidation of departments as levels of integration of public action, and the strong presence of the state in local development through the power of supervision over urban planning, and transport infrastructure development strategies did not stimulate the adoption of inter-municipal cooperation tools introduced in the 1990s.<sup>175</sup> At the end of the 1990s, in addition to the fragmentation of local government structures, Île-de-France was also marked by a lack of cooperation between local governments and Paris. The institutional context of the 1990s can thus be summarised by observing the ongoing or consolidated institutional processes: a region that sought to strengthen its role (Estèbe, Le Galès 2003), the departments that became government actors able to integrate local territories, municipal fragmentation more pronounced than elsewhere in France, and the Paris government interested more in its relationship with the state than in the horizontal integration with its urban region.

The political changes resulting from the 2001 municipal elections led to a return to the forefront of the issue of governance of the urban region. Bertrand Delanoë, the first socialist mayor since 1977, led a political coalition as mayor that included the French Communist Party (PCF), the Greens, and other minor political forces. Following his desire to strengthen Paris' role in urban governance, Delanoë showed a willingness to cooperate

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<sup>174</sup> Schéma Directeur Region Ile-de-France

<sup>175</sup> In 1992, the Territorial Administration of the Republic Act defined two forms of cooperation: communities of communes and communities of cities. In 1994, the *Aménagement et Développement du Territoire* law introduced the concept of localities (*pays*) that could establish intercommunal development projects.

with the first ring municipalities. This new approach to inter-municipal cooperation was led by Pierre Mansat, communist deputy mayor (2001-2014). In the first phase, the opening up to institutional coordination was met with a lukewarm reception due to the suspicion that it was a strategy aimed simply at strengthening the role of Paris as regional capital. If I look at the relationship between Paris and the state, the new political coalition marked an unprecedented step in the configuration of the relationship between the state and the urban government. For the first time Paris was not a political resource instrumental in obtaining the leadership of the national government, as it had been during Jacques Chirac's terms as mayor (1977 - 1995), thus inaugurating a field of political confrontation with the national government (Estèbe, Le Galès 2003). In order to design an institutional environment open to learning processes, Pierre Mansat organized cultural and communicative initiatives to involve different territorial communities of the *Petite Couronne* in the discussion of metropolitan scale projects. This vague desire was institutionalized in 2006 with the establishment of a *Conférence métropolitaine de l'agglomération parisienne*. This arena of reflection brought together about 50 local politicians representing departments, inter-communal organisations, municipalities and the Île-de-France region. As well as being a first institutional innovation of its kind, it was an initiative with a political resonance and was boycotted by most right-wing politicians. The institutional learning mechanism was based on the anticipation of the principles and rules that would have characterized, and will characterize, the functioning of this new government arrangement. This opened it up to first territorial competition and later political cleavages, both of which would undermine it. A further institutionalization step was the establishment of the *Assises de la métropole*, bringing together 120 territorial authorities, still mainly governed by left political coalitions. The aim was to lay the foundations for the establishment of a *Syndicat d'Études* to which local governments could adhere, in order to bolster the state's role in the process of institutional change. In June 2009 the *Syndicat mixte 'Paris Métropole'* was established. In the same years, a significant number of inter-municipal structures were created as a result of the decentralisation laws of the 1990s (1995, 1996): in a region such as Île-de-France, where inter-municipal cooperation had traditionally remained very weak, 105 new inter-municipal cooperation structures had been established in a short space of time by 2008. In 2004, the number was 79, rising to 94 in 2005. It can be seen, therefore, how the process of horizontal governance integration has been grafted, from an institutional point of view, onto a growing

predisposition to cooperate. Political culture is a good way of explaining how local governments relate to the instruments of inter-municipal cooperation made available during the 1990s (Negrier 2003; Pinson 2010), but it is a necessary rather than a sufficient condition. The second element to be taken into consideration is that of a space for institutional learning, cooperation, and coordination of actors (Negrier 1999). The desire for horizontal coordination in Paris was opposed by both the Île-de-France region, which saw this as a threat to its process of institutionalization vis-a-vis the state and Paris, and the Department of Val-de-Marne, which interpreted this choice as a risk to its ability to integrate public action on its territory (Prat 2016).

Shortly after his election as president of the republic, Nicolas Sarkozy held a speech during the inauguration of a new hall of the Charles de Gaulle Airport in which depicted the French metropolitan areas as functional to the fostering a national economy through their attractiveness for advanced economic functions and private investments, as well as their competitiveness with other nodes of global capitalism. In particular, the Paris metropolitan area was framed in such a way as to suggest that it could only gain competitive advantages if the necessary infrastructure investments were made in order to make it attractive to market forces. With this representation, the aim to bring the strategic choices of regional development under the control of the state, hindering the bottom-up legitimization process of subnational governments in taking structural decisions for economic, infrastructural and urban development. If Paris proposed to break its political and institutional isolation, the ambition to lead a process of construction of metropolitan governance was born on the initiative of the national government. In 2008, Prime Minister Francois Fillon appointed a state secretary to steer the process of institutional building for the Paris metropolis from above. The president of the republic appointed Christian Blanc as head of this department, with the mission of developing a new vision for the capital region by 2030. After setting aside the initial idea of introducing institutional reforms with the creation of the *Métropole du Grand Paris* (MGP) due to lack of electoral support, the so-called Grand Paris law was approved in June 2010. The notion underlying this act of state intervention was to produce the infrastructural assets necessary to relaunch the position of the Parisian metropolis in international competition, to promote long urban development in new public transport nodes, and to promote the specialisation of the urban economy in functional poles that would have been connected by the new metropolitan transport network, the Greater Paris Express (*Grand Paris Express*). The design and

construction of this new infrastructure was placed under the control of an ad hoc body: the *Société du Grand Paris*, whose executive bodies were controlled by the *state* and whose governance provided voice for all local governments and institutional cooperation bodies involved in the construction of the metro, along with the presence of socio-economic actors. In the same year, the *Atelier International du Grand Paris* was established with the aim of promoting research initiatives, promotion and elaboration of issues related to the construction of metropolitan governance. In relation to the processes of territorialisation of the economy linked to globalisation dynamics, national competitiveness was no longer represented as dependent on the national corporate champions of the national economy, but on the competitiveness of urban regions. In this context, Paris metropolis rather than a sector-leading corporation has risen to the role of national champion (Crouch, Le Galès 2012).

From a political point of view, it was a strategy to work around left political coalitions leading Paris and Île-de-France governments. In fact, in those same years there was a strong contrast between the regional and national governments regarding the elaboration of the Regional Master Plan (SDRIF). After a long phase of formulation, this crucial policy document was submitted to the national government for approval in 2008. Its formulation was the occasion for a political dramatization of the relationship between state and local authorities. Indeed, the state expressed reluctance to leave decision-making discretion to sub-national levels for the development of this strategic urban region. The drafting and content of this development plan for metropolitan mobility contradicted the proposals already drawn up and submitted to the state for its approval by the regional government. The state took an inertia strategy and submitted the SDRIF proposal to the *Conseil d'État* for final approval only after issuing the law constituting the *Grand Paris*. The new institutional set-up did not allow for the formal approval of the 2008 SDRIF, which was drawn up based on a different government structure, pushing the region to rewrite the Master Plan including the new institutional arrangement and development priorities. Within this political conflict, a series of institutional changes took place; some promoted from below, others introduced vertically by the national government which, when they came together, transformed profoundly the institutional arrangement of local governance. The development of the new SDRIF, which was approved in 2013, was in fact characterized by being accompanied by an important process of institutional innovation aimed at strengthening the channels of coordination between the various institutional



actors of urban governance. The state's political project to strengthen the internationalisation of Paris to increase the attractiveness of international investment (Alves 2012) was being pursued by strengthening its capacity for local governance through infrastructure investments and urban development programmes directly coordinated by the state administration. This global ambition was reflected in the development of public transport infrastructure and the definition of seven clusters for urban economy specialisation.<sup>176</sup> A new instrument for coordinating local development was being developed to make state governance operational in the metropolitan area. This followed on the heels of the construction of the Grand Paris Express (GPA), the *Contrats de développement territorial* (CDT),<sup>177</sup> which aimed to coordinate from above the urban densification interventions in the vicinity of the stations of the new metro lines provided for by the GPA. Other instruments such as the *Contrats d'Intérêt National* (CIN) and the *Operation d'Intérêt Nationale* (OIN) were approved with an eye to coordinating the services of the state the urban and economic development interventions in the different hubs of economic specialization. Between 2015 and 2016 it was possible to count 21 already identified CDTs involving 30 percent of the population of the Île-de-France, 72 municipalities out of the 123 that make up the *Métropole du Grand Paris* and 13 CINs to which 9 OINs were added in order to coordinate the actions of public and private actors.<sup>178</sup> Among these OINs, one directly involves the development of the MIN Paris-Rungis, the OIN Orly Rungis-Seine Amont, a territory that is also affected by a CDT. In this context, the role of the Syndicat Paris Métropole established in 2009 can be traced back to that of a

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<sup>176</sup> The economic growth of the metropolis is designed to be grounded in competitive clusters structured by: innovation and research; international trade and events; life science; digital creation; financial services; airspace; and a sustainable city.

<sup>177</sup> Established by the 2010 Greater Paris Law, the *contrats de développement territorial* or CDTs aim to define the objectives and priorities in terms of economic development, housing construction, and public facilities in areas around the future stations of the Grand Paris Express. Primary contractors are the state's representatives (mainly the Préfecture de la région Île-de-France) and the municipalities concerned by the stations. The first objective of this new planning tool is to concentrate activities and housing in areas well served by the public transport network and to promote alternatives to the car in accordance with principles of urban sustainable development. Another is to support the development of selected economic activity zones (so-called 'clusters'). Furthermore, another main issue for the state is to encourage the building of housing, largely depending on the decision of the municipalities that purchase land from private parties, resell it to private developers and issue the building permits' (Desjardin 2018).

<sup>178</sup> <http://www.prefectures-regions.gouv.fr/ile-de-france/Region-et-institutions/Portrait-de-la-region/Le-Grand-Paris/La-declinaison-territoriale-du-Grand-Paris/La-declinaison-operationnelle-les-contrats-et-operations-d-interet-national>. Last online access: September 2018

simple advisor in the formulation of CDTs and the operational construction of the Grand Paris Express. The executive project of this major and structuring infrastructure was the result of the negotiation between a proposal put forward by the state and that which was contained in the draft of the new SDRIF currently being prepared. The outcome of this negotiation was as follows: it allowed for the adoption of a negotiated approach between the state and the region in the phase of infrastructure construction, favoured the legitimization of the region's role in government and it was a laboratory for the involvement at the level of transversal interests. Eventually, a broad set of stakeholders supported the new project including ecologists, transport operators, public works companies, locally elected representatives, and real estate developers (Desjardin 2018).

While the Société du Grand Paris was the driving force behind metropolitan infrastructure development, the process of institutionalizing metropolitan governance continued in 2011. The *Syndicat d'Études Paris Métropole*, reinforced in its legitimization progressive adhesion of the local right-wing politicians, adheres to the AIGP which, up to that moment, had been an organization expressing the priorities of the state. In the same year, the city of Paris and the Île-de-France also joined. As of June, the state and the territorial communities had the same weight in the governance of this body. Eventually in 2011, Pierre Mansat was elected president of AIGP.

Over the next two years, the issue of metropolitan governance languished on the political agenda without gaining real prominence. However, the process of institutional learning that supported coordination between local communities was now underway and both this infrastructure project and the CDT tool acted as catalysts for the development of joint projects between the municipalities and departments involved. The idea of an institution-building system capable of federating different interests in a polycentric manner, in which each important urban development programme could be conceived in relation to its function on the metropolitan scale, was spreading horizontally and across the political spectrum. The 2012 presidential elections concluded with the victory of a left-wing coalition led by Francois Hollande in the role of president of the Republic (2012-2017). The political change was followed by a change in the attitude of the central level concerning the Grand Paris issue, with a greater convergence between the process started by *Paris Métropole* and the aspirations of the *state*. The new president of republic announced his intention of providing the *Syndicat d'Études Paris Métropole*, which at the time comprised around 200 local authorities, with appropriate instruments for action for

metropolitan governance. Between 2013 and 2015, two national laws were approved to shape the future institutional configuration of the Métropole de Paris. The combined provisions of the Loi MAPTAM and the Loi NOTRe provided for the creation of a new institution on 1 January 2016 while the assumption of its policy competences only took place, 1 January 2017. This institutional configuration provided for the compulsory establishment of 12 *établissements publics territoriales*, each with a population size of at least 300,000 inhabitants, which replaced the previous inter-municipal coordination bodies and had mandatory competences such as urban policy, urban planning (*plan local d'urbanisme*), energy planning and sustainable development (*plan climat, air, énergie*), wastewater and waste management, and water supply.

In addition to the now abolished inter-municipal organisations, other instruments that shaped inter-municipal geography must also be taken into account. Among these, CDTs and OINs are important, especially for the purposes of my analysis. As we will see, these two operational tools in the territory where the MIN of Rungis is located contributed to mobilizing the collective action of many public and private actors and different local institutions during the process of metropolitan construction. This institutional learning process was neither static nor limited to the functioning of metropolitan government. It translated into a capital of knowledge, practices, and attitudes to the production of public action that had widespread effects in metropolitan areas that went well beyond the initial objectives.

While the state and subnational governments were carrying out their political-institutional dialectic, other profound changes were underway in the so-called *Pole Orly-Rungis*, where Semmaris and other strategic infrastructures shaped economic, urban and social configurations. These changes involved both the municipality of Chevilly-Larue, Val-de-Marne department, the EPA ORSA established to steer the OIN Orly Seine-Amont that involved urban development around the MIN, several local arenas established since the 2000s to coordinate public and private actors for local development, UNIGROS, the Val-de-Marne Chambre de Commerce (a territorial branch of the Paris chamber of commerce), and of course Semmaris itself, accompanying it in taking on a new, unexpected, role in the production of metropolitan governance.

Semmaris' unprecedented position in territorial governance was the result of several interacting factors. We can organize them into two orders: factors that constituted the premise of this transformation and factors that have guided this change. The first order of

factors includes the management structure of Semmaris and elements of the urban context in which Semmaris was inserted. The organizational structure of Semmaris, as we have already seen, is such that there are different channels through which the management company of MIN Rungis exchanges resources with its institutional environment. The second order factors, which I see as crucial in determining this outcome, include the stable integration of interest groups within Semmaris' organizational agenda (through the 1980s and the 2000s) and the leadership within its management (during the 2010s). I shall first consider the changes in the institutional environment that affected Semmaris' role in Paris metropolitan governance. In the last section I will consider the leadership factor.

#### **A) Opening the institutional setting of urban governance: an opportunity for local actors' entrepreneurialism**

During the 2000s and 2010s, Semmaris moved into the position of an actor within local governance processes. The factors that made this role shift possible can be traced to institutional environment rearrangement of the local context and institutionalization within Semmaris of interest intermediation practices started in the context of the decentralization of public action and territorialisation of Semmaris' embeddedness. The new institutional arrangement has also promoted new opportunities for local politicians to act in an entrepreneurial way in order to build the institutional coalitions necessary to attract the resources necessary for the development of their territory. Beginning with its grounding in the territory and the autonomy consolidated in the two previous decades, Semmaris became part of a system of local actors mobilizing to promote their interests within a profoundly changing institutional and policy context. As far as the system of actors in which Semmaris is located is concerned, the development of an entrepreneurial approach by representatives of local governments is particularly visible in the case of the Chevilly-Larue mayor Christian Hervy, who participated as Val-de-Marne representative member after his election as general councillor (PCF, 2004-2015). Another collective actor closely linked to the functioning and development of the MIN is UNIGROS, which through its president Christian Pépineau has been represented since the 2000s in the decision-making and representative roles of different local institutions. The highest point of Semmaris' involvement in metropolitan governance processes was reached following the appointment

of Stéphane Layani, appointed in 2012 and still leading Semmaris in his second term as president.

### **B) The political construction of the *Pole of Orly* as a strategic territory in the metropolitan governance agenda.**

The urban area in which Semmaris is inserted has been socially constructed in public discourse as a strategic pole for the economic development of Île-de-France since the 1960s. As we saw in Chapter 1, in those years the state identified the priorities and development strategies of the Paris region. The territory of the department of Val-de-Marne was understood as a strategic node for the organization of flows of goods and people to ensure the connection of the region to the national and international market. According to this policy priority the MIN Paris-Rungis, Orly Airport<sup>179</sup> and other economic infrastructures such as Sogaris<sup>180</sup> and SENIA<sup>181</sup> were built. Consistent with the institutional context of that period, the state was the main actor defining the priorities, identifying policy measures and taking care of their implementation, determining the conditions that guided the local development of this sector of the Paris region. The aim was to deconcentrate urban development, organizing a system of urban infrastructures around the capital, among which the area of Orly-Rungis was classified as a *pôle restructuration du Sud-Est Parisien*.<sup>182</sup>

In the 1980s, during a phase of market pressures which restructured national economic and industrial policies, the Val-de-Marne department began to frame the territory structured by the presence of these national and international scale infrastructures as an economic pole to preserve and stabilize labour market dynamics and protect job opportunities. In this period, the label *Pôle d'Orly* began to be consistently used to identify it. This step of the construction of this urban sector saw the department mobilize by

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<sup>179</sup> Inaugurated in 1961 at the presence of Charles de Gaulle, president of republic (1959-1969).

<sup>180</sup> Société anonyme d'économie mixte de la gare routière de Rungis, the mixed economy operating company of the gare routière opened in 1965. The purpose at the time was to establish a tool to govern incoming truck based freight flows in order to rationalise it and manage road congestion. Its shareholding structure includes the relative majority of Paris (49.5 percent), shares distributed among the three departments surrounding Paris (Val-de-Marne, Seine-Saint-Denis, Hauts-de-Seine) and the Caisse Depots et Consignations.

<sup>181</sup> Secteur des Entrepôts et Industries Alimentaires is one of the complementary infrastructures built to support MIN's wholesalers' economic activities, namely the management of freight flows.

<sup>182</sup> *Les Echos*, "La mutation périlleuse du pole Orly-Rungis", 22th May 1997, Online Archive

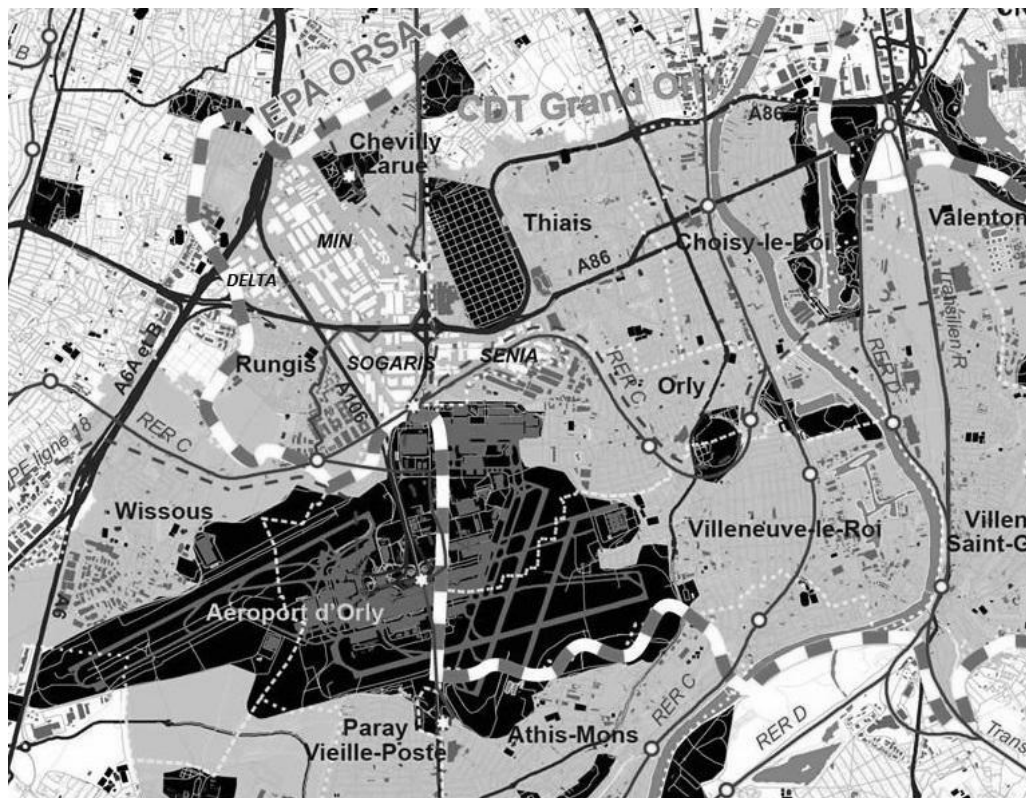
leveraging the recent decentralization of public action. In line with the political priorities of the PCF, which had controlled the general council since 1976, political resources were invested in institutionalising the new role of the local authority, promoting a public discourse centred on the protection of jobs. In the 1990s and 2000s, the ongoing changes in the regional urban economy saw the development of the tertiary sector. This change also affected the area of the *Pôle d'Orly*, which witnessed the growth of tertiary functions, for example in the industrial area of Silic where freight transport functions were gradually relocated. The area around the airport, the MIN and SENIA meanwhile saw the contextual development of new offers for offices and high-tech services. The production of this new identity passed, in the case of the Pole of Orly, through the development of a shared vision of its future development among collective actors, public and private. This process became evident in 2005 during the SDRIF revision process when meetings were held between public and private actors to coordinate the support for the framing of this territory as crucial for the competitiveness, international visibility and attractiveness of Paris metropolis.

During the process of the still ongoing institutionalisation of metropolitan governance, another label had emerged to define the area: the *Grand Orly*, which referred to a larger area than the *Pôle Orly-Rungis*. This reframing in public discourse was the product of the interweaving of the will of the state to guide the urban development of this area through the EPA-ORSA (established in 2007) and the development of a CDT, a tool for territorial development introduced in 2010, called CDT Grand Orly and signed in 2013, and involving 14 municipalities part of the EPT 12, one of the inter-municipal coordination bodies part of the governance of Paris Metropole created in 2016 (See Fig. 4.6). The CDT defined a territorial development strategy that linked urban planning, housing, transport, the environment, and economic and cultural development. The engagement of local authorities, Semmaris, and corporate actors had been aimed at reframing the territory not only as a pole of exchange and organization of metropolitan economic flows (goods and people) but as a *pôle de vie* structured around the *Grand Paris Express*.

The aim was to produce a more integrated urban context that, through the collaboration of different actors, could reorganize the urban impacts of major infrastructures, thus making it attractive for new dwellers and leisure activities. The political construction of the economic identity of the urban territory in which the MIN is located therefore followed the process of institutional change that had affected the

organization of local government. After an initial phase of decentralization, one can observe the growing involvement of private actors in the definition of the political agenda and the intertwining of the institutionalization of metropolitan governance and the role of the state in the strategic development through the *OIN Seine Amont* and the elaboration of the *CDT Grand Orly*. The network of actors involved in this reframing of the role of the Orly-Rungis Pole during processes of urban, economic, and infrastructural development of the Parisian metropolis also includes, of course, Semmaris. In the next two sections, I will examine the actors, processes, and actions that led to the construction and representation of a new socio-economic identity for this sector of the urban region of Paris.

**Fig. 4.6** Map of the EPA ORSA and the CDT Grand Orly



**Source:** Author's elaboration from:

<http://www.ateliergrandparis.fr/ateliersdebats/croaif/metabolismes/croaifcycle1/rungis.php#situation-metabolique>

### C) Local institutional arenas' redundancy as a resource for actors' coordination

The number of collective actors in the Pôle d'Orly-Rungis and the density of their relations allowed Semmaris to take on the role of policy entrepreneur in different policy sectors including the stabilization of the labour market,<sup>183</sup> development of policies for the promotion of circular economy and urban agriculture,<sup>184</sup> urban development projects,<sup>185</sup> and policies to regulate food supply flows.<sup>186</sup> The institutional change started in the 2000s for the urban planning process, with the delegation to the Île-de-France region of autonomy for the elaboration of the Regional Master Plan, the stimuli of the national policy in favour of the cooperation and coordination between local actors in the framework of the OIN and the CDT, and the willingness of Paris to consolidate areas of coordination with other local actors, has defined over the last 15 years or so a new institutional environment in which Semmaris established new relations. The resources for Semmaris' agency are based on the process of institutionalising internal relations with wholesalers' interest groups and on the custom of coordinating its action with various local governments which emerged in the 1980s. The way in which Semmaris plays its role as an actor in the new governance context is based on two elements: the participation of the members of its board of directors in different coordination arenas and the direct participation of Semmaris officials, whether the president or other high-level employees, in the same arenas.

One of the tools developed by local actors to represent the strategic role of this territory is the *Association pour le développement du pôle d'Orly - ADOR*. It was set up in 2002 when the economic restructuring of this urban sector towards an advanced tertiary sector (as, for example, in the development of the Silic area) had already had an impact. Its mission was to promote economic development, increase territorial attractiveness, and facilitate the location of new businesses. Members of this organizational arena were mainly private or mixed economy companies as well as urban actors able to influence urban development due to their urban insertion or land control: Aéroport de Paris, Altaréa-Cogédim, Klépierre (which manages the Belle épine department store), Semmaris, Icade (owner of the tertiary business parc Silic), Sogaris, and, last but not least, the EPA ORSA,

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<sup>183</sup> Codev94 (2011), « 3 temps, 3 mouvements », 2<sup>o</sup> Etats généraux du Conseil consultatifs des acteurs économique et sociaux d'Orly Rungis – Seine Amont.

<sup>184</sup> OIN Orly Rungis – Seine Amont (2015), *Conseil d'orientation du mercredi 16 décembre 2015*.

<sup>185</sup> See below the account about *Cité de la Gastronomie* project.

<sup>186</sup> See below the account about the *Nourrir la Metropole* policy discourse.



the public body set up to pilot the urban and infrastructural development of this urban sector.

The participation of the EPA-ORSA (*Établissement Public d'Aménagement-Orly Rungis Seine Amont*) was a crucial step both for the local governance of the Grand Orly area and for Semmaris' new role as a partner with public and private actors that contributed to the production of collective action. In 2005, the state, in the person of prime minister Dominique de Villepin (2005-2007), tasked the region's prefect with elaborating, in conjunction with territorial communities, three *opérations d'urbanisme d'intérêt national*, one of which concerned the Seine-Amont, a geographical area including the Pôle d'Orly. Following the consultation with local governments, the prefect presented a project with three goals: urban densification, economic development leveraging the Pôle d'Orly's economic assets, and increasing the employment rate. It is possible to trace in these objectives the priorities of different local actors: urban densification for municipal authorities and real estate developers; economic development for the companies active in the area; and employment for the Val-de-Marne department. In 2007, the EPA-ORSA<sup>187</sup> was instituted as a governance tool to steer the OIN. The interweaving of institutional, infrastructural, economic, and urban policy goals opened the door to the framing of this territory as strategic for metropolitan Paris' competitiveness and economic development. This new frame, then, worked as a cognitive framework for different actors, including Semmaris, which started to use it as a resource to coordinate their actions, build coalitions around local policy programs, and compete against other metropolitan sectors in order to attract resources and investments from private and public actors. The EPA-ORSA has been one of the most important institutional arenas providing organizational resources to produce this political outcome. Its executive body is made up of 28 members, each of whom represent one of the municipalities involved, the Val-de-Marne department, the Paris Metropolis, the region, and the state. Its organizational structure grants local and regional authorities a majority of votes in strategic decisions within the administrative board. Another deliberative area, the advisory council, was designed to channel and integrate interests, priorities, and the expertise of public and private actors in the territory involved in the OIN. The operation of the advisory council is entrusted to local actors with

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<sup>187</sup> From a spatial point of view this comprises 11 municipalities: Ablon-sur-Seine, Chevilly-Larue, Choisy-le-Roi, Ivry-sur-Seine, Orly, Rungis, Thiais, Valenton, Villeneuve-le-Roi, Villeneuve-St-Georges, and Vitry-sur-Seine.

a long history of coordinating local development interests: the *Conseil de développement du Val-de-Marne, Codev94*. Codev94 is a collective actor, which has proved to be crucial as an institutional resource in the construction of practices of territorial governance that go beyond administrative borders of the individual municipalities involved. It was founded in 1994 as a simple committee and reorganised into a development council in 2006, bringing together local politicians as well as economic, social, and cultural actors. It is composed of three members by right: the prefecture of Val-de-Marne, the *Conseil Générale du Val-de-Marne*, and the *Université Paris-Creteil*. It also brings together numerous representatives of professional associations, entrepreneurs, education institutions, and local authorities. Its institutional partners include the ADOR, of which Semmaris is a member, the EPA-ORSA itself, and the *Chambre de Commerce de Val-de-Marne*. Within EPA-ORSA and departmental governance, it has a consultative purpose and acts as a policy entrepreneur in the construction of territorial governance. Linked to this role, Codev94 has become increasingly relevant within the metropolitan governance construction process. While EPA-ORSA is probably the most important coordinating institution for the implementation of urban development programmes, Codev94's objectives include economic development and the promotion of environmental sustainability. It is these two aspects that have played an important role and, above all, provided Semmaris with opportunities to strengthen its position as an actor in territorial governance through the institutional relationships mentioned above.

If we move our gaze now towards wholesalers' interest groups in promoting Semmaris's rootedness in the configuration of the actors of territorial governance, we must consider the *Syndicat du Commerce de Gros en Fruits et Légumes du Marché International de Rungis – S'FL*, which represents the biggest wholesalers in the sector within the MIN and has 70 percent of the operators among its members, and UNIGROS, which federates almost all single professional organizations. Christian Pépineau, Chairman of S'FL since 2003, has been a member of Semmaris' administrative board since the same year, president of the *Chambre de Commerce et de l'Industrie du Val-de-Marne (CCIVdM)* (2003-2012), as well as UNIGROS president (2006-2017). During the same time period, he has also held other key roles for the regulation of economic development at departmental level. One of the organizational resources to coordinate private actors has been the Nutripole association constituted by Semmaris and the Paris Chamber of Commerce with the aim of supporting innovation processes among entrepreneurs in the

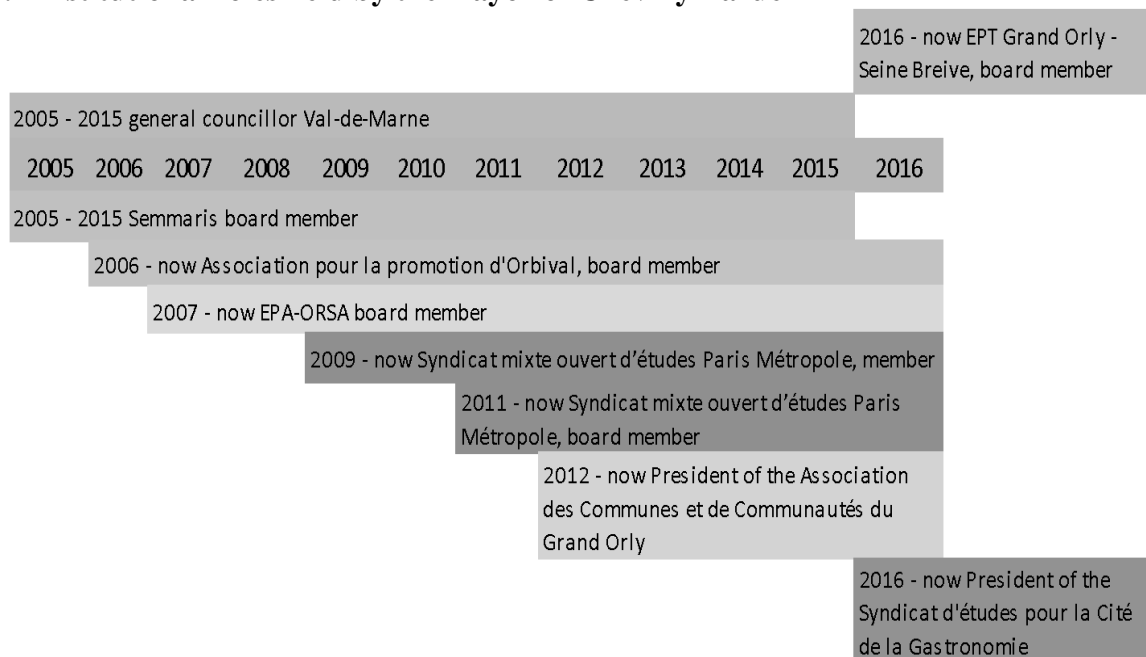
agri-food sector. When he stepped down from his position at the CCVdM, Pépineau mobilized the resources of this institution to promote the development of public policies aimed at reviving the economic development of an area that had experienced a sharp reduction in the workforce directly linked to logistics activities during the 1990s. The identified priorities were increased accessibility to transport infrastructure that, together with urban renewal interventions, could help locate new tertiary functions. In particular, the CCIVdM has been working to ensure the extension of the T7 tram from the south of Paris to the MIN, a project which has been on stand-by since the 1980s. CCIVdM, through Christian Pépineau, has thus been one of the stable components of the Orbival Association,<sup>188</sup> a lobby organization founded in 2006 with the aim of creating a metropolitan connection through the Val-de-Marne whose membership included the Val-de-Marne department, Chevilly-Larue, and Paris municipalities. With the elaboration of the infrastructure project of the *Grand Paris Express*, the work of involvement and coordination of local actors around the need to build a banlieue-banlieue link within Val-de-Marne has been integrated into the operational implementation phase of the section that involves this territory.

The mayor of Chevilly-Larue has also been a member of the Semmaris administrative board. This institutional link was another crucial lever in Semmaris' organizational embeddedness within metropolitan governance. Prior to the establishment of the EPT12 on 1 January 2016, the municipality of Chevilly-Larue had never participated in any of the inter-municipal cooperation bodies established as a result of administrative reforms in the 1990s. His isolationist choice was conducive to the economic role of Semmaris. Its presence within municipal borders translated into a crucial resource for its local finance system and for its urban development opportunities. A new attitude towards cooperation with other local institutional actors, begun during the 2000s and deepened during the 2010s, in parallel with the process of metropolitan governance institutionalization (See Fig. 4.7).

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<sup>188</sup> Orbival is an association created under the impetus of the Val-de-Marne County Council and the mayors of some fifteen towns in the Department. Its purpose is to support and promote the construction of a new metro line between Val-de-Fontenay (RER A and E) and Arcueil-Cachan (RER B), by linking all the radial lines crossing the Val-de-Marne department. Today, Orbival includes more than 30 municipalities, 54 intermunicipalities and 2 departments: Val-de-Marne and Seine-Saint-Denis.

**Fig. 4.7 Institutional roles held by the mayor of Chevilly Larue**



**Source:** online data crawling by the author

In this graphic representation, I have taken the positions held by Christian Hervy into consideration. Hervy was the mayor of Chevilly-Larue from 2003 to 2014, when he interrupted his political career due to a serious illness and supported the successful election campaign of his partner Stéphanie Daumin. The chart is interrupted in 2016 by his death. The purpose of the scheme is to highlight two things: firstly, the qualitative shift in the entrepreneurial approach of this local actor. The entrepreneurialism of the previous mayor, Guy Pettenati (1977-2003) was based on the construction of ad hoc coalitions in order to attract resources for local development. Christian Hervy's strategy, by contrast, was based on participation in various institutional arenas in order to place the municipal territory on the agenda of governance processes on a supra-municipal scale, and thereby gain legitimacy and voice in strategic decisions for metropolitan development. In other words, the institutional change affecting the urban region of Paris stimulated a different style of municipal governance. It should also be stressed that the development of the MIN was linked to the availability of resources for local finance, promoting the coordination of interests between Semmaris and the municipalities affected by its urban insertion.

The metropolitanization process had thus created a new structure of opportunity for local actors, placing them back at the centre of governance processes: especially for the *Pôle d'Orly*, a territory historically shaped by top-down state intervention. This gave rise

to a dense network of institutions. In addition to those mentioned above, the Val-de-Marne and Essonne departments established the *Assises du pôle d'Orly* an arena that brings together all the economic and social actors engaged in local development. This governance tool was perpetuated by the creation of the *Conférence de développement durable du pôle d'Orly* in 2009. This arena of coordination produced the *Charte de Développement durable du Pôle d'Orly* in 2011. This document was used as a resource for coordinating the actions of different actors, among them the state, region, the two promoting departments, public bodies, private actors, and interest groups representing workers and companies. The stated aim was to strengthen the capacity for collective action within the Pôle d'Orly in order to strengthen the representation of this territory in the ongoing processes of metropolitan governance.

#### **D) A new layered cognitive framework for the MIN within *Métropole Grand Paris***

In addition to having a network of cohesive actors with shared interests, the intergovernmental support to steer major investment programs, and the organizational resources to manage the complexity of interests and coordinate interventions to achieve a new attractiveness of this sector of the urban region (itself heavily influenced by high-impact infrastructure), it was necessary to produce a new, outward-facing identity in order to position it as a part of metropolitan competitiveness. The position of the *Pôle d'Orly* within this frame of development had been represented at the metropolitan level during the meetings organized between 2009 and 2015 by the *Atelier International du Grand Paris*. The cognitive framework mobilized there was that of an exchange hub within the Parisian metropolis, with the MIN of Rungis presented the 'belly of the Grand Paris', recalling the symbolic value that had characterized the role of the Les Halles, which had also been known as the 'belly of Paris'. The aim of this operation was to produce a representation of the territory functional to the construction of a metropolitan dimension of its economic and urban development. This new frame reinforced the legitimacy of Semmaris as an actor in the decisional arenas where urban programmes involving the Pôle d'Orly were elaborated and position the MIN infrastructure as one of the strategic assets of the metropolitan urban and economic development rather than a tool to regulate the value chain and supply chain organization or a 'simple' economic infrastructure for the wholesale sector. This change was directly linked to the process of social construction of the metropolis, which was

conceived as polycentric, and in which new local identities were a resource for the mobilization of collective actors around shared projects that find their value at the metropolitan level. When the MIN in Rungis was first conceived, it was an instrument of national infrastructural and industrial policy. Today, both its local functions in terms of urban insertion and its role in connecting metropolitan economy to national and international markets are the main pillars for its legitimation. It is part of the metropolitan social, cultural, urban and economic metabolism, and it reinforces the role of metropolitan Paris as the national champion among French cities (Crouch, Le Galès 2012)

The link between local rootedness and international projection is guaranteed by the role of the urban logistics platform that MIN has assumed, while most of the other logistics infrastructures have moved towards the outskirts of departments (*Grand Couronne*) or even outside the regional borders in search of larger and cheaper land. From an urban and social point of view, this insertion today creates constraints because it causes fractures in the urban fabric. This is particularly true for Chevilly-Larue, which sees its territory dissected by the presence of the MIN that separates the municipality from the rest of the urban fabric. An urban development programme still in the process of being implemented which seeks to resolve some of these constraints is the Cité de la Gastronomie Paris-Rungis. Semmaris plays a central role in the development of this programme, legitimised by the strategic role played by the Pôle d'Orly and the MIN infrastructure in the construction of metropolitan governance.

In 2008, the association *Mission française du patrimoine et des cultures alimentaires* (MFPCA) was created with the purpose of elaborating and presenting a dossier to obtain the recognition of French culinary culture as an intangible heritage of humanity to UNESCO. The award was received in 2010. One of the commitments contained in the dossier presented to UNESCO was to develop tools to enhance the economic, cultural, and social heritage represented by French gastronomy. To fulfil this commitment in 2012, the MFPCA opened a call for projects to receive applications from French cities that were willing to invest in providing their territory with adequate urban assets related to the topic. Six cities answered and three of them were eventually selected in January 2013 to form the network of *Cités de la gastronomie*: together with Dijon and Lyon, I find the *Metropole du Grand Paris*, thanks to the dossier developed in collaboration between Rungis, Chevilly-Larue, Val-de-Marne, Semmaris, and EPA-ORSA. The focus of the actors was on the strategic dimension of the role of MIN in the promotion of high quality agro-food chains,

which find in MIN Rungis a crucial infrastructural asset for their position in regional, national, and international markets. This project is perceived as a priority by the different actors involved for different and complementary reasons. For the Rungis and Chevilly-Larue municipalities, it is considered a useful opportunity to produce the urban renewal necessary to attract new urban functions related to the service sector, promote gastronomic tourism, nurture a new image of the territory, and, as an outcome, attract new inhabitants through urban densification projects that will accompany its construction.<sup>189</sup> For Semmaris, it is an opportunity to strengthen the legitimacy of its urban insertion, to promote the MIN as an asset to metropolitan territorial marketing aimed at tourism and the cultural enhancement of French gastronomy, and, finally, to achieve greater international visibility. For the department of Val-de-Marne, the objective is to promote economic development and leverage the project to lobby for the design of the new transport infrastructure, the *Grand Paris Express*, to pass by the MIN. These goals are then coordinated by the interventions of EPA-ORSA, which also promotes the consistency of this project with the construction of the *Grand Paris Express* piloted by the *Société du Grand Paris*. In addition to being an active participant in the presentation of the candidacy and its subsequent implementation, Semmaris is part of the same MFPCA administrative board, through Stephane Layani, president of Semmaris since 2012.

The strengthening of the policy legitimacy of Semmaris is promoted by integrating the role of the MIN into the new urban policy priorities that take place in the urban governance agenda of Paris, which addresses the horizontal institutional coordination initiated in the early 2000s. One of these areas concerns urban logistics. The interest in regulating this economic sector is growing in parallel with the greater attention paid by the urban government to environmental issues, favoured by the presence of the Greens in the political coalition. This political change first found an institutional space in which to develop its policy effects following the approval of two national laws: the LAURE Law: *Loi sur l'air et l'utilisation rationnelle de l'énergie* of 1996 and the SRU Law: *Loi relative à la solidarité et au renouvellement urbains* of 2000. Based on these legislative innovations, cities are required to draw up an Urban Mobility Plan, which also takes into account the movement of goods. In 2014, Law MAPAM confirmed the importance of this public policy area by delegating the competence of mobility management to the

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<sup>189</sup> [www.tourisme-valdemarne.com](http://www.tourisme-valdemarne.com), Interview of Christian Hervy, mayor of Chevilly-Laure by Thomas Guillot

metropolitan scale. Under the LAURE law, the Île-de-France region approved the *Plan de déplacements urbains d'Île-de-France* (PDUIF) in 2000. In 2001, the urban government of Paris began to draw up a proposal for a Mobility Plan, which was presented to interested local stakeholders in 2005 and opened up to public discussion before being approved in 2007. At the same time, the involvement of the economic actors who generate the flows of goods was also initiated in order to identify the crucial issues which it would be possible for the city to regulate. This work led in 2006 to the approval of the *Charte de bonnes pratiques des transports et des livraisons de marchandises dans Paris*, in which Semmaris did not participate. Following this preliminary work, a new deliberative phase was launched with the aim of drawing up a document that could function as a resource for the coordination of the entrepreneurial actions of private actors in favour of the objective of a more environmentally sustainable management of urban logistics. In 2013, therefore, the *Charte en faveur d'une logistique urbaine durable* was approved, with Semmaris participating and making concrete commitments to include the MIN of Rungis among the infrastructures and actors that would contribute to the collective effort of the government of urban logistics. What is important to underline is that the active involvement of Semmaris came after the recognition of the MIN as a strategic infrastructure for metropolitan economic development and of Semmaris as a reference for public actors for the coordination of local development strategies with the policy priorities identified at national, metropolitan, and local level. In fact, in addition to the commitments undertaken by the city of Paris, Semmaris has also included the sustainable development of food logistics in the metropolitan area in the strategic objectives which it identified independently. In 2015, president Layani announced the launch of a ten-year development plan that will provide a total investment of one billion euros, 50 percent of which will be financed by Semmaris (which has now achieved its independence). The other 50 percent is to be financed by the wholesalers, who are an integral part of the definition of long-term strategies. Among the various measures provided for in this plan, one finds the creation of infrastructure for last mile logistics compatible with the objectives developed at the metropolitan level.



### **4.3.3 The entrepreneurial shift of Semmaris.**

After analysing the role of the new institutional environment in fostering the consolidation of Semmaris' position as a local governance actor, it is important to consider the factors that have allowed the management company to seize the opportunities opened up by the recomposition of local governance in a metropolitan key. To explain this aspect, I will analyse two variables related to Semmaris' management structure: the administrative board membership and its leadership. Starting from these two dimensions, it is possible to identify the key moments that have accelerated Semmaris' assumption of a role as an actor of governance. The first came in 2007 when Altarea-Cogedim, a major player in the real estate sector, joined the board of directors at Semmaris. The second came in 2012 when Stéphane Layani was appointed president of Semmaris.

#### **A) Market actors insertion in Semmaris management: a trigger for deepening economic embeddedness.**

While institutional changes are taking shape at the local level and Semmaris attempts to find its feet in its new role, another change with its roots in the dynamics that regulate the relationship between the state and the market is unfolding at the national level. Within this relationship, I will consider the role of the state as an actor in the regulation of economic dynamics. As I discussed in Chapter I, Semmaris was designed as a tool to regulate perishable food procurement practices pursuing the modernization of food retailing. This function of a device available to the public actor could not help but be affected by the redefinition of the relationship between the state and the economy. To analyse this relationship, I take two factors into consideration, one exogenous, the other endogenous. The former refers to the growing influence of economic regulation principles based on market mechanisms, an influence which made itself felt in the national context through important international institutions such as the European Union and the OECD (Bézard, Preiss 2007). The latter is connected to a different approach to the political regulation of the national economy, which follows the path mapped out in the 1980s in favour of more market-oriented economic and industrial policies. The result of the interweaving of these two factors was a change in the function of the state, which came to intervene less and less directly in the economy, preferring instead a policy which left the promotion of economic development to the intervention of private actors guided by a

structure of constraints and incentives. In addition to favouring the role of private actors, the state gradually assumed a different regulatory framework to orient its choices in economic policy: an increasingly important dimension in this was the prevailing strategy of the state towards its company shareholdings, from which it seeks to produce value, leaving the structuring role of these enterprises in the national economy in second place. If I look at the role of public shareholdings in private companies, I can see that between 2003 and 2007 the national government started a process of privatization through the sale of shareholdings held in companies active in various strategic sectors.<sup>190</sup> This process also affected Semmaris.

In August 2006, a decree was approved redefining the economic governance of the management company of the MIN. This legislative initiative contained two important measures: the authorization to sell a portion of the shares held by the state and the capitalization of Semmaris through an increase in capital and the relief of Semmaris' debt to the state itself. In 2007, the private actor to whom the state sold its shares in the share capital for a total of about 33 percent was identified (See Table 4.2). Half of the shares were sold to Altarea-Cogedim, one of the most important promoters and developers of commercial real estate strongly rooted in the regional context.

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<sup>190</sup> Automotive industry (Renault - 2003) ; telecommunications (France Télécom 2004, 2005 and 2007) ; air connections (Air France 2004) ; energy utilities (Gaz de France 2005; EDF 2005) ; airport infrastructure (Aéroport de Paris 2006).

**Tab. 4.2 Semmaris shareholding structure 1965 – 2017**

	1965	1973	1981	2006	2007	2017
<i>Val-de-Marne Department</i>		6,87%	6,90%	7%	5,40%	5,60%
<i>City of Paris</i>	16,50%	16,50%	16,50%	16,50%	12,80%	13,19%
<i>State</i>	51%	53,21%	53,20%	56,85%	33,34%	33,34%
<i>Altarea-Cogedim</i>					33,34%	33,34%
<i>Caisse de Dépôts et Consignations</i>	16,50%	5,50%	5,50%	5,76%	4,40%	4,60%
<i>Sagamaris*</i>	2%	3,73%				
<i>Chambre d'Agriculture</i>			3,80%			
<i>Wholesalers professional organizations</i>	13,80%	14,19%	14,10%	13,89%	10,72%	9,93%
Public shares	67,5%	76,58%	76,6%	80,35%	51,54%	52,13%
	100%	100%	100%	100%	100%	100%

**Source:** Press review, Semmaris administrative board minutes

What is Altarea-Cogedim and why did the state choose this private actor as it sought to divest its direct control over the MIN? This corporate actor is the third national operator in the commercial real estate sector and the third real estate promoter in terms of financial assets (Altarea 2013). In addition to being a relevant actor in urban development program at the national scale, it is also strongly rooted in the metropolitan urban economy.<sup>191</sup> Among the urban development programs it is involved in, it is also actively present in the area in which the infrastructure of the MIN Rungis is located and is responsible for developing the real estate project *Coeur d'Orly* in partnership with Aéroport de Paris. In 2016, it participated in the call for projects '*Inventons la Métropole*' presented by the newly established metropolitan government in collaboration with the state. This call for projects, in addition to having an impact on the urban, economic, and social structure of the metropolitan region, was an important initiative from a symbolic and political point of view as it was the first major planning act formulated at the new government level. The presence of Altarea-Cogedim within the administrative board of Semmaris is, in light of the role that this economic actor has in the regional economy, one of the factors that favoured Semmaris assuming the role of active actor in the construction of metropolitan

<sup>191</sup> It owns several properties dedicated to hosting the advanced tertiary sector in the Defense business district and is a developer of business districts in Paris and Île-de-France, as well as an operator of urban renewal in several projects in Paris.

governance processes. Altarea-Cogedim has brought its business interests into Semmaris' agenda and has mobilised its expertise to facilitate the involvement of the management company in the design of urban development programmes that involve it more closely, especially in areas affected by the coordination promoted by the EPA-ORSA and the CDT Grand Orly. Moreover, the entry of such an important player of the metropolitan economy translates into a resource for the policy legitimacy of the MIN and for the strengthening of the legitimacy of its urban insertion, especially in the light of the economic changes in food distribution highlighted in chapter 3. From an economic point of view, the new legitimacy is therefore no longer based solely on the role of the MIN in food trade and logistics, but also on the promotion of those interventions that strengthen the attractiveness and competitiveness of the metropolis at an international level. Finally, Altarea favours the adoption of a strategy of organizational action within Semmaris that is more attentive to the entrepreneurial dimension, strengthening its autonomy of action and the rootedness in the urban economy. This aspect, combined with the growth of the role of private actors in the processes of metropolitan governance, has contributed to the positioning of Semmaris as a fully-fledged player within it.

### **B) Management stability, and horizontal accumulation of institutional roles**

The second dimension that supported the shift of Semmaris from a policy device to an urban governance actor was the structure of its management membership. The first observation to be made concerns the sources of stability over time of the members of Semmaris' administrative board. As is readily apparent, the representatives of the state have a much higher index of variation when compared both to the leadership (presidents) and with the representatives of the private and public actors rooted in the territory (See Tab. 4.3). The presence over time of the same persons within the management company is one of the necessary prerequisites for developing medium and long-term strategic organisational choices, such as that of placing Semmaris in the role of actor of territorial governance and not only as an object of public state policies.

**Tab. 4.3 Management and leadership changes in Semmaris 2004 - 2017**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
President	Marc Spielrein 1993 - 2007								Stéphane Layani 2012 - now					
State														
	Philippe CATTIAUX	Luc VALADE		Pierre ARCHAUD	Jeanne-Marie PROST-LEMIERRE									
	Noel DIRICQ		Jean-Luc ABINEAU	Francis AMAND			Martine BONNY			Yolaine DE COURSON				
	Alain JACOTOT			Corso BAVAGNOLI	Solenne LAPAGE		Thomas GOSSET							
	Jean-Cristophe MARTIN	Mr. VASSEUR	Olivier MAREMBAUD			François RUBICHON			Philippe BERNARD					
	Eric PREISS			Philippe MERILLON	Eric GIRY				Julien TURENNE					
Altarea-Cogedim														
	Gilles BOISSONET													
	Eric DUMAS													
	Jean-François FAVRE													
	Jacques NICOLET						Jacques GALVANI		Albert MALAQUI					
	Alain TARAVELLA													
Collective authorities														
<i>Val-de-Marne</i>	Guy	Christian HERVY								Pascal				
<i>Paris</i>	Mireille FLAM								Alaf GABELOTAUD					
Entrepreneurs														
	Jackie THEART (APHUMR)								Sylvie PLANET	Florence HARDY (UPSG)				
	Bruno BORREL (Sycopla)													
	Marc HERVOUET (CGI)								Jean-Jacques ARNOULT					
	Christian PEPINEAU (UNIGROS)													
Employees														
	Michel BOUDIGNON													
	Jean SOLLIER													

Notes:

CGI: Confédération française du commerce international

UNIGROS: Union Syndicale de Grossistes du MIN de Rungis

Sycopla: Syndicat des commerçants en produits laitiers et avicoles du marché de Rungis

APHUMR: Association des Producteurs Horticoles Usagers du Marché de Rungis

USMAG: Union des Syndicats des Marchands d'Abats en Gros

UPSG: Union des Professionnels du Secteur Gastronomie (UPSG)

Source: Rapport activités MIN Rungis

My second point concerns administrative board members and their role in shaping territorial governance. An important figure is Christian Pépineau. We have already said that from 2003 to 2012 he was president of the Chamber of Commerce Val-de-Marne. Two other crucial roles can be discerned in the table above. One is, of course, his place on the Board from 2004 to 2017. The second is the leadership of UNIGROS, which has played a fundamental role in guiding and integrating the interests of wholesalers within Semmaris

organizational agenda. In addition to the role of Christian Hervy, about which I have already spoken at length, it is useful to look at the way in which Altarea-Cogedim has organized its presence within Semmaris. The first point to highlight is that three out of four representatives have maintained their posts without interruption since the entry of this important real estate player. The second element is the presence of Alain Taravella. Taravella is actually the president of Altarea, which highlights how Semmaris is considered a strategic resource for the entrepreneurial development of this real estate group. The constant presence within Semmaris' management of people who also play crucial roles in the decision-making arenas and institutions of territorial governance is the channel that has allowed Semmaris to express its agency, after having gradually rooted its organizational strategy into collective action produced with subnational government levels between 1980s and 2000s. The horizontal accumulation of roles has favoured the integration of interests in shared projects and favoured the coherence of the different projects in the process of building a new local identity for the Pôle d'Orly, to which Semmaris has contributed.

A fundamental element that explains the change in the role of Semmaris concerns the selection of its leadership. In fact, particularly since the second half of the 1980s when Semmaris increased its degree of organizational autonomy, the figure of the president has been crucial in defining the path of this infrastructure development. In 1993, Marc Spielrein was appointed. He had a different professional profile from previous presidents. He was not a civil servant but a professional with engineering skills. His presidency lasted for 18 years (the longest in Semmaris' history) 'thanks to which he was able to make a crucial contribution to the institutionalization of interests within Semmaris: its ability to function as a collective actor in metropolitan governance. He was also able to express managerial and negotiation capacities that marked the development of the infrastructure. Firstly, he involved the wholesalers in a mid-term plan between 1993 and 1998 to eliminate the negative structural budget results in order to start, with the wholesalers' financial contribution, an investment plan from 1999 onwards. His presidency was therefore characterised by a coproduction of the infrastructure regulation, integrating organizational goals of financial stability with the wholesalers' interests in maintaining competitive advantages within an ongoing market organization transformation. Semmaris began to be able to use its own revenues to plan for mid-term investments and to renew the facilities present inside the infrastructure area. That gave wholesalers the collective

resources to develop their business, adapting them to market changes. By 2007, the successful development process now concluded, Semmaris had also become attractive to private actors, leading to the selection of Altarea-Cogedim as a partner. Altarea's decision to join triggered another win-win situation for Semmaris: the convention between Semmaris and the state was prolonged from 2034 to 2050 in order to allow for the amortization of Semmaris' and wholesalers' investments and to secure the profit perspectives of the real estate actor. Marc Spielrein's role was crucial in feeding the process of growth of wholesalers' competitive advantages through his continuous efforts to modernize MIN's structural assets and kick-start a phase of internationalization of Semmaris through his stipulation of strategic partnerships for the development of wholesale markets in non-European contexts.

Another crucial step that marked a change in the position of Semmaris as an actor in metropolitan governance came in 2012 when the state appointed Stéphane Layani as president of the operating company. Layani was chosen not so much because of his grasp of the technical knowledge needed to develop fundamental investment programmes but rather because of his political abilities, which were needed to place Semmaris and the whole MIN network back at the centre of the political agenda at local and national level. In addition to completing his studies in public policy analysis at the *Grande Ecole ENA*, his professional career had been studded with high-level positions in various departments of the ministry of industry and trade, the ministry of economy and in European institutions. He brought with him not only his professional skills but also a network of contacts and relationships built up over time. It is legitimate to think that the state's selection was linked precisely to the profound institutional changes that the Parisian metropolitan region was going through in those years and indicated the desire to provide Semmaris with greater agency resources. The new profile of Semmaris is also reflected in the organisational structure of the *Fédération des Marchés de Gros de France* (FMGF). This association federates all French MINs, which participate financially in its operation in proportion to their turnover. In fact, Semmaris alone provides more than 50 percent of its economic needs, making it a coordination tool under the direct influence of its leadership. During Marc Spielrein's term at the head of the FMGF I find Michel Escoffier, an engineer like Spielrein, and I record FMGF actions which focused on providing technical advice to the various MINs. After the nomination of Layani, the federation's secretariat saw the entrance of Maguelone Pontier, who had deep-rooted competences in the field of political science,

and a change in its chairman with the appointment of Jean-Jacques Bolzan in 2014. Before being hired by Layani, Pontier had been the communications manager at the ministry of agriculture in 2008. Between 2009 to 2012 she was in charge of communication for the *Fédération nationale des syndicats d'exploitants agricoles* (FNSA). The appointment of Bolzan was also a strongly indicative of the new role that Layani wanted to give to this organization: rather than technical assistance to the development of individual MINs, political lobbying at local, regional, and national levels would take centre stage. Bolzan is in fact a member of the French radical party, a local politician active since 1995, a member of the executive of the urban government of Toulouse as the trade deputy mayor (2014 to the present), a regional councillor in the Occitanie-Pyrénées-Méditerranée department (2015 to the present), and president of the MIN of Toulouse.

Because of these changes in the management of the FMGF, the role of this organization has profoundly changed as it has abandoned the function of technical assistance to the MINs in order to promote its role as a pressure group against public actors in defence of the development of the network of MINs. These infrastructures are no longer represented as devices to organize the supply and the value chain but as infrastructure to support the protection of traditional trade, the management of urban logistics, the economic development of the territory, the protection of the diversity of food production, and the defence of gastronomic culture. In other words, the attempt is to convey the representation of the role the MIN Paris-Rungis has within the metropolitan governance in other local contexts. The new role assumed by the FFMG is not only useful to enrich the description of the elements of the context in which Semmaris is placed. Instead, it is important from an analytical and explanatory point of view. The FFMG is an organization more than 50 percent funded by Semmaris and its priorities reflect those of the management of this management company. The FFMG thus assumes the functions of an interest group that exerts its influence on policy makers, acting as an extension of Semmaris' organisational agenda. The entrepreneurial turn of the MIN Paris-Rungis management company is also visible in the expansion of its business. In 2017, Semmaris formed a new company together with the Poste Immo group and the Caisse d'Épargne de Midi-Pyrénées, called LUMIN, in which it held 51 percent of the shares. The purpose of the company is to manage the MIN of Toulouse, with Stéphane Layani as president and Maguelone Pontier as market director.



In order to better understand how the institutionalisation process of Paris Metropole has favoured the repositioning of Semmaris in territorial governance, it is useful to place these changes in a broader context of change in the organisation of the state. The devolution of powers and capacity for action in the French intergovernmental system has reduced the strategic value of vertical alliances for local officials along the axes of centre-periphery relations while at the same time raising the value of relations with actors in the private sector. In this changed institutional context, the legitimacy of local political actors is no longer linked to their capacity to access the negotiation arenas with the state but to the construction of a territorial action capacity promoting territorialized interest for economic development (Grémion, Muller, 1990). From this point of view, the urban context in which Semmaris is inserted is an excellent point of observation of the dynamics of territorial governance. In fact, it is an urban sector that has been strongly governed by the state, whose public policies have determined its urban, economic, and infrastructural development, leaving little room for action to local politicians. As the state gradually stepped back an important window of opportunity arose at the metropolitan level. That was the right time to bring to fruition a series of urban programmes that had until then not been on the state-controlled political agenda. This new direction of public action, the organizational structure of Semmaris, the institutional learning process underway at the metropolitan level, and the stability of organizational and political leadership at the local level have together favoured the construction of coalitions to coordinate the actions of different actors towards a shared goal: to establish, both socially and politically, the centrality of the Pôle d'Orly in public discourse and on the political agenda.

Devolution in France significantly altered relations among national, regional, and local government officials, with the latter more often seeking alliances with business leaders to formulate and carry out urban economic development policy decisions. In the change that we have observed with regard to Semmaris, I must take into consideration the question of legitimacy affected the public action of the local governments involved. Until 2007, at least from a formal point of view, the legitimacy of its role in the food distribution sector was guaranteed by the state's control of its share. The 2007 thus represents a turning point. Semmaris was no longer considered a public company whose direct control was a strategic matter for national industrial policy. Moreover, it no longer played the role of main gateway in the food distribution circuit. It had to therefore find other legitimising resources in the institutional and organisational environment in which it was rooted. This

new legitimacy as an actor did not come free of charge but was rather the outcome of a long-term process. The first phase of this process saw the consolidation of internal legitimacy at MIN Rungis in the 1980s and 1990s. The second phase saw the consolidation of its role in food distribution during the 1990s and 2000s. The third phase sees the construction of a role based on the capacity for external action. This last phase would not have been possible without the first two that made its functioning as a collective actor a reality.

#### ***4.4 Conclusions: similar change patterns but different mode of governance***

In this chapter, I have considered the link between urban governance and the policy dynamics in the context of Milan and Paris that have affected the development of each urban infrastructure. In the governance of both cities, similar processes can be observed. In each case, there were links to the reorganization of the state, to the economic changes that had an impact on the organization of food distribution, to the relationship between operating companies and the local context, and to the growth of the role of market logic in the regulation of infrastructures.

Both in Milan and in the urban region of Paris, although at different times and with different strategies, a new centrality of the territory in the production of public action can be observed. In the case of Milan, this centrality was expressed by the renewed importance of non-party local elite, whether expressed by private or associative actors, in the construction of the urban agenda and the local development strategy. In the case of Paris, there was a movement of institutional recomposition that unravelled on the basis of conflicting relations between centre and periphery and on the basis of political confrontation. Although it was a similar process, it took on different characteristics in the two local contexts agendas. In the case of Milan, this translated into an attempt to strengthen the urban core of the urban region by promoting an urban market development agenda within the administrative boundaries of the regional capital. In the case of Paris, on the other hand, it translated into an institutional and territorial fragmentation and recomposition of the new areas of coordination of the actors within the dynamic framework of metropolitan governance.

In Chapter III, I highlighted the economic changes and their impact on the role of the two infrastructures in the food distribution market. In this chapter, the objective has been to relate the effect of reducing the legitimacy of policy for Sogemi and Semmaris, to the different outcomes observed in the two contexts: a centrifugal pressure aimed at expelling this urban function in the case of Milan and a centripetal pressure aimed at political, economic, and territorial integration of the same function in the case of the urban region of Paris. Another element common to the two case studies is the growth of the autonomy of the companies managing the two infrastructures. In both cases, organisational reforms were adopted to give Sogemi and Semmaris greater capacity to act with the stated aim of encouraging the development of strategies based on a more entrepreneurial approach. In this case too, a common change produced a distinct outcome. In the case of Milan, the greater autonomy introduced a factor of political instability linked to wholesale markets development priorities (Albertini's first and second terms), greater exposure to pressure from local interest groups (Moratti's term in office), greater difficulty in coordinating the priorities of urban government and the organizational agenda of Sogemi (Pisapia's term). In the case of Paris, the greater autonomy translated into Semmaris' growing embeddedness in the urban economy, in its active participation in the social and political construction of one of the territories of metropolitan governance (Pôle d'Orly), and in its participation in the definition and production of strategic metropolitan assets.

The last aspect that I want to consider here is the growth of the role of market logic in the management of the two infrastructures. This last shared aspect also took different forms in the two contexts. In the case of Milan, it translated into the commodification of the infrastructure starting with the value of the land on which it was located: infrastructure development decisions were taken on the basis of possible strategies for extracting value from the land dimension, leaving aside an in-depth analysis of the role of the infrastructure in the urban economy. In the case of Paris, on the other hand, it translated into rooting in the metropolitan economic metabolism. Semmaris, also thanks to the presence of Altarea-Cogedim on the board of directors, has taken an increasingly closer position to that of a corporate stakeholder whose aim is, on the one hand, to increase its self-financing capacity for future investments and, on the other, to maintain good institutional relations with the various administrative levels in order to guarantee a good position for its economic role on the local and national political agenda.

# CHAPTER 5

## **Market changes and interest groups dynamics**

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In this chapter I will consider the role played by interest groups within the policy processes that have underpinned the development of the two infrastructures, and within the dynamics of urban governance that have influenced decision-making. The aim of this chapter is to relate, from the point of view of interest groups, political and policy dynamics within the context analysed, and already considered during chapter 4, to economic dynamics outside the context highlighted in chapter 3. The goal is to understand what kind of impact stakeholders have had on public policy and urban governance, considering how market economic structure has functioned as a resource for their action, which policy and governance settings have made their mobilisation possible, which strategies and repertoires of action have been adopted, to what extent and in which ways they have influenced the decision-making process. Attention to this aspect is fundamental to build an explanatory framework that can account for the policy changes that have occurred over time and therefore allow us to respond to research questions according to the political economy approach adopted so far.

The presence and activity of interest groups is recorded in all liberal societies. This is true also for the policy processes here considered. However, profound economic, political, institutional and state organisational changes have an influence on the

motivations that stimulate their mobilisation and on the type of interest groups mobilising over time around the same policy process (Saurugger, Grossman 2006). In order to do justice to the social complexity of policy processes and the diversity of actors that have potential impact on decision-making dynamics, I have chosen to adopt a broad definition of "interest groups". Saurugger and Grossman (2006) identify interest groups as "*entities seeking to represent the interests of a specific section of society in public space*". Given a definition with unclear boundaries, an additional specification is necessary. From this definition, I deliberately exclude the political actors who are part of the party system. I want to focus my attention on the pressures that are exerted on the holders of bureaucratic-political power following the recognition of interest groups that allows them to access the position of relevant and legitimate actor within the decision-making processes (Saurugger, Grossman 2006).

One of the preliminary points to be clarified concerns the resources available to interest groups to influence decision-making processes. In the course of my fieldwork, I have identified two factors that influence their effectiveness. The legitimacy of the actors involved in the governance and policy process of these two infrastructures is associated with market economic structure and the different role of infrastructures in the two economic contexts. In this chapter, therefore, economic changes highlighted in chapter 3 will be taken into account again, although from another point of view. The second factor concerns the possibility of having actual contact with the decision-makers. This second dimension is linked to the first but not exclusively. The link with market changes is important since the economic centrality of an interest group strengthens its legitimacy and consequently the possibility of being listened to by public decision-makers. However, the configuration of the channels of access to the decision-making arenas is also linked with policy and governance settings. As we have already learned, the institutional environment presents different profiles in the case of Sogemi and in the case of Semmaris. In the Italian case, it is structured within a local scale and witnesses the prevalence of political actors. The institutional environment in which the French infrastructure is embedded, on the other hand, is marked by a vertical relationship between the local and the national scale, with the latter prevailing at least until the end of the 1990s. Since the 2000s, the articulation between the metropolitan level and the national level has redefined the relationship between the state and the systems of local actors. Another difference lies in the prevalence of bureaucratic actors compared to political actors as in the Italian case. We will see how

the interweaving of the institutional configurations, and their changes over time, together with the changes in the market, have influenced the ability of interest groups to have an impact on decision-making processes.

These capacities can be presented through a typology that takes into account the two dimensions considered above (Tab. 5.1). Market changes that I associated with the legitimacy of interest groups can be framed as a resource for the capacity of interest groups to act, in so far as, in the absence of legitimacy, other elements, such as organisational capacity, are strongly downsized in the contribution they can make to effective mobilisation. The configuration of access channels for the intermediation of interests in the decision-making arenas is the second dimension that organises the typology. The interweaving of the two dimensions defines four different positions for interest groups.

*Integrated* interest groups are those who enjoy a strong legitimacy, linked to the economic structure of the context in which the two infrastructures operate, and who have wide access to the decision-making arenas. I associate this position with a clear and concrete impact on the decision-making process with regards to the issues identified as important by the interest groups themselves. The actors who occupy the position of *co-opted* are those who, on the basis of the economic structure of the market, have little legitimacy to exert pressure on the decision-making processes instead, but who, for reasons that may be political, institutional or relative to the rules of policy, have access to the decision-making arenas. In this case, the position of the interest groups is associated with a weak or strong capacity for influence, depending on the convenience of the actors who supported their involvement. In the case where the interest groups enjoy legitimacy on the basis of the economic structure but do not have access to the decision-making arenas, we are presented with actors who occupy the position of *excluded*. In this case, their impact on the decision-making processes will be weak or none, depending on the capacity for mobilisation and pressure that these actors will be able to exert on policy makers. Finally, if interest groups have little legitimacy and do not have access to the decision-making arenas, we can place them in a *marginal* position. In this case, actors in the issues do not have the possibility to impact on the decision-making processes related to the urban governance involving the studied infrastructures or related to the policy processes for their management and development.

**Tab. 5.1 Interest groups positional typology in interest intermediation**

		Resource for action	
		+	-
Channels for interest intermediation	+	Integrated	Co-opted
	-	Excluded	Marginal

Source: Author's elaboration

This analytical scheme has two characteristics: it is dynamic over time and hierarchical. The same interest group can in fact occupy different positions over time depending on the economic changes and factors of change present in the institutional configuration. The dynamism of the scheme also allows the entry of new interest groups based on market changes and the reconfiguration of the channels of access to the decision-making arenas. It also includes a hierarchical element in the explanatory framework. Based on the resources for action made available to the market organisation, the importance of configuring access channels to decision-making processes increases or decreases. The weight of the latter in determining the position and the possibilities of actors' impact on decisions works as a variable dependent on economic factors.

As we have also seen in Chapter 3, the market organisation draws rent positions for some actors (e.g. wholesalers and traditional retailers in the Milanese case and in the Parisian case before the construction of the MIN) or the control of largest value shares along the value chain (e.g. MGD companies, especially in France since the late 1980s). In other words, the typology defines the structural conditions of the context in which the different interest groups act over time. It is important to underline that this is only the structure of the opportunities for the action of the interest groups. It does not identify the presence of interest groups that are willing or able to act. Finally, it gives us indications of the *intensity* of the impact interest groups have on decisions. The *type* of effect, and therefore the form and direction of collective action, depends on the institutional configuration, which includes the form of the channels of access to the decision-making areas, the long and medium term relationships established or inherited between policy

makers and interest groups, the regulatory representations that guide the evaluations and decisions of the policy actors.

It is exactly the interaction between endogenous and exogenous factors that must be taken into consideration in order to understand from a political economy perspective the role of the different actors in the policy process. The understanding of this role does not only pass through the indispensable analysis of the positions taken by the interest groups, but also through the analysis of the issues that are raised as policy problems, and the analysis of the action strategies implemented to obtain a reaction from the policy makers. In order to take all these elements into account, the chapter is structured in three parts, each organised in a comparative way. The first part deals with the dynamics observed in the phase of policy design, construction and "start-up" of the two infrastructures. The second part focuses on the development of the infrastructure during the period of market transformation related to the development of MGD. Finally, the third part considers the dynamics observed during the process of economic change marked by the revolution in food logistics. Over time, elements of both similarity and difference between the two cases emerged.

From the point of view of the contexts in which the two infrastructures are rooted, it is possible to observe how, for both Sogemi and Semmaris, the interest groups of the food retail and wholesale sectors are organised - and fragmented - on a professional and corporatist basis. This fragmentation is then compensated, at least partially, by the function of UNIGROS within Semmaris and of the Union of commerce in the processes of urban governance and policy management in the case of Milan. In the phase of construction and "start-up" of the infrastructure, the most active and effective interest groups are in both cases the wholesalers who, both in Sogemi and in Semmaris, mobilised around the question of the institutionalisation of the new policy rules. In other words, the process of infrastructure institutionalisation channelled the mobilisation of interest groups. As we know, the outcome of this mobilisation has been diverse. One of the differences, as already noted in Chapter 4, relates to the institutional configuration. Among the various aspects influenced by it there is the normative representation of the infrastructure that guides the strategies, actions and outcomes of the activation of interest groups. In the case of Milan, the mobilisation of interest groups has remained on a conflictual level with regards to both the management company and the municipal administration. In the case of Paris, there is a



dynamic of integration of interests, construction of an organisational culture and a common organisational agenda instead. In other words, the foundations are laid for the institutionalisation of relations within Semmaris.

The degree of stability of the configuration of the channels of access to the decision-making arenas is always associated with the institutional environment. In the case of Paris, the greatest stability is linked to the structuring role of the state which, although reorganising itself over time, makes the effects of the change taking place felt through a long-term process. In Milan, instability is linked to the pace of the political cycle, and this, as we have seen, after a period of relative stability from the second half of the 1970s to the early 1990s, enters a new phase characterised by greater variability in the composition of political coalitions. A final element of difference that can be associated with the institutional environment concerns the impact of mobilisations on policy makers regarding the priorities of policy management. In Semmaris, the long-term priorities concern the possibility of investing in the entrepreneurial development of different companies. In Sogemi, the objectives concern the maintenance of informal profiles in both rule enforcement and business management. This informality is then used as a lever to maintain a competitive advantage with other entrepreneurs located outside the infrastructure.

In both contexts, the influence of the actors linked to the real-estate sector has increased over time, whether it was aimed at the production of residential functions, the advanced tertiary sector or the logistics real estate sector. The form of real estate actors influence, on the other hand, has been different in relation to the institutional environment. In both cases, moreover, I observed the progressive prevalence of arguments by the policy makers to be respondent to the profiles of legitimacy designed by the market, thus reducing the space for interest groups in the position of co-opted, which have a low economic legitimacy.

Finally, if we look at economic factors, the different organisation of the market in France - and Ile-de-France - and in Italy - and Lombardy -, places food wholesalers in a different position over time. In the case of Paris, wholesalers see their role reduced for the development of integrated supply practices; in the case of Milan, on the other hand, wholesalers maintain a relatively important role in food distribution throughout. Obviously, their ability to influence remains only potential and can be effectively expressed according to the institutional framework that influences the configuration of the access channels to the decision-making arenas.

## ***5.1 Setting a new infrastructure policy and facing consolidated socio-economic ties and practices.***

### **5.1.1 Top-down policy setting, smoothed for efficiency purposes.**

I have highlighted in Chapter 1 how during the policy formulation phase that led to *Les Halles* relocation, both wholesalers and traditional retailers mobilised to contrast the project developed by state technocrats. The goal of their mobilisation was to maintain the direct link between *Les Halles* and the urban fabric against the modernisation and urban development policies designed at the national level. In that moment, wholesalers were at the core of the supply chain and were the economic actors that controlled the biggest share of added-value along the value chain both at the national level and within the local distribution system. The MINs infrastructure policy aimed precisely at reducing wholesalers' dominant position, which was possible by the lack of infrastructure for perishable products circulation, that could have fostered better connection between production and consumer markets, and by the lack of institutionalisation of space (Fligstein 1996; de Raymond 2004) for wholesale trading, that allowed wholesalers to exercise control over transactions with retailers. The configuration of channels towards decision-making arenas was unfavourable to them due to the state reorganisation designed with the Fifth Republic. The control of public action was concentrated in the hands of state administrations, integrating Paris region's government under the supervision of the national government. The interweaving of these two elements placed wholesalers in the position of excluded. From this position, wholesalers organised interventions in the local and national press using resources of their local business organizations, built coalitions with local political elites, and tried to discredit both the actual possibility of *Les Halles* relocation and the estimations regarding the economic sustainability of the new infrastructure designed within the framework of the CGP committees. The impact of their mobilisations was null and void. This was also due to the type of actors they were able to build a coalition with to put pressure on policy makers. In fact, in the organisation of the state at the time, local political elites had a marginal role in the decision-making processes. Despite the lack of impact on the decision to start the implementation of a new infrastructure, they found a more favourable configuration of decision-making arenas within the policy management of the construction process. The openness of Semmaris management towards local interests, both political and economic, was linked with Libert

Bou's brokering strategy: his institutional role was to embody all the decision-making power of the state with regards to the implementation process. Thanks to their previous mobilisation, wholesalers who moved into the MIN Paris-Rungis in 1969 and local political elites obtained representation within Semmaris from the very beginning of its constitution. Especially for wholesalers their weight within the administrative board proportionally exceeded the percentage of Semmaris shares they held, and thus offered a voice to all the most important business organisation representing different wholesaler categories interests. Eventually, they were not capable of influencing the substantial design of the policy, as per the case in Milan, but wholesalers were still able to obtain an authoritative voice in the initial phase of "start-up" of the infrastructure, exploiting their new *integrated* position at the local level as much as possible.

Traditional retailers were not protagonists of this policy phase, it was a professional category that did not have a strong local organisational basis to join the mobilisation of wholesalers in the French context, and at the national level it was difficult to access the decision-making arenas, controlled by CGP technocrats, as per the case of wholesalers. At the national level, their main claims were focused on the reaction against tax reforms and against the increasing influence of MGD, a selling format supported by the state as a resource for economic modernisation. Their excluded position was based on the fact that although they were central players in the economic organisation of food distribution, they were perceived, together with all other SMES, as a form of archaic economic organisation, a burden for the modernisation sought through the support to large economic actors, and thus to be reformed (Guillaume 1993, Zalc 2012). The interaction between the Fifth Republic state organisation and the economic modernisation normative framework blocked the opportunities for traditional retailers to influence retail regulation policy in the 1960s and MINs policy decisions (Wilson 1983, Guillaume 1993). Like the wholesalers, they adopted a repertoire of action typical of the social movements, which resulted in radical demonstrations during the 1950s and the 1960s and incisive and prolonged strikes in the early 1970s. Their collective action towards public actors therefore focused on the regulation of the relations between different forms of trade, without taking an explicit position on the MINs national policy. Consistent with their position and the object of their claims, despite the important role they play in the market structure, they had little impact on both the dynamics of urban development linked to the construction of the MIN and its construction process. It should also be noted that, in this initial phase, the MIN project was

more closely followed by state administrations of the Ministry of Agriculture and less by the Ministry of commerce, and the MIN was represented as a tool for regulating the relations between production and wholesaling, rather than between the actors within local distribution systems.

MGD companies started to develop their economic role in that period and despite still occupying a marginal position in the economic organisation, they were able to obtain regulatory measures in their favour that guaranteed their economic prosperity and early consolidation in the French market since the 1960s (Jacques 2016). Consistently with their co-opted position, they were supported by political decision-makers to the detriment of their lesser legitimacy in terms of economic relevance. This position in the interest intermediation system is linked to the correspondence of their business model with economic policy normative priorities that are oriented by the goals of modernisation and rationalisation. They were able to act on the national level to favour the diffusion of a regulatory framework for the regulation of trade, no longer based on corporatist principles as it was until the Third Republic, and partly during the Fourth Republic, but rather centred on the principles of market competition and economic modernisation.

In the 1970s, wholesalers remained in the position of *integrated* at the local level within the policy management. During this decade they continued to maintain their position at the centre of the economic dynamics of food supply in the Paris region, as shown by the volumes of goods that were traded within the MIN<sup>192</sup>, and their compliance was crucial to keep a smooth infrastructure operation. Their presence within the management of Semmaris offered them a voice in policy management but had no impact on strategic decisions for the long-term development of the infrastructure, which continued to be defined following a top-down approach. The limited access to decision-making arenas, which continued to be controlled by the officials of the Ministry of Agriculture, and with a growing role of the Ministry of Economy, regarded the financial management of the operating company, but did not prevent them from having an effect on the regulation of economic transactions within the MIN, and on the restructuring of the wholesale sector that Semmaris should have pursued according to ministerial directives. Thanks to their economic centrality, in fact, they managed to obtain from Semmaris a buffering role facing national pressures regarding the objectives of increasing business structure concentration,

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<sup>192</sup> See chapter 3 the freight volume trend between 1969 and 1983 in Fig. 3.4

the minimum freight volumes that each wholesaler had to maintain to ensure their presence within the MIN, and regarding the way in which economic transactions were conducted. Concerning the latter element, transactions with retailers continued to reproduce practices established in the context of *Les Halles*, which did not shine for transparency. Compared to the 1960s, the object of their attention changed, shifting from the choices of governing the urban economy to the way in which the internal rules of the infrastructure were applied. At the same time, strategies of action also changed, and no longer saw the use of a repertoire typical of social movements, adopting a strategy that Wilson (1983) indicated as more effective in that historical context instead: daily contact with officials invested with decision-making power in order to build an alliance based on trust and the sharing of objectives. Applying this attitude identified by Wilson about interest groups operating at the national level towards state administration and politicians, in the case of Semmaris, officials are replaced by the role of the president, and the arena of Ministry's *cabinet* with its administrative board. Their presence as representative was the main organisational feature that led to their recognition as interest groups, favouring this shift in their strategy.

During the 1970s, traditional retailers moved to the position of co-opted at the national level. Again, they adopted social movements' repertoire of actions that led to them obtaining partial protection in the regulation of food retailing from 1973, with the *Loi Royer*. The legislative change in their favour was the result of a reconfiguration in their access to the national decisional arenas. The reconfiguration was made possible by a political factor. During the presidential term of George Pompidou (1969-1974), the function of *Secrétaire d'État chargé de la Moyenne et Petite industrie et de l'Artisanat* was established for the first time in the national government, a role which contributed to recognise the role of traditional traders in the national economy. This role was occupied by Gabriel Kaspereit (1969 - 1972) who was later appointed deputy mayor for commerce in the first term of office of Jacques Chirac as mayor of Paris. The greater attention national politicians dedicated to the issues raised by traditional traders was confirmed by Chirac when, in his role as Minister for Agriculture (1972 - 1974), in order to facilitate the end of a strike that had important repercussions for the Parisian economy, he received the retailers interest groups and gave guarantees of a different economic policy more favourable to them. Within the framework of the new regulation sanctioned by the *Loi Royer*, they obtained the design of a local decision-making arena (the departmental commission) in which they succeeded, at least in the case of Paris, in guaranteeing their economic

centrality despite the ongoing reorganisation of food retailing, moving from the position of excluded to that of integrated at the local level over time. Local integration of traders was stable throughout, particularly in the context of the Paris government, where Chirac fostered a close relationship with this socio-professional group to secure their political support to his political coalitions from 1977 to 1995. Although the objectives of the mobilisation were, as before, to defend their socio-professional group against MGD challengers, the outcome was also to maintain a stable client base for the wholesalers active in the MIN.

### **5.1.2 Locally embedded policy, a trigger for local stakeholders mobilisation**

In Milan, between the 1950s and 1960s, was formulated the infrastructure policy that would lead to the construction of the new fruit and vegetable wholesale market operated by Ortomercato Spa, a mixed economy company. At that time, the organisation of the economy was such that traditional wholesalers and retailers were in a dominant position in the supply chain economic organisation. Compared with the Paris case, wholesalers had greater room and effectiveness of collective action for two reasons: one related to market regulation and the other related to institutional configuration. The market regulation included the liberalisation concerning wholesale activity in 1959, which entailed the limitation of the ability of public actors to govern wholesaling economic geography. The institutional configuration, on the other hand, placed this professional group at the centre of local government decisions thanks to their link with the main party in the local and national political system, the DC. Despite their central position in the economic organisation and the political centrality guaranteed by the institutional configuration, Milanese wholesalers did not mobilise nor express their interests or requests in the public debate concerning the construction of the new infrastructure in the formulation phase of the policy. Thus, when the infrastructure was inaugurated, they found themselves in the position of being excluded in the mode of interest intermediation, from which conflictual actions stemmed. Some of them were based on a judicial nature, denouncing the presumed irregularity of the management company's organisational features, some were based on veto strategies, for instance the refusal to relocate in the new infrastructure, and others on pressure over political parties through the mobilisation of the Union of Commerce. The limitation public action regulation capacity following the law 125/1959 provided

wholesalers with effectiveness on the policy management as far as the enforcement of the internal regulation of the infrastructure is concerned and, eventually, allowed wholesalers to move into the position of integrated within the decision-making processes managed by Ortomercato Spa.

During the first years of operation of the infrastructure, the management company was not able to impose the necessary tariffs to guarantee its economic viability, nor it was able to enforce the rules aimed at promoting transparency of economic transactions. Wholesalers did not comply with them and used their integrated position guaranteed by political proximity with the DC, to prevent Ortomercato Spa from enforcing them. The urban economic structure of food distribution, both at local and national level, placed food wholesalers at the centre of supply chain relations and offered them important resources for collective action within the new infrastructure. This aspect was linked, as we have seen in chapter 3, to the fragmentation of the production phase and the retail trade. The economic structure interacted with wholesaling economic liberalisation offering wholesalers with ample room for manoeuvre for an eventual strategy of exit from the infrastructure. (Hirschman 1970; Oliver 1991).

Taking into account the channels' configuration to access decision-making arenas, there was a change from the policy formulation phase in which political parties directly controlled the decision-making process. Thanks to the support and mobilisation of the Union of Commerce and the political link with the DC, namely two actors who had a strong role in defining the urban agenda, for urban economy and infrastructure development policies, wholesalers acquired the integrated status. From there, they were able to operate significant influence on the local food distribution system for almost a decade. They also reorganised their repertoire of action, focusing more heavily on veto strategies within decision-making arenas. These arenas consisted in the market commission and Ortomercato Spa administrative board, in which they obtained a representation from 1972 to 1974, even though they had no shareholding in the share capital. Through the support of the Union of Commerce and the DC, they also obtained access to municipal commissions and direct meetings with the mayors and councillors of the period. As pointed out in the beginning of the chapter, the institutional configuration is important to define the form of impact the mobilisations of interest groups had. The corporate approach that dominated the framework of retail regulation in that period played an important role in

defining the position of wholesalers in the mode of interest intermediation organized around the governance of infrastructure.

During the 1970s, a second interest group mobilised influencing the policy process of the fruit and vegetables market: freight-handling cooperatives. While wholesalers were interested in protecting their income position within the local distribution system, freight-handlers were interested in improving their position in the distribution of resources generated within the infrastructure. Considering the organisation of this economic sector, they were well placed to mobilise. Indeed, because of the operational functioning of the infrastructure, they had the almost full control over the movement of goods within the fruit and vegetables market. If we then look at the form of labour organisation, it is useful to highlight that it was based on a labour-intensive form. The centrality in the economic organisation and the size of the workforce were two factors that favoured the mobilisation of this group in the form of collective action. The dominance of an *excluded* position during the 1970s was associated, similarly with French retailers during the 1950s and the 1960s, with a repertoire of actions typical of the social movements, which included strikes, demonstrations and blocking of productive activity within the infrastructure<sup>193</sup>.

If we look at the channels configuration for access to the decision-making arenas, it was evident that these were unfavourable to them. From the point of view of the party system, main pillar of the local institutional environment, they did not have parties of reference, at least until 1975, when the PCI entered the coalition government, but also in that case, the support of the PCI was instrumental, with the purpose of controlling their conflict. Other potential interest groups that could have supported their collective action and favoured better access to the decision-making arenas were Trade Unions. However, the CGIL<sup>194</sup>, the largest Italian trade union, was in coalition with the PCI when supporting

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<sup>193</sup> *Corriere della Sera – Corriere Milanese*, “Paralisi all’ortomercato”, 22<sup>nd</sup> December 1971, p. 8; *Corriere della Sera – Corriere di Milano*, “Paralizzato il mercato ortofrutticolo”, 25<sup>th</sup> May 1974, p.8; *Corriere della Sera – Corriere Milanese*, “Domani riprende il rifornimento di frutta e verdura alla città”, 26<sup>th</sup> May 1974, p. 8; *Corriere della Sera – Corriere Milanese*, “Ripresi i rifornimenti di frutta e verdura”, 30<sup>th</sup> May 1974, p. 8, “*Ripresi i rifornimenti di frutta e verdura*”, pag. 8; *Corriere della Sera – Corriere Milanese*, “Sospeso all’Ortomercato lo sciopero dei facchini”, 27<sup>th</sup> March 1975, p. 8; *Corriere della Sera – Corriere Milanese*, “Ortomercato: i grossisti sospendono tutte le vendite”, 29<sup>th</sup> March 1975, p. 8; *Corriere della Sera – Corriere Milanese*, “Oggi riapre l’ortomercato”, 2<sup>nd</sup> April 1975, p. 8; *Corriere dell’Informazione – Informazione Milano*, “Ortomercato bloccato. Tafferugli: due feriti”, 15<sup>th</sup> aprile 1975, p. 7

<sup>194</sup> *Confederazione Generale Italiana del Lavoro*



them, in an attempt to reduce their hostility and ability to affect the decision-making processes<sup>195</sup>, placing them for a short period<sup>196</sup> (1975 – 1977) in an *integrated* position<sup>197</sup>.

The effect of the interweaving of the mobilisation of wholesalers and freight-handlers was the capture (Laffont, Tirole 1991) towards the management company about the enforcement of internal rules, in favour of the wholesalers. Broadly speaking, the start-up of the new infrastructure opened up a new space for local collective action. Since then, relations between interest groups entered in a phase of redefinition. Wholesalers thus acted to prevent the enforcement of rules that could call into question their rent positions deploying the mobilisation resources linked with their centrality in the local supply chain. They fought over the rules that define the distribution of wealth produced within the infrastructure that is regulated by concessions and freight-handling tariffs, and avoided control over their entrepreneurial practices<sup>198</sup>. Freight-handlers, on the other hand, perceived the construction of the new infrastructure as an opportunity to improve their working conditions, but actually did not enjoy such a favourable access to decision making arenas as wholesalers to achieve their goals.

If I consider urban governance, wholesalers were able to influence not only the infrastructure policy of wholesale markets but also other political regulation interventions of the local distribution system. They had a role to play in the decision-making processes regarding the way in which local governments distribute food products through its

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<sup>195</sup> Letter by the Trade Union in transport sector (FISTA) “Intervento politico per l’ortomercato”, Fascicolo 23, 14<sup>th</sup> November 197.

<sup>196</sup> *Corriere della Sera - Corriere Milanese*, “Chiusi ieri all’Ortomercato i posteggi per la vendita”, 6<sup>th</sup> February 1977, p. 12; *Corriere della Sera - Corriere Milanese*, “Ancora paralisi all’ortomercato. Nella vertenza interviene la Regione”, 8<sup>th</sup> February 1977, p. 9; *Corriere della Sera - Corriere Milanese*, “Ancora bloccato l’ortomercato. Il Comune condanna l’agitazione”, 9<sup>th</sup> February 1977, p. 10; *Corriere della Sera - Corriere Milanese*, “All’ortomercato continua il blocco delle merci. I Facchini hanno deciso di scioperare ad oltranza”, 24<sup>th</sup> June 1977, p. 12; *Corriere della Sera - Corriere Milanese*, “I grossisti se ne vanno dall’ortomercato. Assemblea all’alba per sgomberare le merci”, 25<sup>th</sup> June 1977, p. 11; *Corriere della Sera - Corriere Milanese*, “I grossisti rifiutano di rientrare all’Ortomercato. Il Comune autorizza la vendita nelle strade vicine”, 29<sup>th</sup> June 1977, p. 11; *Corriere della Sera - Corriere Milanese*, “La vertenza dei facchini minaccia la paralisi totale dell’ortomercato”, 22<sup>nd</sup> June 1978, p. 11

<sup>197</sup> Cooperativa Facchini Ortomercato Srl Letter sent to regional and municipal political actors, local press and trade union organizations, Fascicolo 67 13<sup>th</sup> February 1976; *Corriere d’Informazione - Informazione Milano*, “Tariffe di facchinaggio: intesa all’ortomercato”, 15<sup>th</sup> May 1976, p. 11

<sup>198</sup> *Corriere dell’Informazione - Informazione Milano*, “Nascoste al Palaghiaccio tonnellate di arance per speculare sui prezzi”, 13<sup>th</sup> April 1973, p. 6; *Corriere dell’Informazione - Informazione donna*, “Frutta truffa”, 25<sup>th</sup> June 1975, p. 9; *Corriere della Sera - Corriere Milanese*, “Una mafia invisibile dietro le ciliegie d’oro”, 4<sup>th</sup> June 1978, p. 1-2

dedicated public company (SOVECO) and influenced the way in which national and local rules on food price regulation were implemented<sup>199</sup>. Eventually their integrated position is associated with the reproduction of a neo-corporatist logic that placed local public action at a distance from a modernising instance, as it happened in France.

Traditional retailers were excluded from the decision-making arenas active in the construction of the new urban infrastructure, eventually leaving wholesalers with greater influence within it. Their exclusion led, in the first years after the opening of the new fruit and vegetables market, to them adopting strategies of action typical of social movements such as interventions in the local press, demonstrations and strikes<sup>200</sup>. In their case too, the object of the mobilisations concerned the way in which the rules inside the market were applied, which were unfavourable to them.

## ***5.2 Reacting to market changes in food distribution: administrative regulation vs political integration.***

### **5.2.1 Earning time against market pressures**

During the 1980s, French wholesalers continued to occupy a position of excluded from the national decision-making arenas that have control of public action concerning the governance of the infrastructure, while maintaining a role of influence within Semmaris for the operational management of the MIN. In this decade, the process of territorial embedding and growing autonomy of Semmaris, which I highlighted in Chapter 4, began to take place. Territorialization and autonomy gradually shifted the distribution of public action capacity in favour of Semmaris, thus favouring a greater influence of wholesalers from the 1990s onwards. Considering the organisation of the market, wholesalers maintained an important position in food distribution despite the rapid development of MGD in this decade, especially thanks to the presence of the two protection perimeters that

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<sup>199</sup> Municipal Companies commission – minute of session held in 5<sup>th</sup> February 1975

<sup>200</sup> *Corriere della Sera – Corriere Milano*, “In agitazione i fruttivendoli”, 13<sup>th</sup> September 1970, p. 8; *Corriere della Sera – Corriere di Milano*, “Assicurata per giovedì la vendita di frutta e verdura”, 15<sup>th</sup> September 1970, p. 8; *Corriere della Sera – Corriere di Milano*, “Cassette truffa”, 18<sup>th</sup> September 1970, p. 8; *Corriere della Sera – Corriere Milanese*, “Caro-frutta: parlano i negozianti”, 1<sup>st</sup> July 1975, p. 11; *Corriere d’informazione – Informazione Milano*, “Ortomafia”, 13<sup>th</sup> March 1976, p. 7

regulated the economic geography of the wholesale trade. According to the economic role of wholesalers and MIN in the regional distribution system, wholesalers still occupied the position of locally integrated. Consistently with the premises laid down in the previous decade in favour of an institutionalisation process, the wholesalers, represented by UNIGROS, agreed on new rules for the management of the infrastructure that would allow them to create structural assets useful for a different management of flows, and for Semmaris a better capacity for self-financing thanks to higher tariffs for them to pay. The repertoire of action did not provide for mobilisations visible on the outside, but rather a commitment to a continuous relationship with the administrative board members and especially with presidents in charge during the 1980s. In other words they maintained the strategy of building mutual trust and a shared objective with the management of Semmaris by exploiting the proximity of interaction with public decision-makers (Wilson 1983). It is important to highlight that wholesalers identified economic effectiveness and competitiveness as the goal of their mobilisation, consistently with the normative framework supporting the MINs national policy. These infrastructures, and in particular the MIN Paris-Rungis among them, were perceived as a tool for the economic regulation of the sector and not as a tool for the intermediation of interests as in the Italian case. In Milan, consistently with the policy normative framework, the goal of interest groups mobilisation concerned the allocation of resources distributed by the policy setting.

In this decade, MGD companies were beginning to play an important role. In their case, it is not possible to speak clearly of an interest group that mobilises to influence policy decisions. Rather, individual companies mobilised through their contacts with political and institutional actors within departmental and national arenas responsible for regulating the modernisation of the food retail trade. From the point of view of the market structure, MGD companies were strengthening their position and began a concentration process, increasing their market shares in food retailing. If I consider the configuration of the access channels to decision-making arenas directly linked to the MIN management (and not to the regulation of the retail trade), this was not formally open for this socio-professional group. Among other things, the entrepreneurs active in MGD were not concerned with calling into question the way in which the infrastructure was governed at the time. Since the *Loi Royer*, they occupied both at national and subnational level a position of excluded, their action was more directed towards the departmental and national decision-making arenas that regulated the development of the retail sector, and they

focussed their efforts on restructuring procurement strategies<sup>201</sup>. Once the *Loi Royer*, which restricted the freedom to build new sales areas, was approved in 1973, MGD groups entered into a dynamic of exchange of influences and economic resources with local administrations and political parties controlling majorities in different departmental contexts to favour the authorisations for the construction of new areas (Tanguy 1988; 1997; Pariente 1998; Francois, Sauger 2006). The authorisation of new commercial buildings was regulated by special commissions (CDUC) composed of 20 members: 9 locally elected politicians, 9 representatives of commercial and craft businesses, and 2 representatives of consumer associations. The latter were frequently in favour of the process of modernising the commercial apparatus, but clearly a minority during voting sessions. Local politicians had an important role to play, especially since the reorganisation of the state, begun with the decentralisation process in 1982, which transfers responsibility for urban development to municipalities, giving them the authority to issue building permits. Together with the fact that the votes within the CDUC were secret, this favoured the development of numerous episodes of corruption. Companies of modern commerce thus acted at the local level where decisions were taken for the development of trade and concentrated the effort of influence on elected politicians represented in the committees designed to regulate the development of the sector. From the point of view of the capacity to limit the development of MGD, the *Loi Royer* offers an ambivalent budget, given that, between 1974 and 1992, 23 million square meters were refused by law while 16 million were eventually authorised (Lebrun 1999). Starting from their position of excluded, MGD actors also deployed other strategies of action that did not directly involve the decision-making arenas, but were based on the market mechanisms of the internationalisation of enterprises (Lestrade 2013).

In the 1990s, a new interest group entered the dynamics of interest intermediation: Cash & Carry<sup>202</sup> companies. Among them, two particularly active business groups stood out: METRO and Promocash. The goal of their mobilisation was the revision of the role of the MINs, and of the MIN Paris-Rungis in particular, in the wholesale food supply chain. From the point of view of their role in the market structure, they had a relatively modest

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<sup>201</sup> *Le Monde*, “Les grands manœuvres de la distribution”, 15<sup>th</sup> November 1982, Accessed via Europresse; *Le Monde*, “1985 a été une année faste pour les hypermarchés et les pharmacies”, 3<sup>rd</sup> February 1986, Accessed via Europresse.

<sup>202</sup> It is a wholesaling trade mode that includes packaged food products, frozen meat and fish. Their clientele of references are the independent non-specialised superettes and the Ho.Re.Ca. sector.

weight, however they exerted successfully pressure on the *Comité de Tutelle des MINs* obtaining the introduction of some minor amendments in the regulation of MINs protection perimeters at the national level (Lepage 1995). The configuration of the access channels to the decision-making processes was only partially in their favour thanks to a regulatory element and unfavourable due to a political element. The regulatory factor concerned the progressive and endogenous consolidation of market competition as the guiding principle of economic dynamics (Billows 2016a), and an exogenous pressure supported by the process of institutionalisation of the single market since 1993. The political factor concerned the balance of power in the processes of intermediation of interests between Cash&Carry actors and wholesalers, who leaned for maintaining the protection regime of wholesalers' economic role in a market whose organisation has now changed profoundly. Within these balances, the role of wholesalers was influential for two reasons: their position in the policy process as an interest group represented by UNIGROS and national-level support of the *Confédération du Commerce de Gros et International (CGI)*<sup>203</sup>. Access to decision-making arenas was also linked with the changing dynamics of Semmaris' management, as well as with the changing role of the management company in the policy process. The appointment of Marc Spielrein as Semmaris president, in fact, inaugurated a long season of strong cooperation between wholesalers and the operating company with the common objective of modernising the structural assets of the MIN. Once more, the ability of an interest group to secure an influential role in the decision-making process is only partially linked to the structure of the market. Exactly, in this decade I begin to observe the increasingly strong control of MGD over the supply chain, which involved a reduction in the number of traditional traders, and the bypass of the infrastructure, which involved a decrease in the volume of goods in transit by the MIN.

In the light of these elements, the position of these interest groups is that of co-opted for wholesalers represented by UNIGROS and of marginal for companies in the Cash & Carry sector. In the 1990s, both of them played a role in the market structure, which was not central (as it was in the past for wholesalers). However, the configuration of the access channels to the decision-making arenas was different. In the case of wholesalers, they had access to the cabinets of the Ministry of Commerce through both their national professional associations and the role of Mr. Spielrein. Cash&Carry companies, who did

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<sup>203</sup> Created in 1993 by the merger of the *Confédération Française du Commerce de Gros (CFCG)* and the *Fédération Française des Sociétés de Commerce International (FFSCI)*.

not have easy access to decision-making arenas, mobilised taking legal action before the Administrative Court and used this strategy as a lever to obtain authorisations for the opening of new wholesaling units from the *Comité de tutelle des marchés d'intérêt national*. In this regard, the aim of the reaction of wholesalers and Semmaris was lodging appeals with the Commercial Court against these openings. As far as the repertoire of actions is concerned, there was an intertwining of judicial and political strategies.

Both these interest groups mobilised, as I said above, around the issue of governance of the role of the MIN in the local distribution system. The problem at stake was the functioning of the double protection perimeters (positive<sup>204</sup> and negative<sup>205</sup>) that regulated the installation of wholesale outlets in the area of the Paris region. Cash&Carry companies demanded complete abolition of this regulation tool. UNIGROS firmly opposed this request through the CGI and the influence of Mr. Spielrein, to promote ministerial decisions in favour of maintaining the perimeters introduced in 1969. In addition to using their direct and indirect personal contacts, wholesalers were committed to producing an adequate argument to convince officials and holders of their capacity to act in ministries. One instrument used by wholesalers to defend the importance of maintaining protection perimeters against public decision-makers, was a White Paper produced by UNIGROS. This document analysed the ongoing economic changes and the prospects for the strategic development of the infrastructure to increase its competitive advantage in food supply processes. This study contributed, together with Mr. Spielrein's persuasion strategy, to the obtainment of the support of Trade Minister Alain Madelein (PR-UDF 1993 - 1995), to grant the MIN the continuation of its protected status in market dynamics<sup>206</sup>. In addition to producing knowledge about their economic role, wholesalers engaged with Semmaris' management led by Marc Spielrein to financially support a series of five-year investment plans for the modernisation of the MIN's structural assets.

In this dynamic of contrast between different interest groups, Cash&Carry companies' arguments in favour of the cancellation of the reference perimeters were based on the authorisations already granted in the past by the *Comité de Tutelle des MINs*, and on

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<sup>204</sup> Implies the elimination of all wholesale trade, even prior to the creation of the MIN, and the impossibility of granting any derogation, except for ancillary operations to the sale.

<sup>205</sup> Allows the maintenance of the wholesale activities present at the time of construction of the MIN but prevents its expansion

<sup>206</sup> LSA Commerce & Distribution, « Les MIN nouveau mode d'emploi », 1st February 2002, online : <https://www.lsa-conso.fr/les-min-nouveau-mode-d-emploi-encadre-1,99470>

the changed economic organisation of the sector compared to the 1960s, when the policy of the MIN Paris-Rungis was imagined. Already in 1971 and the 1980s, METRO was granted permission to open two food-wholesale warehouses. However, the constraint imposed as compensation for the authorisation was to buy at least two thirds of their products from wholesalers operating in the MIN. This precedent, linked to the growing relevance of market competition within the CEE, and the development of food logistics by Cash & Carriers, was used by other companies to apply for similar authorisations. In order to avoid having to deal with administrative legal proceedings following a possible refusal, these authorisations were granted without, however, reforming the regulatory regime guaranteed by the reference perimeters.

Also during the 1990s, as we have seen, there was an important change in the development of MGD's procurement strategies and in the increase in market share controlled by this sales format, which reached 65% of food products in 1995 (Insee 1996). In a system of interest intermediation in which MGD is excluded from institutional channels with respect to the policy process of the MIN, and in which a tightening of public regulation was taking place -especially in Paris-, companies in this economic sector kept pursuing actions based on market mechanisms to strengthen their economic position (Lestrade 2013). In the 1980s, these were focused on internationalisation, while in the 1990s they began to focus on processes of economic concentration through a series of mergers between the different MGD groups. The response of traditional retailers to the strengthening of the MGD was not long in coming.

Although it occupies a weaker position than MGD in the organisation of the market, this interest group enjoyed better access to the decision-making areas, due to a political factor. Since the beginning of the 1970s, the interest groups of traditional retailers had established a relationship of mutual support and recognition with the political forces that referred to Jacques Chirac. When he was elected mayor of Paris in 1977, post held until 1995, he based one of the pillars of his political consensus on defending the urban economy from the entry of food and non-food MGD. When he was elected president of the Republic (1995 - 2007) he transferred this power relationship with traditional retailers within the national government. Throughout the 1990s, the proximity between Chirac's party (*Rassemblement pour la République* - RPR) and this interest group was sealed by the leadership of Lucien Rebuffel. He directed the *Confédération générale du patronat et de moyennes entreprises* (CGPME), a national professional association that also represented

traditional retailers, he was very politically close to the mayor of Paris, city councillor of the capital, and will be in close relations with members of the government during the first presidential term of Chirac (Rebuffel and Faujas 1995)<sup>207</sup>.

This interest group also found the favour of the Socialist Party in those years, in an attempt to subtract a basis of consensus from the conservative political spectrum. The result of this willingness towards the traditional merchants was their place in the position of co-opted which favoured the approval of a series of legislative measures aimed at reducing the penetration capacity of MGD within densely urbanised contexts. The *Loi Royer* was therefore amended more restrictively in 1990, 1991 and 1993. Finally, it was reformed during the first presidential term of Jaques Chirac in 1996. The 1996 *Loi Raffarin* introduced the lowering of the surface threshold requiring authorisation by departmental commissions to 300m<sup>2</sup>, while also reinforcing the weight of the assessment of the economic impact of the MGD's openings on the local commercial fabric. In this decade, the mobilisation of traditional traders focussed on maintaining frequent personal contacts between ministerial civil servants, the minister and political actors with representatives of interest groups of traditional traders, associating their position as co-opted: a repertoire of action that excluded radical mobilisations typical of social movements and trade unions that characterised the 1950s and 1960s instead.

The outcome of interest groups intermediation during the 1980s-1990s was a compromise that was at least partly favourable to wholesalers. In favour of wholesalers, it gave Semmaris the time it needed to modernise its infrastructural assets and respond effectively both to the new regulatory constraints linked to health regulations and to the new business challenges posed by the development of food logistics. On the other hand, in favour of MGD and Cash&Carry wholesalers, it led to the granting of some extraordinary authorisations and the start of a policy debate that will then give them favourable results in the following 15 years, when the role of the MIN in the supply chain undertook a negative trend. As far as the legitimacy of the infrastructure policy is concerned, the intertwining with the mobilisations of traditional retailers through the CGPME at national and local level allowed to maintain the importance of the role of the MIN within the local distribution system. In the meantime, Semmaris started the investment programme to

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<sup>207</sup> *L'Express*, "Ami des petits, intime des grands", 13<sup>th</sup> November 1995 ; *Les Echos*, "Lucien Rebuffel quitte une GCPME destabilisée", 10<sup>th</sup> November 1999, Online Archive



respond to the changes in the supply chain organisation linked to the development of MGD.

### **5.2.2 Changing market but same logic of interest intermediation**

During the 1980s and 1990s, the configuration of interest groups active around the government of Milan wholesale markets became more complex. The Food City construction project mobilised the real estate developers in the constellation of actors. As we have seen in chapter 4, this entry was favoured by the urban development programs that characterised the urban government's strategy of the 1980s. This new interest group, although central to the implementation of the new infrastructure policy, did not occupy an advantageous position in the market structure with regard to the control of resources. In fact, the financial resources of this sector of the urban economy were controlled by the party system, and in particular, by PSI and PCI. These two parties led the government coalition, through the elaboration of individual urban development programmes and the supervision of the procedures for public works awarding. If I look at Food City's public policy, I notice how the political parties controlled the land resource, as in other urban programmes, but the first policy formulation assigned the control of the financial resources necessary for the implementation to wholesalers. This control was then used as a resource for veto strategies thanks to their presence in the decision-making arena of the market commission and (at least until the end of 1984) to the presence of SOFIMA and the Union of Commerce in Sogemi's social capital. Considering configuration of access channels to policy arenas, this was shaped by the party system that used these economic real estate developers as a means for the reproduction of political consensus (clientelism), for the allocation of power in urban politics (partisanship), and for the financing of their political activity (bribes). Wholesalers' position in the system of intermediation of interests is thus that of integrated. In the case of the Food City policy programme, their impact on the decision-making process was the unintended result of a political strategy that in an attempted to reposition wholesalers in a less influential role, precisely through the transfer of control of economic resources –issued from tariffs- from the latter to the real estate developers that had merged into the IMMA group. Despite the important role of real estate actors in Milan urban governance during the 1980s, IMMA group occupied the position of co-opted. Indeed, the economic centrality of this sector, considered as the capacity to

control resource allocation, was to attribute to the party system that controlled the system of relation between public administrations and the corporate field through corruptive and clientelist practices.

If, on the other hand, I look at the project for the construction of a new university centre in the meat market area<sup>208</sup> –at the beginning of the 1990s-, which has also not been implemented, on this occasion too, wholesalers, thanks to the support of the Union of Commerce, were able to prevent it to such an extent as to push the local administration to choose another location –namely in the actual Bicocca’s area (Kaika, Ruggiero 2016). Real estate developers’ *co-opted* role is evident also in the incremental construction of new markets instead, which was concluded only in 2000. In this policy process, all the aspects that characterise the form of relations between real estate groups and political parties - clientelism, partisanship, bribes - were present.

Wholesalers were politically linked to the DC, which until 1975 was part of the government coalition and after that date still retained between 25% and 20% of local electoral consents. The connection with this political party took place through the Union of Commerce and associations formed to represent the interests of fruit and vegetables wholesalers (AGO) and to participate in the policy process (SOFIMA). The close link with the party system and the most influential branch of professional trade associations at national level (the Union of Commerce of Milan) offered wholesalers ample channels to intervene in the decision-making process within both the local government and the arenas designed for policy management. As far as their position in the market organisation is concerned, the resources for action available to wholesalers were greater in this decade. The freight volume traded within Sogemi was growing (see Fig 3.5 Chapt. III), the development of MGD in the Milanese urban area took a form whereby modern commerce companies still did not have sufficient resources to trigger economies of scale and vertical integration processes in the supply phase. Furthermore, the level of conflict within the infrastructure was negligible compared to the previous decade.

The maintenance of an integrated position in the governance of the infrastructure was associated with a different objective: wholesalers mobilisation was no longer focused on the regulation of power relations within the infrastructure, but rather on the claim for influence power in urban development programmes concerning the urban insertion of the

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<sup>208</sup> See Perulli and Catino (1997) for a discussion about the role of Universities during 1990s as institutions for the regulation of the market and urban development.

infrastructure. Unlike in the 1970s, the DC was not part of the government coalition. To compensate for this difference, the network of professional associations was constantly mobilised. The professional association AGO and the wholesalers' financial company SOFIMA exerted pressure on the organisational strategies of the Union of Commerce and on Sogemi's ability to act. In this decade, the Union of Commerce assumed the role of political interlocutor in their representation towards the mayor and the deputy mayor in charge of Commerce. Finally, both the wholesalers' associations and the Union of Commerce oriented the DC's political activities in their favour in deliberative arenas. It was actually thanks to this interaction between external variables (the structure of the market) and internal variables (the channels of access to the decision-making areas) that wholesalers were able to act with a veto strategy towards the Food City policy and towards the development of the university campus in the area of the Public Slaughterhouse.

A third interest group that was characterised by its absence after having marked the policy process during the 1970s is the freight-handlers. Their absence was linked to a double change in the context concerning both the institutional channels for the intermediation of interests and the organisation of the market. The Trade Unions' support for their mobilisations was lacking since this interest group was no longer able to play the role of containing their radical practices. At the same time, the ideological support of the PCI<sup>209</sup>, which was more interested in using the relationship with real estate developers in a clientelist way, was also lacking. From the point of view of market organisation, using the words of a representative of the most important cooperative at the time, is useful to highlight:

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<sup>209</sup> Prot. N. 019/GD/, Official letter from trade unions representative for the operating company, the Trade Deputy Mayor and the wholesale market commission, Fascicolo 57, 9<sup>th</sup> May 1979

*“The 1980s marked the end of the exclusive presence of portering organisations. Most porters became employees of wholesalers and their work became more controllable. The power of the cooperatives bothered politicians and wholesalers, especially because of our request to formally assign the logistics service to us and not just the portering. And so, our cooperative passed from 1200 people to 200. A similar process affected the other cooperatives present at the time. They were reduced because the wholesalers began to hire their own porters and so a system of relations that had gone on for 40-50 years broke down. “*

[CLO<sup>210</sup> - Officer]

Without the resources for collective action guaranteed by the economic centrality within the infrastructure and without the political channels to express it, they actually disappeared from the configuration of the actors who were able to have an influence in policy decisions, occupying the position of marginal. This result was thus the outcome of a precise strategy of action from the wholesalers who, thanks to their position in the system of intermediation of interests and their economic centrality, were able to use market mechanisms to weaken the capacity of collective action of this interest group. The effect in policy terms of the interweaving of competing interests (*co-opted* real estate and *integrated* wholesalers actor), both of which the possibility of influencing decision-making processes thanks to their relations with the party system, was the policy inertia for all the 1980s and the triggering of political tensions within the coalition. In terms of political economy, this dynamic led to the preservation of rent position within the framework of an incremental spatial reorganisation of the infrastructure and a failure to change the approach for its governance.

Unlike the 1970s, and in a similar way to the case of the MIN Paris-Rungis in the 1990s, the focus of interest groups' mobilisations was on the political economy of infrastructure governance. In the French case, the content of the conflict saw the contrast between the modernising and liberal demands of MGD and the Cash & Carry sector and the defence of a regulatory role for the state by wholesalers. In the Italian case, on the other hand, the node of mobilisations was the contrast between wholesalers' will to reproduce a distributive and corporatist logic for the policy management, and the urban government political coalition, which sought to introduce a logic of government in line with market mechanisms based on real estate income.

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<sup>210</sup> *Cooperativa Lavoratori Ortomercato*

During the 1990s, there was a new reconfiguration of the interest groups active around the governance of the infrastructure. As in the past, the role of the parties was important in defining the shape of access channels for decision-making arenas. The political turbulence and the redefinition of the political system closed the opportunities of influence for real estate actors, who thus remained absent from interest intermediation. We observed, instead, a contrast between the interests of wholesalers working within Sogemi and MGD companies. While wholesalers saw their position in the economic organisation of food distribution become weaker, in the same period the role of MGD was strengthened. The former wanted to defend their position in the local food distribution system, in the face of the increasingly dominant role of MGD. MGD retailers explicitly asked to be able to use the infrastructure to consolidate a vertically integrated procurement strategy, bypassing the obligation to purchase their supplies from wholesalers who operated there. In this phase of development of Milan infrastructure, wholesalers operating there no longer had the resources for the action that the market had provided them with up to that moment. Those operating outside the wholesale market gradually succeeded in controlling a greater quota of the flows of supplying directed to MGD thanks to their capacity to develop new trading service complying with MGD standards.<sup>211</sup>

At this stage of infrastructure governance, institutional channels were still favourable to wholesalers. The regulation of the urban retail sector was going through a phase of instability linked to the repercussions of the investigations of the judiciary on the corrupt practices that characterised this policy sector during the 1980s. This element was associated with the difficulty in urban governance expressed by the Northern League in this phase of redefinition of local interest relations. The desire to prioritise Sogemi's organisational stability, after the conflicts linked to the attempt to implement the *Piano Mercati* in the period 1988 - 1993, led the infrastructure management to support AGO's requests, denying MGD the possibility of building supply platforms independent from transactions with wholesalers. The interweaving between the economic factors and the institutional ones placed the latter in the position of *co-opted* while leaving MGD in that of *excluded*. In fact, MGD had very few channels of access to the decision-making arenas for what concerned the government of the infrastructure. From a political point of view, its references would have been Socialist, due to the attention to consumer purchasing power,

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<sup>211</sup> See Chapter 3 for detailed figures concerning economic structural changes.

and Communist for the economic role of the *Coop*, one of the most important economic groups of MGD retail sector, politically linked to the party since the 1970s. However, both these parties were completely de-structured after *Tangentopoli* and were not present either in the coalition government, nor in the policy setting since they were absent from the related spoil-system.

Freight handling cooperatives supported MGD requests, thereby seeking to strengthen their position as actors in goods handling that would have benefitted from the development of logistics assets within the infrastructure. Their marginal position due to both labour force reduction during the 1980s and reduction in freight volume passing through the infrastructure, made their pressure on Sogemi's management ineffective. Given they did not have sufficient resources for effective collective action for the lack of economic legitimacy, they chose to adapt to the mechanisms of market change and "followed" the MGD companies that adopted an *exit* strategy from wholesale markets, starting to provide them with the logistical services they needed. They thus adopted an exit strategy from the infrastructure as well.

*"[...] In general, we've always said that MGD should be given an important place in the MO, and there was an important clash with wholesalers because their argument was: yes, we give it to them, but they have to buy it from us. The theory of large-scale retailing was: yes, I stay and work inside but I buy the goods directly from the producer, just in case I can buy from you time by time to compensate temporary shortages in the supply chain. [...] Wholesalers have opposed giving space to large-scale distribution. They didn't all oppose it, but most of them! It was the policy of the wholesalers to protect their position of rent ... it is clear from their point of view in the immediate priority was the protection of their price and their product."*

[CLO - Officer]

The Union of Commerce was once again operating in this decade as one of the privileged channels for ensuring the effectiveness of wholesalers' pressure on policy makers. The importance of this local institution for the regulation of the balance of power between the interests involved in the governance of the infrastructure was evident in particular at the end of the 1990s (Perulli 1999). In 1997, local elections brought a coalition of actors to power, with the support of real estate actors as one of the pillars of the structure of political consensus. The government coalition was composed of three

parties, all founded in 1994 as a result of the conservative political area being recomposed after *Tangentopoli* (Forza Italia, Alleanza Nazionale, Centro Cristiano Democratico). The need to consolidate the territorial roots of these new political organisations came with the need to ensure the support of wholesalers in the governance of this urban infrastructure. Their co-optation led to the appointment of Simonpaolo Buongiardino<sup>212</sup>, thus placing the Union of Commerce at the centre of the intermediation of interests within Sogemi. The priority was given to avoid unleashing new conflicts, which is enough to give wholesalers access to Sogemi despite the weakness of their economic legitimacy.

### ***5.3 The need for a policy reposition against the marginalisation risk***

#### **5.3.1 Horizontal strategic coalition seeking for autonomy and legitimacy**

Looking at the MIN Paris-Rungis over the last twenty years, several important changes have taken place in the three dimensions that I will consider in this chapter: the configuration of access channels to decision-making arenas, the configuration of interest groups involved in the policy process, the economic organisation of food distribution. The change in the access channels is linked to the effects of the reorganisation of the state on urban governance, which I analysed in Chapter 4. The decision-making arenas underwent a reconfiguration following the territorialisation of the decision-making processes, which was flanked by the national level in which the different interest groups had acted up to that moment. As far as the regulation of food distribution is concerned, territorialisation was linked to the reform of commercial urbanism through the conferral of greater capacity for public action by local governments in urban issues and through the change in the criteria that governed retail economic sector. This process began in the 1990s with the change in the composition of departmental commissions (1993), which for the first time saw a clear majority of members chosen from among the local elected representatives. The control of this decision-making arena by local politics will also be confirmed by the Loi Raffarin of 1996, the Loi LME of 2008 and the Loi Pinel of 2014 (Lebrun 1999; Desse 2013 ). In addition to the greater weight of local politicians, there has been a growing role in urban planning since 2000. The different configuration of interest groups was associated with the

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<sup>212</sup> Long lasting official from the Union of Commerce in Milan.

consolidation of a dynamic of urban governance, notably metropolitan governance, in which the partnership between public and private actors became a crucial factor for the regulation of the economy and urban development. This aspect combined with the greater capacity of subnational government levels to act, favoured not only the mobilisation of new interest groups around the MIN Paris-Rungis government but also a new way of interacting with each other in order to collaborate in influencing decision-making processes.

The change in the economic organisation of food distribution within Paris has taken place along two parallel trends: a process of penetration and concentration by MGD companies and, as we have seen in Chapter 3, the development of the food logistics sector, which at the same time became the ground for the action of new interest groups, a factor of competitive advantage and a new policy sector in metropolitan governance. In this changing context, we can observe a reconfiguration of different interests and an interweaving of their strategies of action around retail regulation and the governance of the infrastructure managed by Semmaris. For the first time, the actors of these two policy areas, previously kept separate in the dynamics of interest intermediation, were intertwined.

Greater collaboration and horizontal interweaving between interest groups began to take place in parallel with the step-back of the regulatory presence of the state, as regards the growing margin for action left to the market logic for the governing of the infrastructure. The greater space left to market mechanisms in the regulation of relations between economic players and interest groups was evident in the reforms of the MIN statute introduced between 2005 and 2010, in the entry of one of the most important promoters of commercial real estate in the management of Semmaris in 2007, and in the reform of the guiding principles for the issue of authorisations for the opening of new MGD selling units in 2008. Let us now see which actors have played a role in the last two decades, what position they have occupied in the modalities of intermediation of interests, what strategy of action they have chosen to adopt and what policy outcome it is possible to observe in this regard.

During the 2000s and 2010s, the structure of the Parisian urban economy in the food trade sector changed rapidly producing a reduction in the number of traditional shopkeepers in favour of the penetration of MGD stores. Modern commerce, besides helping to reduce the weight that traditional retailers have historically had in the urban



economy of the capital, used market mechanisms to produce a strong concentration of the retail network which in some districts became such to induce the Competition Authority (*Autorité de la Concurrence*) to intervene with a procedure that imposed the reorganisation of its sales network on the Casino-Monoprix group to limit its dominant position, which in some districts corresponded to the control of more than 50% of the market share<sup>213</sup>. Two main market mechanisms were in place: substitution and acquisition. The first concerned buying practices of traditional retailer selling units with no perspectives for an intergenerational passage: old retailers accepted to sell their economic activity to a mass grocery distribution company. The second concerned the availability of commercial surfaces because some economic businesses were quitting the urban core of Paris agglomeration in that period.

Although traditional retail was weak from the point of view of market organisation, it had easy access to the local government's decision-making arenas on the regulation of commercial urbanism. This openness had been once again linked to a political and institutional factor. Considering the political dimensions, in the 2000s, there had been an urban politics change and the last three mandates - from 2001 - have been led by left-wing coalitions. This political change occurred in the same moment as an innovation in the policy instruments for the regulation of urban space, urban development and urban economic activities. The *Plan Local Urbanisme* (PLU)<sup>214</sup> gave more room of action to govern real estate and economic dynamics compared to the previous instrument, the *Plan d'Occupation des Sols*<sup>215</sup>. These institutional and political changes defined the ground for a different approach of traditional retail governing. The space opened to interest groups representing traditional trade, however, did not follow a neo-corporatist logic as it was observed during mayor of Jacques Chirac's mandates and as I have also pointed out for the case of Milan. Rather, the arguments used by politicians regarded the need to preserve the diversity of the commercial offer in order to promote the attractiveness of Paris, support a good quality of urban life and promote the real estate values of buildings. In the context of a political-institutional context favourable to traditional retailers, policy ideas linked to market logic were consolidated. Since 2001, the city has mobilised three different policy devices in order to govern the economic changes concerning retailing: a development

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<sup>213</sup> *Les Echos*, "Casino remporte Monoprix mais devra céder des Franprix", 10<sup>th</sup> July 2013

<sup>214</sup> Introduced by the *Loi relative à la solidarité et au renouvellement urbains*, 13<sup>th</sup> December 2000.

<sup>215</sup> Established by the *Loi d'orientation foncière*, 30<sup>th</sup> December 1967

agreement with the mixed economy company SEMAEST signed in 2004, specific measures included within the PLU approved in 2006, and the systematic data collection through Apur<sup>216</sup>. SEMAEST is a public-private company (*société d'économie mixte*) whose around 75% of shareholding structure is controlled by the city of Paris (SEMAEST 2017). Since 2004, the agreement with the municipality has allocated its urban development competences to pursue the goal of maintaining the retail structure diversification<sup>217</sup>. The PLU interacts directly with this policy device after having explicitly stated the principle of the maintenance of artisan activities, especially in those streets or neighbourhoods more endangered by homogenisation processes triggered by market mechanisms adopted by MGD companies (Fleury 2010).

During the formulation of these policy measures, in their management and in the evaluation of their effects, retailers' interest groups have frequent meetings with the Paris Department of Commerce. In addition to frequent informal meetings between the various professional associations and the trade deputy mayor, the municipal offices responsible for the administrative regulation of the economic sector, the district mayors, and the municipal councillors, are also in frequent contact with the *Chambre de Metiers et de l'Artisanat*. In the new context of governance of economic processes, local actors, although they may have different political and normative representations, mobilise in a coordinated way to achieve a common goal. The communion of intentions between the centre-left political coalition and retailers for the protection of traditional retailers has reproduced over time despite the distance of the conservative political culture of this professional group. The urban government's purpose has not been to reproduce political consensus but to govern the international attractiveness, the quality of life, the dynamism of the real estate market through the promotion of commercial diversity and the preservation of traditional retail. The way they chose to do this was to co-opt interests that can share a common policy approach.

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<sup>216</sup> *Atelier Parisien d'Urbanisme*, is a public organisation pursuing the mission to study and analyse urban and societal developments contributing to the definition of public planning and development policies, to contribute to the development of Parisian policy guidelines and in particular its urban planning documents and projects at the scale of Paris and its metropolitan area.

<sup>217</sup> The mechanism followed was the stabilisation of neighbourhood stores presence through direct intervention in the real estate market. SEMAEST has a fund dotation to be used to buy commercial surfaces in order to renovate and rent them to artisan activities and nearby stores.

The action strategy for retailers today is based on frequent, personal, formal and informal contacts with policy makers and administrative officials with a view to placing their claims within the regulatory framework and policy ideas promoted by the economic sector's governing body. In addition to this strategy towards local government arenas, in the last decade there has also been a closer interaction with other actors in the local distribution system, namely with the president of Semmaris. The contacts and interactions with the leadership of Semmaris, which as we have seen developed the role of an actor in the metropolitan governance in the same period, have been a consequence of the economic reshaping of the food distribution within Paris. This restructuring includes not only the penetration of MGD through the sales format of "superettes" - and the consequent reduction of customers among the specialised shopkeepers - but also the growth of the influence of Cash&Carry wholesalers, the development of food logistics, the inclusion of urban logistics among the priorities of the local agenda, the introduction of new rules for the supply of stores that are supplied by MIN.

The engagement of Semmaris by retailers was an unprecedented element of the configuration of actors that mobilised around the policy management of the MIN. Until then, the president of the management company had only acted as an intermediary between wholesalers and public actors. Wholesalers and retailers are two professional groups that, if I look at their position in the supply chain, have many potential divergent interests. However, as in the case of the Paris retail policy, the need to coordinate actions between actors expressing different interests and representations is linked to the interplay between the reorganisation of the decision-making arenas and market changes. In Milan, as we shall see, a similar process took place when the idea of moving the infrastructure of the general markets outside the municipal borders entered the urban agenda: a policy project that would have produced a profound redefinition of the commercial relations between the actors involved in its functioning. An example of this new form of coordination between traditional retailers' interest groups (among which I can highlight the *Union nationale des syndicats de détaillants de fruits, légumes et primeurs*) and the current president of Semmaris Stéphane Layani, concerns the enforcement of the regulation of Sunday openings of food stores. Traditional retailers perceive the deregulation of openings as a form of regulation based on market mechanisms that they cannot cope with because of the small size of businesses, mostly family run. In the specific case of Paris, the power to grant derogations is in the hands of the Prefect of Paris and not in the hands of the municipality.

Having few channels of access to the prefecture, traders have therefore used the relationship with Semmaris to represent their interests vis-à-vis the Prefect. Because of his role and his previous institutional positions, Mr Layani has easier access to decision-makers linked to the state and has a reputational capital to spend. As the case for wholesalers was in the past, Semmaris management acts as a collector of requests that strengthen the role of the MIN and helps to bring them to the attention of public decision-makers.

If traditional retailers are co-opted in the local decision-making arenas, they are in a marginal position if I look at what happens in the intermediation of interests at the national level, where MGD companies occupy the integrated position in the decision-making processes concerning commercial urbanism and the regulation of economic relations within the food chain instead. Their inclusion in the decision-making arenas is linked, as in the case of retailers at local level, by a political and an institutional factor. The political element originally coincided with the birth of the conservative government led by the president of the Republic Nicolas Sarkozy, elected in May 2007. Despite being a member of the RPR (*Rassemblement Pour la République*) like Jaques Chirac, he represented the more conservative and liberal soul within the party. The new centrality of liberal thinking within national politics, whose influence we had already seen in the process of building metropolitan governance in Paris, was reinforced by the European Union's growing weight in the regulatory framework of national economic policies. The key example for my analysis is the so-called 'Services Directive' approved by the European Commission in 2006. Among the various measures it contained, the prevalence of market mechanisms in the regulation of the economy was enshrined, therefore contrasted with the *Loi Raffarin*, which subjected the entrepreneurial initiative of MGD to an administrative authorisation issued following economic evaluations by the political representatives members of the departmental commissions. Rather than a discontinuity imposed by Brussels, the adoption of new competition policies in France appeared as an incremental change in the retail sector and in the MINs' policy (Streeck, Thelen, 2005). The result of adaptations and transformations of existing systems passed through conflict dynamics when policy makers tried to introduce such changes in a more radical than incremental way (Billows, Viallet-Thévenin 2016).

In 2008, the LME law (*Loi de Modernisation de l'Economie*) was approved, raising the threshold of commercial area for which authorisation is required to 1000m<sup>2</sup> and

removing all economic criteria from the evaluation process, which from that moment on has been based only on evaluations of urban planning and environmental sustainability. What role have MGD's lobbying activities played in this decision by the national government?

First, we must remember that from the point of view of the legitimacy deriving from the organisation of the market, MGD is today in a strong position. The arrival of a liberal political force in power opened the doors of public action to their influence. It is also important to underline that since the 2000s, MGD has begun to invest more organisational and political resources in lobbying public decision makers, since development strategies based on market mechanisms alone have begun to reduce their effectiveness for the progressive saturation of the market. The greater capacity for influence has been also linked to the fact that between 2007 and 2017 the functions of trade government were merged with the policy departments controlled by the Ministry of Economy, or by the cabinets of the presidents of the Republic, two decision making arenas where traditional traders enjoy less legitimacy than the powerful economic players of MGD. The reorganisation of the state and political changes led the interest groups of the MGD from being excluded from the decision-making processes in 2000, to being the central actors able to direct the political discourse and the process of parliamentary approval of the Loi LME in 2008 (Billows 2016).

The regulation of the MIN and the interest intermediation within the policy management has also been affected by the institutional and regulatory changes that I have highlighted above and analysed in chapter 4. During the 2000s and 2010s, the interests of the economic players in the Cash & Carry sector were able to make their way into decision-making arenas. As we have seen in the previous section, the role of these actors in the organisation of the food distribution market had begun to give them the legitimacy to exert pressure on policy makers in favour of the cancellation of the protection perimeters that regulated the geography of the wholesale trade around the MIN as soon as the 1990s. In this decade, their mobilisation triggered a political debate, which produced its effects only later. In fact, the strengthening of their position in the economic structure of the market and the reduction of the role of the MIN in the organisation of food supply opened a window of opportunity for a different regulation of the infrastructure in the 2000s. This new regulatory framework took the form of various legislative interventions in the two-year period 2004 - 2006 and was structured around two principles: the strengthening of

market mechanisms in the internal functioning of the MINs and the weakening of public regulation of the economic geography of wholesale trading. Both principles were presented in the political debate as components of a modernisation process in order to make them compatible with the policy framework that had guided infrastructure policy since the 1960s. MIN wholesalers still enjoyed good access to decision-making arenas and a position of co-opted in the dynamics of interest intermediation during the 2000s. They were supported in this by the capacity of penetration of the ministerial offices made available by Mr Spielrein and encouraged by the openness towards the various interest groups directly linked to the operation of the MIN<sup>218</sup> by the *Secrétaire d'Etat aux PME, au Commerce et à l'Artisanat* Renaud Dutreil (2002 - 2007). Their position of influence in decisional processes remained stable over time and allowed them to obtain the adoption of liberalisation measures for the regulation of MIN that opened up new possibilities to defend their competitive advantage in the supply chain, called into question by the development of food logistics governed by MGD companies.

These policy changes consisted in the reform of the organisational mandate of Semmaris (and of the other MIN operating companies in France). The operating company was no longer solely responsible for managing the infrastructure, but also included in its mandate the need to elaborate economic development strategies in support of wholesalers. Another novelty was the granting to wholesalers of ownership rights over the structural assets created through their investments, in order to strengthen their capital position vis-à-vis banks in the negotiation of loans for business expansion: this measure was introduced following the direct pressure of UNIGROS, which had already claimed this need in the 1990s. Finally, in order to allow these measures to be effective in terms of investment and infrastructure development, the expiry of the concession for the management of the MIN to Semmaris was extended from 2017 to 2032.

The compromise between the claims of the wholesalers, represented by UNIGROS and Mr. Spielrein, and those of Cash&Carry companies included the simplification of the opening of new outlets for the latter<sup>219</sup>. In the same two-year period, the perimeter of positive protection, which prevented any kind of opening of wholesale activities within it

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<sup>218</sup> I consider here wholesalers, retailers, the HoReCa sector, transporters, and producers that have their main access to the distribution system or the main, if not only, source of procurement in the MIN.

<sup>219</sup> LSA Commerce & Distribution, « *Le monopole des MINs sur la sellette* », 2 May 2002, link : <https://www.lsa-conso.fr/le-monopole-des-min-sur-la-sellette,83518>;

and was active in the municipalities near the MIN<sup>220</sup>, was abolished to only retain the negative one, that roughly corresponded to the *petite couronne*. Eventually, the expression "perimeter of protection" was eliminated and replaced by the label: "perimeter of reference"<sup>221</sup>. The reform of MIN regulation also followed a dynamic of territorialisation of the intermediation between interests, responding to the emergence of metropolitan governance and the territorialisation of the retail policy through urban planning policies, on which a large capacity for action was delegated to local governments. The responsibility for granting exceptions to the reference perimeter was indeed shifted from the *Comité de Tutelles des MIN* (composed of representatives of the Ministry of Finance, Trade, Agriculture and the Interior) to the regional Prefect. Semmaris, the local governments involved and the interest groups of wholesalers and traders needed to be consulted in advance in the process of evaluating the opening of a new Cash&Carry selling unit. In essence, despite a decline in the regulatory framework in favour of market mechanisms, this was offset by a series of measures aimed at strengthening the competitive capacity of the MIN and the companies operating there.

The balance between the interest groups rooted in the economic system linked to the MIN Rungis and the interests of Cash & Carry changed with the political change in 2007. In the same year as the approval of the new commercial urban planning regulation (2008), the government, and in particular the *Secrétaire d'État chargé du Commerce, de l'Artisanat, des PME, du Tourisme, des Services et de la Consommation*, Hervé Novelli (2008 - 2010), launched a consultation process open to representatives of retailers, wholesalers and agricultural producers. The regulation of the operation of the infrastructure was indeed considered incompatible with the European Directive as it used to introduce an element of political regulation into market dynamics, namely the mandatory consultation of the various interest groups, on the possibility of opening a wholesale business. After a long period of consultation, the government presented, within the framework of the draft law concerning the chamber of commerce and services reform<sup>222</sup>, a text proposing the abolition of administrative authorisation for all new wholesale activities of a size of less

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<sup>220</sup> Ordonnance n° 2004-274 du 25 mars 2004 portant simplification du droit et des formalités pour les entreprises

<sup>221</sup> The reference perimeter of the Rungis MIN is specified by decree n°2003-492 of 10 June 2003; it includes Paris Intra-muros, the inner suburbs and part of the departments of Essonne, Yvelines, Val d'Oise, and Seine et Marne.

<sup>222</sup> Loi relatif aux réseaux consulaires, au commerce, à l'artisanat et aux services.

than 1000m<sup>2</sup> to the National Assembly, as well as the request for authorisation from the prefect for those of a higher surface area, a rule setting inspired by the 2008 LME law. The authorisation would have been evaluated not in terms of economic criteria but only following urbanist prescriptions (accessibility, flows organisation, and structure of the surrounding urban fabric) and environmental guidelines (impact on air pollution and noise, impact on the health of the inhabitants).

Considering the markedly liberal approach of the political coalition (2007 - 2012) that guided public action, the government proposal was interpreted by different interest groups, including wholesalers, as an acceptable compromise, although not optimal. Indeed, the proposal to the National Assembly was the result of pressure exerted by wholesalers, through UNIGROS and Semmaris, thanks to the accessibility that these interest groups had with the Ministry of Commerce at a both political and bureaucratic level, which continued to place them in the position of *coopted*. Alongside them, the *Fédération Française des MINs*, chaired by Michel Escoffier, mobilised. Although excluded from the government decision-making arenas, Cash & Carry sector groups mobilised pervasively towards politicians elected at the National Assembly, showing the political level's permeability to their pressure. As a matter of fact, the Vice president of the National Assembly Catherine Vautrine (member of the UMP and supporter of the liberal positions of Nicolas Sarkozy within the party) presented an amendment for the complete abolition of the perimeter of reference during the parliamentary debate<sup>223</sup>. This amendment was eventually approved by the National Assembly in contrast with the proposal initially put forward by the government. In particular, the METRO Group was very active in trying to influence the vote of parliamentarians through direct communication with them<sup>224</sup>, made possible and more effective by hiring as head of institutional communications Cyril Capliez, former candidate on the UMP lists and Chief of Staff for the previous state secretary for the SME, Renaud Dutreil (2002 - 2004) (Brun 2011).

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<sup>223</sup> *Le Monde*, "Guerre ouverte entre Metro et les grossistes de Rungis", 9<sup>th</sup> June 2010, Online Archive.

<sup>224</sup> RAPPORT au nom de la commission de l'économie, du développement durable et de l'aménagement du territoire (1) sur le projet de loi, adopté par l'Assemblée Nationale, relatif aux réseaux consulaires, au commerce, à l'artisanat et aux services, par M. Gérard CORNU, n. 507, 27 mai 2010; *Le Parisien*, "Metro s'attaque aux privilèges de Rungis", 15<sup>th</sup> February 2010, Online Archive; *Le Parisien*, "Pourquoi laisser une situation de monopole ?", 27<sup>th</sup> April 2010, Online Archive; *L'Humanité*, "Lobbying: le groupe Metro pris la main dans le sac", missing page, 8<sup>th</sup> June 2010; Senat Débats parlementaires - Compte rendu séance du 10 juin 2010



After the National Assembly's approval, the measure was submitted to the Senate for discussion and approval. In the debate that took place in this second deliberative arena, it is possible to trace again the role and the weight of the interest groups linked to the distribution chain organised by the network of MINs that had already been expressed at government level. The rules for the constitution of the Senate make it an institution that more closely represents the interests of territorial authorities. Subnational governments were in direct contact with the system of interests that revolved around it. In the case of the MIN Paris-Rungis, the configuration of actors was particularly relevant precisely because of its economic role in the Paris metropolis. The direct interests of the Department Val-de-Marne, which perceived the MIN as a pole of employment, the pressures of the national association of wholesalers (CGI), those of the associations of producers - in the production areas - and those of the retailers - especially if linked to the territories where the presence of a MIN functions as a protective factor of traditional retail, pressed on the Senators to approve a new text of law coming back to the original formulation proposed by the government. In its subsequent passage to the National Assembly, the parliamentarians finally confirmed the text approved in the Senate, which was eventually promulgated in July 2010.

Although pressure from the interest groups associated with the MINs economic activity succeeded in limiting the liberal turn asked by Cash & Carry operators, the outcome of interest intermediation has been more favourable to the latter than the outcome obtained at the beginning of the 2000s. This result was possible thanks to the constraints placed on the national decision-making process at European level, from the regulatory point of view, with the Services Directive in 2006, and with the imposition of market competition as the main mechanism for regulating the economy. The abolition of economic criteria in the authorisation process for wholesale marketing units of more than 1000 m<sup>2</sup> opened a window for the spread of competition based on market mechanisms and a clear step backwards in the regulatory capacity of public players. The increase in the weight of market mechanisms in the regulation of the development of MINs led to two effects that closely affected the MIN Paris Rungis, and then had repercussions on the dynamics of metropolitan governance analysed in the previous chapter. One effect was the redefinition of the role of the *Federation Francaise des Marchés de Gros* (FFMG<sup>225</sup>): from being an

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<sup>225</sup> Previously called *Federation Francaise des MIN*

assistant to the technical and structural development of individual MINs it became an active interest group in policy decisions. This was evident from the 2010s, with the appointment of Stéphane Layani as the leader of Semmaris in 2012. The other effect was the involvement of commercial real estate developers in Semmaris's management since 2007. The relocation of the national federation's role is the result of a double movement: one linked to the role of the state, the other linked to the market. The lower presence of the state is pushing Semmaris, which alone controls more than 50% of the entire budget of the FFMG, to adopt a policy entrepreneurial strategy. The aim is now to build, nurture and strengthen relations with politicians involved in decisions relating to the regulation of retail and wholesale trade, production, food distribution and urban logistics. The FFMG is therefore building a new policy framework to legitimise the role of MINs in urban contexts and in the food trade chain. The constituent elements of the new policy frame leave the objectives for which the MINs were built in the 1950s and 1960s in the background, to promote a new image and role of these infrastructures:

- They are presented as resources for the protection of traditional trade thus for supporting the commercial vitality of urban centres.
- The MINs are represented as urban infrastructures that contribute to the structuring and organising of food supply flows.
- They are presented as a resource to ensure access to the diversity of French agricultural and gastronomic production.

The actions carried out by the FFMG were mainly concentrated at local and departmental level, with the exception of the MIN Paris-Rungis, which was at the centre of the debate on the construction of metropolitan governance and the governance of the French gastronomy economic system at national level. In other words, the FFMG mobilised to occupy the cognitive sphere of policy makers in the policy areas relevant to the functioning and protection of the functioning of the MINs as widely as possible.

The opening to market mechanisms in the regulatory framework of policy makers had already occurred in the early 2000s. From the national government's point of view, this change was based both on endogenous processes relating to the reduction of the role of the state in the economy and the promotion of new competition policies (Billows, Viallet-Thévenin 2016) and on exogenous processes linked to the pressure exerted by supranational institutions such as the EU and the OECD. In the dirigist model of regulating market dynamics, industrial policy was based on close collaboration between state

administrations and future national champions (Cohen 1992) in the various sectors identified as strategic by the *Commissariat au Plan*. In the case of the MIN, the link between the national administration and the national champion to come for the food distribution was formalised by the shareholding structure. Over the decades after its inauguration, European institutions and the administrative authorities of the French state have promoted a model of economic governance in which the general interest, previously based on the modernisation process, is overlapped with the usefulness of the abstract figure of the consumer (Pinto 2013), a representation that was at the centre of the debate on the potential cancellation of the perimeter of reference in 2010. The introduction of the concept of competition in the public sector of the economy had two effects: it obsoleted a representation of the state that accepted the confusion of the roles of shareholder, strategic planner and regulator and pushed towards a reorganisation of the state that would distinguish them (Delion 2007). It is important to place the state's choice to make of Altarea-Cogedim a private actor within this institutional framework, entitled to purchase 33% of the shares of Semmaris, equivalent to half of the shares held by the state. The predisposition towards market mechanisms for the regulation of the MIN and private actors for the management of the public sector of the economy places the operator Altarea-Cogedim in an ideal position. Once it gained access to Semmaris, it worked to ensure that the logic of the market was also rooted in the management strategy: Semmaris's objective was no longer to only guarantee the development and operation of the MIN but also to guarantee profit for its shareholders. Moreover, as highlighted in chapter 4, it used the position of integrated within this decision-making arena to have access to networks of relations between private and institutional actors to increase its role in the metropolitan economy. As highlighted in Chapter 3, the reduction of the weight of infrastructure in the local distribution system, together with the urban transformation processes analysed in Chapter 4, put the MIN at the centre of many conflicting interests regarding the development of the area.

Until now, although real estate developers in the commercial, residential, and tertiary sectors have had an extremely favourable position in the urban market, wholesalers, retailers and Semmaris have been able to produce the conditions for maintaining the MIN in its current location and maintaining a form of regulation of the geography of the wholesale trade, still present even if weakened, and have ensured the persistence of traditional trade within Paris. As an example of the constant presence of these players in

the decision-making arenas, the approval of the perimeter of reference from 2010 was obtained by granting an evaluation and possible review in 2012. In reality, the debate was never re-opened. This not obvious outcome is to be associated with the same dynamic that has permitted the consolidation of Semmaris as an actor of governance, namely the simultaneous presence of representatives of different interest groups (in particular wholesalers and Semmaris) in different decision-making arenas and in different policy areas involving the MIN, among which perhaps the most important is the development of sustainable urban logistics. This widespread presence has not only allowed the coordination between the actors considered in chapter 4, but has also favoured the occupation of the cognitive sphere of the local elected representatives in the metropolitan territory. The ability to promote a cognitive frame providing a new legitimacy of policy has been possible thanks to the constant relationship between elected officials and policy makers and interest groups representatives occupying multiple positions in the thick institutional environment of the new Paris metropolitan governance (Francois, Sauger 2006). In this way, the MIN has assumed the role of a tool for the strengthening of the metropolitan economy and for its projection in the global market.

### **5.3.2 Local embeddedness for stakeholders: too much and too little**

Over the last two decades, Milan has been increasingly conditioned by strategies and projects suggested by real estate finance, and the infrastructure policy that guides the government of this infrastructure has been affected by this structural element of the local economy (Gibelli 2016). During the 2000s and 2010s, in Milan as well as in Paris, the change in urban governance strategy resulted in a reconfiguration of the constellation of interest groups mobilising around the development of wholesale markets infrastructure. The differences linked to the policy approach, already highlighted in chapter 4, opened the way to stakeholders different from those in Paris. Since the 1980s, the attention of policy makers has been focused on the land dimension, leaving aside Sogemi's role in regulating food flows in the local distribution system. Consistently, new actors that exert their influence on policy decision makers are linked to urban development and less to the economic organisation of retail trade. The real estate developers who exert pressure on the decision-making arenas are located in two sectors of the urban market: the real estate actors for residential, and logistics.

The position occupied by these actors in the dynamics of interest intermediation has been strongly influenced by the political cycle that determines the configuration of the access channels for the decision-making arenas. From the point of view of market organisation, real estate developers enjoy an advantageous position as far as the resources of legitimacy for the action of influencing policy decisions are concerned. The advantageous position is linked to the redefinition of the institutional environment that redistributes the control of resources for the improvement of urban development programs in favour of market actors, reducing at the same time the capacity of controlling resource allocation and the amount of public resource available. On the one hand, the urban government put different land parcels on the market for development, a government strategy confirmed by the *Documento di Inquadramento delle politiche urbanistiche comunali*, and on the other hand, the regional government introduced new policy instruments that favoured flexibility in public action in favour of private interests. From the point of view of access to decision-making arenas, real estate entrepreneurs had occupied, during the 10 years of government of the political coalition led for 10 years by mayor Albertini (1997 - 2006), the position of *integrated*. The coalition of urban government was made up of political actors who directly represent their interests. This configuration allowed them to have strong impacts on governance decisions leading to the definition of a new strategy of governance of the infrastructure.

In the same years, the logistics real estate sector in the Milanese urban area experienced a period of expansion in both supply and demand. This evolution is to be associated with the development of the economic sector of freight logistics, which since the second half of the 1990s has had an important impact on the development of the Milanese urban region. In order to understand the role of these economic actors in the policy process, a brief presentation of the organisation of this economic sector, which results from the interaction between market dynamics and public regulation, is necessary. According to Balducci (2005), to describe the urbanised complex that has been emerging in the last 25 years and its urban logistics flows, it is necessary to consider an area that includes the provinces of Milan, Lodi, Piacenza, Pavia, Novara, Varese, Lecco, Como and Bergamo, identified as *Regione Logistica Milanese (RLM)*, (Dallari, Curi 2010). It is an urbanised area that lives economically and functionally in a highly integrated way thanks to the development of communication systems and transport infrastructures. The increasing

urban congestion has pushed logistics companies into looking for settlements for their infrastructures along the main road axes. The result occurred during the 2000s and 2010s was that of a progressive logistics sprawl. This spatial outcome deployed in the absence of a precise national framework for spatial planning, as well as in the absence of governance guidelines by regional governments and collective action or coordination in land management by local governments constituting the administrative fabric of the RLM. The result was a spontaneous and uncontrolled proliferation of a series of settlements located in areas not always suitable for hosting logistical activities. An example of this is the municipalities' adoption of a policy of enforced recovery of disused industrial buildings in the Milanese hinterland, as well as the granting of authorisations to build in greenfield areas, in order to obtain the relative urbanisation incomes in a context of strong expenditure constraints for local finance. Indeed, in Italy from 1990 to 2004 central governments transfers decreased from 65% to 22% of the local current revenues on average (Bobbio, Piperno 2010). This process had been regulated by a market mechanism to which local urban governments were unable to give a shape or shared regulatory principles at the metropolitan level. As far as the economic organisation of the logistics sector is concerned, the urban region of Milan was in the past and still is characterised by a high concentration of companies operating in the sector, as well as managerial skills and availability of labour. From 1996 to 2000, the total number of logistics warehouses built up rose from about 3 million to over 7 million square metres. (Dallari, Curi, 2010), and then doubled to reach 14.7 million in 2016 (Bologna 2017). This corresponded to 35% of the total built at national level and 90% of these areas were concentrated within a radius of 45km from Milan. The lack of public regulation was accompanied by two important aspects for the analysis of the role of interest groups in the governance of the infrastructure managed by Sogemi. The first concerns the absence of clearly identifiable decision-making arenas over which to exert any influence in the decision-making processes. The second, a consequence of the first, implies that these arenas, and the relative access channels, are configured only within the framework of specific policy decisions regarding the development of wholesale markets. If, on the other hand, I consider the position of economic players in the Milanese urban market, they enjoy strong economic legitimacy.

Potentially, as highlighted Chapt. III, the role of wholesale markets in Milan in this economic scenario, could be attractive for the location of structural logistical assets, and

reverse the process of marginalisation of Sogemi in the organisation of food flows. As far as the channels of access of interest groups to the decision-making arenas are concerned, I consider the choice of relocating the infrastructure to an area outside the municipal borders as an example of a precise policy decision. The outer area would have permitted better accessibility thanks to a dedicated road network, and would have provided for an area suitable for the construction of warehouses and logistic platforms open to economic players in the logistics and food distribution sectors.

Therefore, the relocation of wholesale markets, demanded by real estate operators working in Milan, required the ability to coordinate public action with other local governments in the metropolitan area, which would imply the functioning of coordination tools that were not present in territorial governance as a premise, as discussed in Chapt. IV (Galimberti 2013; Del Fabbro 2018). The saturation of the area near Milan also favoured the development of real estate projects in more distant areas, less densely populated, and less expensive in the land component. Although the economic conditions were favourable, the indeterminacy of decision-making arenas placed the actors of real estate logistics in the position of excluded. From here, they could effectively influence timely decisions on the location of new infrastructure, but they lacked sufficient tools to sustain a conflict dynamic with other interest groups which were far more rooted in the context of governance, like wholesalers and traditional retailers. In short, there still is a mismatch between the economic organisation of the logistics market and the way in which urban governance is designed today, which reduces real estate actors access to decision-making areas. From MGD's point of view too, the lack of collective action and the possibility of developing logistics infrastructure on its own is not conducive to pressure on the urban government to include logistical assets in the wholesale markets. As with logistics operators, MGD's position in the intermediation of interests is that of being excluded from the decision-making arenas relating to infrastructure policy. They act exclusively by mobilising market mechanisms through which they strengthen their economic position in the marketing phase and in the food logistics sector. As we have seen for the case of Paris, the favourable conditions of the urban market and the favourable configuration of the channels for the intermediation of interests is not sufficient to produce a policy change in the governance of the infrastructure. It is necessary to take into account the whole interest groups configuration looking at the mobilisation and influence of each single actor.

In the case of Milan, the predisposition of political actors has been favourable to real estate interests, who have closely supported the political consensus to the government coalition, but this was not enough. What has been lacking was the ability, or the interest, of the actors in these economic sectors to conceive and propose a development programme for the wholesale market area and a project for the construction of a new wholesale market with the logistical assets necessary to be attractive to MGD again. However, this lack of capacity to act was not linked to the effective ability to influence the cognitive and regulatory framework from which policy makers draw on regarding the governance of this urban infrastructure. In fact, the proximity of the government coalition to real estate interests has meant that the desire to move wholesale markets out of the city in order to grow the urban market with the insertion of residential and tertiary functions in that sector has been on the agenda since 2000. This priority has remained on the agenda for the entire duration of mayor Albertini's second term in office, despite the lack of clear references on who might be interested in investing in the construction of the new wholesale market.

Both wholesalers and traditional traders, starting from their position as co-opted, immediately opposed the project of the wholesale market relocation. Wholesalers in the fruit and vegetables market have been in a weak position within the local distribution system dominated by MGD companies since the 2000s. Their economic legitimacy is reduced in parallel with the progressive marginalisation of the role of the infrastructure in the local distribution system. In light of their weak economic role, their access to interest intermediation arenas strongly depends on the political factor that structures the type of interests represented in the government coalition. For this reason, the interest group that influenced policy decisions more than any other since 1965 was in a marginal position between 2001 and 2006 - when real estate interests also dominated this sector of urban governance.

The instability of channels of access to decision-making arenas, which are reconfigured every five years according to the political cycle, have allowed wholesalers and shopkeepers to occupy the position of co-opted again since 2006, when Letizia Moratti was elected as mayor, represented in the processes of urban governance by the Union of Commerce. As we saw in chapter 3, during the 1990s, with the development of MGD, public regulation of food supply ceased to be a priority: the transport network ensured accessibility and MGD companies had organised their own distribution network with



which they manage the supply of points of sale and today control the flow of goods through the logistics warehouses located in the RLM. However, although traded volume within the infrastructure has drastically decreased, it still is of strategic importance from an economic point of view for retailers. Indeed, the proximity of this distribution platform makes it possible not to erode the relatively low profit margins and contain the length of the routes travelled by each individual shopkeeper.

Obviously, as far as the urban market is concerned, the actors of the real estate and logistic real estate sector maintained a position of strong economic legitimacy also after 2006 and found ample space for the representation of their interests in the government coalition. The new dynamics of interest intermediation did not change the approach to infrastructure governance that I identified in Chapter 4 as focussing mainly around its land dimension, and only in a subsidiary way on the role it could play in the organisation of urban food logistics. As with the previous political mandate, the prevalence of land dimension must be associated with the resources that, at least potentially, real estate interest groups are able to introduce into urban development governance processes. The outcome of the interaction between real estate in an integrated position and the interests represented by the Union of Commerce, wholesalers and retailers, in a co-opted position, was the abortion of relocation ideas and the upkeep of wholesale markets within the city, while at the same time was decided to define a program of tertiary urban development of 160,000 m<sup>2</sup> to be placed in the meat sector areas satisfying real estate interests too.

The market conditions favourable to the development of real estate logistics and logistic services remained present as well and allowed a generic opening by policy makers towards private actors without outlining a neither clear coalition of actors nor clear policy strategy. Policy makers also accepted specific proposals, not necessarily linked to the development of Sogemi's role in the local distribution system, but only functional to fill the available spaces of an increasingly marginal infrastructure with more competitive economic functions. The legitimacy linked to the organisation of the market had a fundamental role in opening the policy process to private profit opportunities: the construction of the first logistics platform present in Sogemi, inaugurated in 2008 by the company Brivio&Viganò, must be placed in this framework. This episode was crucial for two reasons. From the point of view of the changing dynamics of the market, it is an example of how the development of MGD has stimulated and influenced the development

of food logistics. This company developed its transport facilities on behalf of *Unes* in the 1980s, one of the MGD companies that left the fruit and vegetables market in the 2000s. During the 1990s, it then specialised in procurement processes for MGD, developing specific skills in warehouse food logistics with the platform inaugurated in 2008. From the point of view of public regulation, the management of Sogemi and the Municipality of Milan that controls it reproduced the policy approach that prevails at the metropolitan level: lack of planning and adaptation of public decisions to market needs. The following years saw logistics actors increasingly integrated into the system of intermediation of interests relating to the governance of wholesale markets.

The Industrial Plan, which was not eventually implemented, drawn up by the Chairman of Sogemi Luigi Predeval (2010 - 2014) took into account this market change by providing for the reorganisation of the infrastructure entailing the inclusion of logistics functions, of product processing functions to recover relations with MGD companies, and the strengthening of the position of larger wholesalers in the fruit and vegetables market to prevent them from exiting from it. Its presence within Sogemi's management thus configured access channels favourable for MGD and food logistics actors. This change was consistent with Predeval's professional history, which made it easier for him to build relationships with the players in these economic sectors, relationships that neither the local administration nor the management company had been able to build before. Going into more details of MGD's position in this phase of infrastructure governance, from field research interviews it emerges that MGD exerted an influence on Sogemi's management - which had acquired greater autonomy in the meantime - mainly from the cognitive point of view, due to its strong legitimacy in the organisation of the market, without this resulting in a lobbying action. There was no strong interest on the part of these actors in entering into the unstable political dynamic of infrastructure governance.

Wholesalers, on the other hand, continued to be in an unfavourable position with regard to market changes, as well as retailers who, at this time of economic marginalisation, allied with the former in the context of the lobbying action of the Union of Commerce. These two interest groups adopted a strategy similar to that observed in the case of Paris: when both started to be in a weak position with regard to the organisation of the market, they invested their capacity for collective action in the coordination of their claims towards local government. This reshaping of interest groups' action strategies

occurred despite the fact that they were in contrasting positions within the food supply chain's economic dynamics. The marginality of both interest groups made it possible for them to find a common ground for action that differed from what happened in the past when conflicts were open (1960s - 1970s), or there was indifference to their respective claims or, in any case, lack of engagement (1980s - 1990s).

While the position of these actors had allowed them to redirect local public action, the role of the real estate actors continued to be perceptible in the governance of the infrastructure. An example of this dual influence on urban government is the development programme approved in 2011, shortly before the end of Letizia Moratti's term of office. In the design of that plan, which was approved with the support of the centre-left opposition, the compromise between the interests at stake in this decade can be traced. In favour of real estate developers, the opening of a section of the meat area for the insertion of new urban functions was envisaged. In favour of the real estate logistics sector, the Plan entailed the possibility of building logistic platforms in an area of high strategic value for the management of the flow of goods. Lastly, in favour of wholesalers, it was expected that the restructuring of the pavilions of the fruit and vegetables market would be financed by public money, also providing for the restoration of Sogemi's budget, which was negative due to wholesalers' continuous refusal to pay the tariffs for the concession of their points of sale.

However, a few weeks after the Plan's approval, another political cycle was taking place, modifying the equilibrium in interest intermediation. The new political coalition leading the urban government had not based the building of local political consensus on the explicit support of the Union of Commerce as in the previous electoral mandate. Moreover, as pointed out in Chapt. III, the role of wholesale markets in the urban economy was dramatically marginal, constantly reducing wholesalers' economic legitimacy. The intertwining of the new intermediation of local interests promoted by the political coalition and the organisation of food distribution put both traditional retailers and wholesalers in the position of marginal. They did not have resources for action deriving from the organisation of the market, nor did they have access to the channels of intermediation of interests. The effects of the marginal position of wholesalers can be grasped by analysing the content of the development plans drawn up in the period 2012 - 2016.

After calling into question the plan approved in 2011, refusing to fund infrastructure modernisation with public money, a new policy programme was drawn up in 2012. We can identify three elements that shed light on the type of interest that found space in the decision-making process. The first concerns the centrality that was intended to be given to the MGD sector for the development of the infrastructure. Accordingly, the project for the new infrastructure was designed in such a way that it supported the competitiveness of only the most developed wholesalers who remained within the fruit and vegetables market, without considering smaller companies that would not be able to bear the future costs of management. As I have already discussed, the size of the company is a preliminary factor to the possibility of satisfying the demands of MGD in terms of stability in the quality of products, in the flow of supply, and in the possibility of ensuring customised packaging. The second element concerns the opening of the development of new wholesale markets to food logistics operators. This decision was presented not as a way to guarantee wholesalers those structural assets that could improve their competitiveness, but rather to try to intercept the relations with the MGD again, avoiding constraints of economic transactions with wholesalers, and to develop food exports by economic actors not necessarily present in Milan. The third element useful to highlight concerns the management of the infrastructure. The design of the new development plan envisaged that the real estate structure of the new wholesale markets would be built by a private actor. This actor would then have the right to manage concession fees for wholesalers, thus introduce a dynamic of financial income and externalise the issue of the constant non-payment of wholesalers on the market, while the organisational services would continue to be provided by Sogemi. In order to make this investment attractive to private individuals, the possibility of real estate speculation on the meat area was open to market dynamics. From an analytical point of view, the policy design was influenced by the growing marginality of the infrastructure and the stable centrality of the real estate developers, who in those years were carrying out important urban transformations started during the mandates of Gabriele Albertini (1997 - 2006).

However, real estate developers' position in the intermediation of interests was not favourable to the start of the implementation of this policy programme. Their involvement, the involvement of MGD and the attempt to produce a greater concentration among wholesalers was mainly supported by the Councillor for Commerce who, as seen in Chapt. IV, tried to reproduce the policy logic that the PSI supported in the bankruptcy policy cycle

of Food City (1980 - 1984) in the new institutional context. The new urban government modified the rules for the governance of urban development, reducing the margins of discretion of real estate developers. For this reason, despite the support by part of the urban government, their position within the policy remained that of excluded from the decision-making process. Therefore, they did not have the capacity to bring a change in the dynamics of government about because the channels of access to the intermediation of interests were not configured in their favour. Wholesalers influenced this policy framework little or close to nothing: from their marginal position, they were unable to coordinate the resources necessary for collective action, nor were they able to influence the definition of development projects based on the idea of attracting and making the governance of the infrastructure attractive to real estate interests and real estate logistics.

A similar dynamic in the intermediation of local interests occurred in the second part of this electoral mandate. Sogemi's new management, led by Nicolò Dubini (2014-2016), presented a project that envisaged a profound urban transformation in favour of the profit of the real estate actors who would have been involved. It also introduced a new feature in the governance of the urban soils that hosted the infrastructure making a distinction between two areas: a 'regulated' area and a 'free' area. The aim was to open a portion of urban land to market dynamics in order to attract investments from logistics operators. A difference, however, could be seen in the capacity of action of the fruit and vegetables wholesalers represented by AGO. In 2013, there was a change in the leadership of the organisation, bringing a small wholesaler to the presidency, in substitution of one of the largest who led AGO in previous years. This corresponded to the adoption of a more conflictual strategy of action towards both Sogemi and the local administration. The marginal position of wholesalers was associated with a repertoire of action similar to that of social movements. Concretely, wholesalers started a strike in May 2015 in order to express their opposition to Dubini's plan. This conflicting action had not been adopted since the 1970s, when, however, wholesalers' central position in the urban economy guaranteed them a veto power in management choices. They flanked this mobilisation with a constant presence in the meetings of the Commerce Commission of the City Council and various statements in the local press. The aim was to try to influence the political debate concerning the government of wholesale markets, using all the communicative spaces available from a position of exclusion from the decision-making arenas. The reasons for the strike did not only concern the political economy in the new development plan (more

favourable to the development of real estate and food logistics than to the strengthening of the role of wholesalers in the urban economy), but also decisions in their detriment concerning the management of the fruit and vegetables market, that favoured the activity of shopkeepers and street vendors, again showing the marginality of the role of wholesalers in policy management. Similarly to the outcome of the previous policy programme, the proposal elaborated by Sogemi was not accepted by the local government because of its incompatibility with the governance strategies that had reduced the margin of influence of real estate developers in urban governance, while keeping them open as far as this specific policy is concerned.

The constant marginality of wholesalers has also been maintained in relation to the political coalition that has been guiding the urban government since 2016. In this case, however, there was a further change in the strategy of action of this interest group. The most structured wholesalers from the business point of view constituted a new organisation to represent their interests towards the local administration and the management company: ACMO. This new organisation represented those operators who, even in past years, did not oppose the development plans, giving great importance to the possibility of inserting new logistical assets in the wholesale markets. It is precisely these two interests, those represented by ACMO and those of logistics operators, that found a way to compose a coalition and guide the decisions taken by the new management and supported by the coalition government. In the framework of the decisional process that had guided the elaboration of the current development program, it is easy to see the weight of the economic changes: the less developed and more numerous wholesalers represented by AGO were doubtful about the project but have no capacity to influence, retailers were definitely out of the public discourse which was dominated by the logistics role of the infrastructure. Even the Union of Commerce had no interest in involving itself in representing interests that are today completely marginal at the local level.

In short, I can say that, since the 2000s, the effect of real estate interests has all been concentrated in the definition of the cognitive frame that guides the design of the intervention policies of these years. All the projects proposed, discussed and elaborated had at their centre the role of a private investor who would finance the development plan in exchange for a speculative development of the areas made available (always with regard to the meat area) and for the extraction of income from the management of the real estate dimension of the infrastructure.

Before concluding the analysis of the configuration of interests that has been mobilised around the government of the wholesale markets of Milan, it is important to consider an actor that after the 2000s regained a role in the internal regulation of the infrastructure: the freight handling cooperatives. Although they had no effect on the dynamics of infrastructure government, these economic actors were able to play a role in regulating the operational functioning of the infrastructure, despite the lack of channels of access to the decision-making arenas, thanks to the renewed economic legitimacy linked to the increasing relevance of food logistics. Unlike the 1970s, the new centrality was not associated with the structure of the urban economy (which saw Sogemi as the main gateway for the distribution of fruit and vegetables). Rather, it was linked to structural economic changes of a general nature: it did not provide the resources for possible collective action only to the cooperatives already present in the infrastructure, but opened up the dynamics of the intermediation of interests to all the corporate actors in this economic sector.

The cooperative is a form of work organisation that is today particularly widespread in the Italian freight logistics sector. One of its main characteristics is the labour force management flexibility granted by the Italian legislation. Behind the apparent security of the many permanent contracts that formally characterise this sector of the labour market, lies a dramatic precariat produced by a system of contracts and subcontracts, (Sacchetto, Semenzin 2015) giving room for many cooperatives to be established and closed once the contract is over, leaving workers with no salary nor guarantees to obtain it through judiciary actions (Bologna 2013). Looking at the characteristics of Milan's fruit and vegetables market, the labour-intensive goods handling and the scarce supply of logistics services and assets placed freight-handling cooperatives as important players in its operation.

As explained above, during the 1980s Sogemi gave wholesalers the freedom to absorb staff from cooperatives in order to reduce their conflictual potential expressed in the 1970s. This choice was made in derogation of the 1975 regional law, which provided for the need to assign this service to a cooperative whose activity would be regulated by Sogemi instead. The decision inaugurated a long season of informal regulations in which this service was left in the hands of private interests. With the logistic revolution, this economic sector grew rapidly in terms of volume of business, and attracted the attention and interests of mafia criminal groups, which had already occupied portions of the agri-

food value chain in the southern regions<sup>226</sup> in the 1960s, already influenced the transport of goods (Hess 1998), and had already shown a widespread presence in Milan's urban economy since the early 1990s<sup>227</sup>. Starting from the 2000s, the criminal networks of the 'Ndragheta began to use the freight handling cooperatives operating within the wholesale markets as instruments for the recycling of money and for the accumulation of financial resources<sup>228</sup>.

Both the structural elements of the market dynamics present in the infrastructure and the configuration of the intermediation between the interests favoured the penetration of organised crime in the management of the movement of goods (Gennari, 2013). Moro e Catino (2016), systematising the contributions of various authors, identified some socio-economic elements associated with the penetration of criminal organisations into the legal economy. Most of them can be found in the fruit and vegetables wholesale market as far as the movement of goods is concerned:

- low entry barriers (which were not present since Sogemi decided not to regulate this activity);
- unskilled labour force (workers in the cooperatives were typically foreigners without professional training);
- limited use of technology (the labour-intensive organisation of the activity did not involve the use of complex technologies);
- a fragmented structure of small enterprises (typically, most of the numerous cooperatives present in the 2000s employed few people, closed down and were frequently reopened under another name).

From the point of view of the intermediation of interests that had been institutionalised in this area of the functioning of the infrastructure, it is useful to highlight the informality of the regulation of this economic activity and the role of the public actors in relation to these criminal interests. The absence of regulation based on shared rules favoured production and reproduction of a mutual accommodation between the interests of

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<sup>226</sup> Camera dei Deputati – Commissione parlamentare d'inchiesta sul fenomeno della mafia in Sicilia, “Relazione sui lavori svolti e sullo stato del fenomeno mafioso al termine della V legislatura”, 31<sup>st</sup> May 1972

<sup>227</sup> Corriere della Sera – Corriere Milanese, “Ortomercato base di mafia”, 16th October 1994, p. 47

<sup>228</sup> Commissione parlamentare di inchiesta sul fenomeno della criminalità organizzata mafiosa o similare, “Relazione annuale sull'ndragheta”, 18<sup>th</sup> February 2008.



criminal groups and wholesalers in the 2000s. The former could use the infrastructure as a logistics hub for the trafficking of illegal goods, as a source of legitimacy of their criminal power on the territory, and as a tool to accumulate financial resources. The latter, on the other hand, could count on the greater flexibility of labour provided by the companies controlled by the mafia, on lower tariffs and on the absence of involvement of the trade unions for the resolution of possible problems in the workplace. The role of public actors was also relevant (Sciarrone, Storti 2016): in the Milanese context, the proximity between the criminal groups affiliated to the 'Ndragheta and urban and regional politics has been established over time. Even though no case of direct complicity had been found by the Magistracy in the management of the wholesale markets, the fact that the mafia's presence was denied both by the mayor, Letizia Moratti (2006 - 2011) and by the Prefect, Gian Valerio Lombardi (2005 - 2013), raises clues about the influence capacity of these criminal groups<sup>229</sup>.

Public actors chose not to regulate the sector, nor to control the lawfulness of corporate dynamics and at the same time exclude from decision-making arenas the entrepreneurial actors who had historically guaranteed the service of handling of goods. It is surprising how this position of indifference has persisted even in the face of growth in the number of cooperatives operating within the infrastructure, from three operating in the 1990s to more than twenty in 2006. In fact, scholars have already highlighted how the administrative simplification to reduce burden and complexity of processes, associated with the growing autonomy of management in public bodies, could trigger micro-level mechanisms that help to establish links between legal and illegal economies (Dagnes *et al.*, 2018). The position of Sogemi and of the local administration thus offered a structure of opportunities favourable to the entry of these criminal groups in the economy of the fruit and vegetables market. The presence of organised crime was also associated with the absence of collective action by cooperatives that operated legally for the defence of their interests and security. The capacity for collective action was regained only when the judiciary brought to light the pollution of the legal economy within the fruit and vegetables market.

After the arrest of numerous members of the "Morabito-Palamara-Bruzzantini" consortium in 2007, and with the change in Sogemi's leadership, a new window of

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<sup>229</sup> Commissione parlamentare di inchiesta sul fenomeno della criminalità organizzata mafiosa o similare, "Relazione annuale sull'ndragheta", 18<sup>th</sup> February 2008

opportunity opened up to introduce some form of rule enforcement for the handling of goods. Over time, the new rules had led to the expulsion from the infrastructure of cooperatives that operated with non-transparent business strategies. In the same years, between 2007 and 2011, Sogemi's engagement in solving this problem offered a channel of access for the "historical" cooperatives that were already active in the market in the 1970s. The involvement of these actors in the co-opted position allowed the operating company management to identify ways to introduce the logistic assets in the formulation of the development plan that was approved in 2011. Therefore, also for these actors, the dynamics of the political cycle introduced a change in the configuration of the access channels to the decision-making arenas. The trade deputy mayor elected in 2011 took the decision of issuing a public bid to entrust the service in a regular manner to a cooperative to be selected on the market, including the possibility for external actors (*challengers*) to participate. The preparation of the bid was carried out involving the cooperatives already present, which in this phase therefore maintained a co-opted position. However, the selection process was not transparent, and eventually led to the selection of a cooperative that had never worked within the infrastructure and eventually put at risk the work continuity of employees of active cooperatives. The reaction was not long in coming and was manifested by a joint strike of cooperatives and wholesalers, who highlighted the lack of the necessary skills on the part of the selected company.

Looking away from the individual conflicting dynamics that marked the intermediation of local interests between 2011 and 2016, it is possible to highlight an important element. The political coalition that designed the access channels for the interests groups mobilised around the infrastructure policy, decided to exclude actors present in the wholesale market from the decision-making arenas, namely wholesalers and freight-handling cooperatives. This choice was made with the aim of favouring the interests of the real estate developers, of the actors of the real estate logistics, of freight logistics actors, and of MGD. However, this configuration of interests was mainly supported by the Assessore al Commercio (between 2011 and 2014) and by Sogemi's management (between 2014 and 2016), without any support by the other actors of the local political elite. The political factor, and the fragmentation of the local political system, was once again at the core of policy dynamics. In addition to reproducing a policy inertia, it favoured interaction between interest groups that had expressed conflicting claims in the past. The contingent coalition between freight handlers and wholesalers should be read as

the outcome of the structures of opportunity designed by the interaction between economic changes and the configuration of the channels of access to the decision-making arenas of policy.

### ***5.1 Conclusions: interest group intermediation: a source of discretionary but of different sorts.***

The first element to be highlighted in order to draw conclusions from what was analysed in this chapter concerns the relationship between changes in market organisation, the type of interest groups that mobilised and the form of interaction between them in relation to the policy process. In this respect, different dynamics occurred in the two cases examined.

In the case of MIN Paris-Rungis, in the initial phase of the policy process analysed in paragraph 5.1, the interest group mobilising to try to modify the policy process was only that of food wholesalers. The other two interest groups directly concerned by the role of infrastructure in the food supply chain committed themselves to another policy area instead: regulating the development of the retail sector. Traditional retailers and MGD did not seem interested in introducing their voice into policy design and the process of building and operating the new infrastructure. This actor's configuration appears to be consistent with the regulatory framework underlying the policy issue. The aim of the policy makers in this phase was in fact centred on the regulation of the relationship between the local distribution circuits and the production areas in order to favour the placing on the market of perishable products following a rationalisation strategy. The same policy phase is characterised by a different dynamic of the relationship between interest groups in the case of the fruit and vegetables market opened in Milan and managed by the company Ortomercato Spa. In this context, from the beginning, conflicting interactions between different market interest groups occurred, in addition to interactions with policy makers. I have highlighted that at the time of the inauguration of the new infrastructure there were tensions between wholesalers and retailers and between wholesalers and freight-handlers working within the infrastructure. In this case too, this particular configuration was consistent with the ideas that guided public action. The aim of the policy makers was in

fact to regulate the relations between the different actors active in the local distribution system, modifying the balance in terms of the political economy.

In the second phase of the policy that I identified and analysed in paragraph 5.2, the structural changes in food distribution highlighted conflicting interests between the traditional economic actors for whom the infrastructure policy was formulated, and new economic actors who in the meantime had gained greater economic legitimacy linked to a growing centrality in market transactions. In the case of the MIN Paris-Rungis, this led to tension between interest groups in the Cash & Carry economic sector and wholesalers. In a similar way to the previous policy phase, the mobilisation of these actors remained consistent with the public policy goal: it was a matter of regulating the intermediation relationship between producers and retailers. During the 1990s, this intermediation saw the entry into the market of a new player who introduced a new procurement logic that conflicted with the policy setting formulated to regulate only the relationship between producers and wholesalers without taking into account the option of challengers. In the case of Milan's wholesale markets, the change in the market introduced a new form of conflicting interaction between economic interests. The development and consolidation of a central position in the local distribution system of MGD led these actors to confront wholesalers in order to have the possibility to use the public infrastructure as a useful tool for their business strategy. In this case as well, the element that designed the field of actors intervening in the dynamics of interest intermediation was the public policy normative framework. The fact that this infrastructure was created with the aim of regulating the political economy of local food distribution favoured the mobilisation of the actors involved.

It should be noted that in the case of Milan as well as in the case of Paris, the configuration of the interest groups was triggered by the initial structure and by the changes in the market in both policy phases, but it was channelled and took on a specific form, distinct on the basis of the institutional elements of the two public policies: the different normative frameworks and the different policy rules. In the case of Paris, contested policy rules concerned, both in the initial phase and in the infrastructure consolidation phase, the regulation of the economic geography of wholesale trade through the instrument of protection perimeters. In the initial phase, wholesalers contested the obligation of spatial concentration within the new infrastructure, while in the following phase, Cash&Carry actors contested the rigidity and ratio of the policy instrument. In the

case of Milan, the contested policy rules were those that drew the politics of the new economic regulation that was being introduced. In the initial phase, both retailers and freight-handlers questioned the rent position that these rules guaranteed to wholesalers. In the phase of consolidation of the infrastructure, these rules were still contested by MGD, who asked for the ability to use the infrastructure without the obligation to introduce the wholesalers in their procurement strategy.

In the third and final phase of the policy, analysed in paragraph 5.3, the transformation of the market produced in both contexts a different distribution of the economic centrality for the different interest groups involved in the policy management. In both cases, the actors for whom the infrastructure policy had been formulated were then in a position of economic marginality. As a result of this type of change, a strategic repositioning of the relations between the actors can be observed both in Milan and in Paris. In the case of Paris, this led Semmaris, FFMG, wholesalers and traditional traders to build new forms of coordination of their mobilisation in order to politically build a new legitimacy of policy for the MIN that was also supported by a regulation of retail trade with a view to stabilising the time of the economic role of the infrastructure. In the case of Milan, the marginality of local economic actors in the context of profound economic changes (both in the retail sector and in the food logistics sector) is today opening up opportunities for unprecedented coalitions. These have taken the form of an alliance between retailers and wholesalers in relation to the infrastructure relocation project, and between freight-handlers and wholesalers in relation to the attempt to regulate relations between these two actors within the infrastructure in a different way.

In this last policy phase, there was an interesting change from an analytical point of view. The institutional element of the policy that contributed to shaping the mobilisations was no longer the normative framework. Rather, the mode of territorial governance, established in the two contexts, assumed greater weight. In the case of Paris, the construction of a horizontal coalition of interest groups was favoured by the process of building a metropolitan governance, in which several interest groups, not only linked to the operation of the MIN, built specific coalitions on dossiers in which they had common stakes and multiplied the arenas of coordination of their actions at local and national level. In the case of Milan, the governance strategy offered a new centrality to the market dynamics led by the real estate sector, thus favouring the coordination between local actors

who were in a position of policy marginality in order to maintain a relevance in the decision-making processes.

The second element that it is important to highlight concerns the effect of the market on the policy approach pursued in the two contexts. The restructuring of the market produced an economic marginality of the actors for whom the two infrastructure policies were designed both in Milan and Paris. The repositioning of traditional wholesalers and traders in the food supply chain favoured the opening of the field of policy actors towards the real estate sector, in the case of Milan and Paris, and towards other actors of the food distribution, only in the case of Paris. This change questioned, as we have seen in chapter 3, the policy legitimacy of these two infrastructures. In the case of Milan, the policy legitimacy was based on a corporative distribution approach that had the objective of governing the political economy of the local distribution system. In the case of Paris, the legitimacy of the policy was based on the need to rationalise and modernise the food supply chain at the local and national levels.

In both contexts, the questioning of policy legitimacy translates into the greater capacity for influence of market actors seeking to introduce changes to the policy setting to their advantage. When the constituent elements of the policy framework have been made more porous to the influence of other policy ideas, the ability of market logic to change the ideal references of policy makers emerges in this analysis, favouring the adoption of decisions in support of the possibility of generating profit in favour of private actors. Although this element is common to both cases, the outcome in terms of policy is different. In the case of Paris, the adoption of a market logic translates into the growth of policy actors' autonomy (Semmaris, UNIGROS, individual wholesalers, logistics actors operating within the MIN), which allows them greater freedom in adopting business strategies that strengthen their competitive advantage. Semmaris increased its self-financing capacity by adopting an entrepreneurial strategy both towards wholesalers and towards foreign markets (see Chapter 4); wholesalers obtain the recognition of property rights on investments made by strengthening their financial profile towards banks; UNIGROS mobilises for the formulation and implementation of policies to support entrepreneurship in the food sector by involving different actors in the territory; Semmaris plays an active role in urban logistics policies promoted by Paris by strengthening the position of companies working within the MIN. In the case of Milan, the adoption of a market logic translates into the exploitation of the land dimension of the infrastructure. Since the 2000s, the main focus of

policy makers has been on the production of income or profit linked to the development of real estate in the area, whether for residential or tertiary use, or linked to logistics. In addition to having a different form, the introduction of market logic produced equally different policy results. The MIN Paris-Rungis once again conquers the role of strategic infrastructure for the development of the metropolitan economy and for its international competitiveness. Sogemi, on the other hand, is unable to carry out any of the different industrial-real estate development plans drawn up over the last twenty years.

The interweaving between this change and the institutional configuration in which the two public policies are embedded contributes to explain this divergent outcome. Semmaris was rooted in an institutional environment characterised by the regulatory power of the state, at least until 2007 when a part of the state shareholding was sold to Altarea-Cogedim. The presence of a vertical integrating force influenced the dynamics of interest intermediation in two ways. The first consists in the centralisation of the intermediation between conflicting interests, limiting the presence of horizontal conflict dynamics between conflicting interests. This mediation capacity is also linked to the characteristics of the construction of public action in the French institutional environment. In such a context, at least when compared to the Italian case, the administrative actors and the rules of transmission of policy decisions from one institutional arena to another, between different administrative levels and from one level of government to another, dominate. This aspect leaves less discretionality to policy actors to pursue objectives and action strategies in contrast with the priorities established by policy makers. At a time when the territorial governance of the Paris metropolitan region is reorganising itself horizontally thanks to the decentralisation process of the previous decades, the policy actors have found more space to act autonomously but always within a dense institutional fabric which, as we have seen in chapter 4, favours the coordination between the actors and therefore the transformative process of the role of the MIN in the territorial context. The Milan wholesale market operating company is embedded in an institutional environment whose boundaries are drawn by the interweaving of urban government organisation and relations with local institutions. As emerged from the analysis of the genesis of this infrastructure policy (Chapter 1) and the analysis of the role of urban governance for its development (Chapter 4), the main feature of the institutional context is the central role of local politics. In fact, parties and non-administrative organisations direct the dynamics of interaction between policy actors and the institutional elements of the local context. This difference

from the Paris case introduced the element of discretion in the interpretation and enforcement of policy rules from the outset. Over time, in fact, a hiatus has persisted between the formal content of decisions taken and the way in which these decisions have been applied in the operational management of the infrastructure and in the governance of the relationship between the latter and the economy and urban development. This distance is attributable to the mutual influences of different actors in the political arena and to consensus building, which is the priority. The type of discretion exercised by actors in the case of Milan is qualitatively different from that which has characterised the development of the Rungis MIN in recent years. In fact, the prevalence of the political dimension over the institutional one does not offer a framework of reference that guides the action of the actors in a constant way over time, thus favouring practices of coordination between different interests. The centrality of the political dimension opens up the policy process and the configuration of the actors to constant changes in the priorities and in the intermediation of interests mode. The continuous search for consensus and the political cycle designed by the organisation of local government encourages conflict between the different stakeholders and between them and the coalition government of the moment. Another consequence linked to the prevalence of the political dimension is the type of actors able to influence policy decisions. Depending on the consensus-building strategy adopted by the political actors over time, there are two types of actors that have influence in the policy decision-making arenas: locally too embedded (in the case of food trade actors) and locally not embedded enough (in the case of actors linked to the real estate sectors). The lack of integration between local and supra-local scale with regard to the coordination of the resources necessary to produce an adaptation of the infrastructure to market changes is due to the policy makers' inability to build a policy discourse that could fuel the construction of a stable coalition of actors over time.

The interweaving of market changes and the configuration of the actors that are mobilised as stakeholders has produced different strategies of action on the part of interest groups over time. In the formulation phase of the policy processes, in France there was a strong mobilisation in the attempt to prevent the decision-making process from continuing along the tracks traced by the organisation of the state, which would have left little room for the influence of policy makers' decisions. During the development of the infrastructure, the strategy of action that predominated was the search for political, cognitive or organisational proximity with public decision-makers. Finally, in the current phase of



policy management, what emerges is a greater autonomy of the actors, who take advantage of the opportunities offered by the institutional reconfiguration of metropolitan governance, in order to build a legitimacy of policy on different regulatory and cognitive bases. In Italy, the policy formulation phase was characterised by the absence of mobilisation that manifested itself as soon as the infrastructure was inaugurated. This difference is consistent with the prevalence of the political dimension in the Milanese context: only when the infrastructure was actually inaugurated may it act to modify the balances of the political economy that had been present until then. During the infrastructure development process, the actions adopted by the local actors pursue a veto strategy that uses the margins of discretion guaranteed by the mechanisms of consensus building and by the local economic structure to influence the decision-making processes or prevent the implementation of the decisions taken by the policy makers.

# GENERAL CONCLUSION

## **Explaining governance outcomes and policy change for wholesale markets in Paris and Milan**

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In this final chapter, I mobilise the explanatory scheme proposed in the introduction, drawing on the analytical work presented in the thesis. The first step is to analytically qualify the outcomes I observed in the case of the two infrastructural policies. The second step is to apply the explanatory model for policy change elaborated by Mahoney and Thelen (2010) to the two case studies. The third section identifies the mechanisms that have supported the processes which produced these outcomes over time. Finally, I look at the way the hypotheses formulated in the introduction have been verified (or not), offering a clarification of the role of the market, the state, and the social actors in the governance of the wholesale markets of Milan and the MIN Paris-Rungis over the last 50 years or so.

## ***6.1 Two distinct policy outcomes***

The two public policies represent, consistently with the differences in the way the two wholesale markets have been governed, two different outcomes linked to different policy trajectories. To qualify the policy outcome, I consider five dimensions that refer to the different analytical entry points investigated in this research project: (1) the role of actors in the policy process; (2) the organisational dimension of the regulation of the two infrastructures; (3) the link between the two infrastructures and the processes of urban governance; (4) the role of the two food wholesale markets in today's economic context, which is profoundly different to that in which they were built; and (5) the land dimension of their urban insertion.

The public policy that has guided the development of the MIN Paris-Rungis presents a stable and expanding coalition of local actors whose activity over the last ten years has guaranteed a new policy legitimacy for this infrastructure. This legitimacy is based on the will to stabilize the local food retail sector, on strengthening the territorial competitiveness profiles that its presence guarantees to the metropolitan region, and on the medium-term project to make the MIN a strategic asset in the governance of urban logistics. This coalition of actors includes: wholesalers and retailers' professional associations, local political elites from Paris and the municipalities where the MIN is spatially inserted as well as the Val-de-Marne department; local institution such as the CCIVdM; and, territorial state-led urban development authorities, such as the EPA-ORSA. Moving the gaze towards the public policy of Milan's wholesale markets, one can see an unstable and shrinking coalition of actors. The purpose of this coalition is to maintain the urban insertion of infrastructure in response to pressure for its relocation or spatial reconfiguration exerted by urban market actors from the real estate sector. The actors that have pursued this goal in recent years are the professional organisations of traditional wholesalers and retailers – today only weakly supported by the Union of Commerce – and some local politicians. The maintenance of wholesale markets' urban insertion is justified by arguments related only to the functioning of traditional food retailing, without including other possible functions or development paths for the approximately 800,000 m<sup>2</sup> occupied. Urban logistics purposes for the promotion of metropolitan competitiveness are not in the agenda. The downsizing of the coalition is reflected both in terms of the number of actors, with the number of

traditional wholesalers and retailers greatly decreasing over time, and of relevance in the urban agenda.

With regard to the organizational dimension and the link between the two infrastructures and urban governance, one can observe very different outcomes. Semmaris now plays a brokerage role, setting in motion a mechanism that has strengthened the coalition of actors active in the management of public policy, has changed its shareholding structure, and has supported the development of new goals for the development of the MIN, facing an institutional and economic context profoundly different from that which legitimized its construction in the 1960s. The brokering mechanism is activated in relation to different issues: the regulation of traditional trade; the elaboration of urban development programs affecting the Pôle d'Orly; and the construction of political, public, institutional, and private actors of the Pôle d'Orly with a collective action capacity to represent this territory as strategic for the construction of metropolitan governance. The functioning of this mechanism has made two further developments possible: (1) the protagonism of Semmaris as an actor in metropolitan governance; and (2) the formulation of new goals pursued by Semmaris using the resources (organizational, economic, and political) which it has accumulated over time. These aims include building a new policy legitimacy for all MINs in France; the integration of the operation of other MINs under the control of Semmaris; building cultural policies and urban development programmes to increase territorial competitiveness; and contributing to the elaboration of urban logistics governance practices. This marks a clear break with the goals the MIN Paris-Rungis was built for. In the 1960s, the function of the infrastructure was to govern the value chain in the local consumption market in a more transparent way, and to produce concentration in the business structure of food wholesalers, to stimulate the modernization of food wholesaling in the supply chain by encouraging the development of *grossistes à service complet*. Sogemi, on the other hand, presents itself as a weak policy entrepreneur isolated from the government coalition, especially after 2012. The greater autonomy acquired in the framework of urban governance did not translate into a capacity to weave, feed, and stabilize a coalition to promote the development of wholesale markets. Its role, at least since the beginning of the 2000s, has remained one of executing the political decisions taken within the local government, even when these decisions have proved not to have enough political support to be effectively implemented. Therefore, in this context, Sogemi does not have the capacity to influence or contribute to building the public debate on urban

governance, even when this is limited to the elaboration of a vision for the future development of the urban area occupied by wholesale markets. In other words, what Sogemi lacks is the capacity to coordinate the kind of collection action needed both within and outside the infrastructure with which to stimulate the urban government to start a redefinition of this urban infrastructure and reintegrate it with the urban, economic, and social context.

The actual economic role of MIN Paris-Rungis, after a period of increasing marginality in the local distribution system, shows that Semmaris has been able to develop new structural assets to adapt its role to new market conditions. Over the last few years, in fact, there has been a growth in the volumes of goods that are not traded within the MIN but are rather a reflection of a growing orchestrating role for logistic freight flows. This upshot is that the infrastructure has managed to maintain a function in the distribution of perishable food products, flanking the trading, and acting as a connector between the local and supra-local dimensions of food logistics. The wholesale markets of Milan have progressively and constantly become more marginal since the early 2000s. The quantity of products sold has fallen, the number of operators active within the company has decreased, MGD companies no longer use the infrastructure, and there are no logistical and structural assets that can support the development of the competitive advantage of wholesalers. The infrastructure is therefore less and less attractive for the flow of perishable food that supply the urban economy due to the lack of development of logistics assets capable of ensuring the right degree of competitiveness for wholesalers located within it despite the strategic location of Sogemi within the Milan logistic region (Dallari, Curi 2010).

The last dimension useful for the outcome specification concerns the land dimension, that is, the type of relationship between the two wholesale markets and their urban insertion today. In the case of the MIN, what is observed is the commodification and opening of the infrastructure land to the logistics real estate market, while preserving the use of land for food logistics operators. This has led over the years to an increase in the surface area occupied and to a spatial densification of economic activities within it. Already during the 1980s, the initial problems of availability of space for the installation of new commercial and logistical structures arose. In the 1990s, a reorganisation of the internal space to increase the exploitation rate of the MIN land resource began to be planned. In the 2000s, the Eurodelta Zone was inaugurated to host the logistics and food processing activities. In the 2010s, there was a need to look for other spaces because of the

saturation of available space. Considering the land dimension, the wholesale markets of Milan presents a diametrically opposite result. Over time, there has been a decrease in the intensity of the use of space available for marketing activities and the organisation of goods flows. Large portions of land have been abandoned without being put to use either by the city or the management company. In particular, the entire meat area, which occupies approximately 162,000 m<sup>2</sup>, was definitively abandoned in 2013 while the poultry and rabbit market (approximately 28,000 m<sup>2</sup>) was closed after the remaining wholesalers were moved to free spaces previously dedicated to the flower market. The presence of almost 200,000 m<sup>2</sup> of abandoned land obviously exposed the infrastructure to pressure from actors related to the real estate market for these areas to be opened to market dynamics.

## ***6.2 Conversion and Drift policy processes***

The different components of the two policy outcomes need to be considered in an integrated manner if we are to understand the role they played in determining the current situation. In both cases the coalitions of actors, the role of the management company in relation to local actors and urban governance, the dynamics of land development, and the link they have with the current market structure are mutually influencing factors. In the next paragraph, I will highlight how these interactions have actually worked over time. Before proceeding with an explanation of such distinct outcomes, it is necessary to provide for their conceptualization so as to be able to test the hypotheses which I formulated in the introduction in relation to the factors that may have influenced the policy changes.

I define the policy change observed in the case of the MIN Paris-Rungis as yet incomplete conversion process that follows a previous layering process. The first aspect to highlight is the integration of wholesalers' interests in Semmaris' management practices. During the 1970s and 1980s, the stable integration of these actors in the decision-making processes of the operating company produced a process of institutionalization, strengthening the capacity of wholesalers to act collectively as well as their capacity to represent their interests outside the MIN *vis-à-vis* policy makers. As we have seen in chapter 5, during the 1990s a new actor mobilized to produce policy change: the Cash&Carry companies. Wholesalers and Semmaris, strengthened by the institutionalisation of their relations, were able to oppose this attempt. However, the

French political context meant that government actors, especially at the national level, retained an important amount of control over public action and the ability to introduce policy changes. The institutionalisation of the actors within the MIN built a space of resistance towards those actors who sought to erase the role of the double perimeter of protection that until then had guaranteed food wholesalers a significant competitive advantage in a changing market. The outcome of the interaction between the political context and this type of internal institutionalisation of the policy was the start of a layering process in the early 2000s with the redefinition of the role of Semmaris, which was now more oriented towards supporting the entrepreneurship of wholesalers, and with a compromise on the regulation of the protection perimeters that favoured Cash & Carry entrepreneurs. The layering process continued into the following years when a new conflict between actors within the MIN - economic challengers (Cash&Carry actors), and national politicians – took place with the aim of erasing the perimeter of protection. In this case, the institutionalization of local interests around the MIN once again prevented the possibility of making top-down decisions since the strong mobilization of interests managed to obtain a revision of decisions taken within the National Assembly. Although it may seem a marginal element with respect to public policy as a whole, the revision of the protection perimeter is critical. Indeed, it was the instrument used to regulate the economic geography of wholesale trade and thus also the political economy of the actors involved in the supply and value chain. In the meantime, during the 2000s, important changes in the local political context began to take place. The construction of metropolitan governance called into question the coalitions of actors that until then had mobilised for the development of the MIN, embedding the various actors involved in infrastructure management (Semmaris, UNIGROS, Altera-Cogedim) in different decision-making arenas. The reconfiguration of the territorial governance and the expansion of the network of stakeholders mobilized to redefine the role of the MIN in the urban economy and for urban development had supported the formulation of a new set of goals for Semmaris. Today the role of this infrastructure is unrelated to that defined in the national policy of the French MINs and is grounded in objectives of local economic and sustainable development of Paris metropolis. The MIN is in fact a tool for the organization and planning of urban space, an asset available for the formulation and management of urban logistics policies, and an actor for the metropolitan governance agenda setting.

The change observed in the case of the Milan wholesale market can be defined as a policy drift process, which also occurred following a previous layering process that characterized the entire implementation of this urban infrastructure policy. The process of layering the public policy for the wholesale markets of Milan began with the construction of the new fruit and vegetable market inaugurated in 1965, operated by Ortomercato Spa. The organisational fragmentation of the time was an obstacle to changing the entire policy in a comprehensive way, as was the case with the MIN Paris-Rungis. The control of public action by the political parties was confronted with the resistance exerted by a corporative setting of policy rules and by the bureaucratic inertia of local administrative bureaucracy, which until then had managed each single wholesale market separately. The layering concerned the construction of a new physical structure and the introduction of a new management model less based on an administrative approach and, at least in its intentions, aimed at developing the competitiveness of Milanese wholesalers in the national context. The episode of the Food City policy represented a failed attempt to modify policy rules and the role of the infrastructure in the regulation of the political economy of the local distribution system. The government coalition sought to introduce new actors into the management of general markets, to shift control of wholesale market rules (Fligstein 1996) from parties to private actors in the real estate sector, and to introduce new urban functions in areas occupied by the infrastructure. The effectiveness of wholesalers' veto strategies and the Union of Commerce towards this policy programme led to the adoption of decisions that continued the layering process started in the 1960s. Once again, layering concerned the organizational and spatial dimensions, leaving the policy rules unchanged: a new operating company, Sogemi, was set up to guarantee the organizational unity of all Milan's wholesale markets and construction work began to concentrate all the markets in the same area. After construction was completed in 2000, public actors tried several times to implement interventions to produce a policy that could adapt the infrastructure to the new market structure and food supply chain organization. Two paths were attempted: one focused on the insertion of new urban functions in the very same area occupied by wholesale markets, a second focused on the insertion of logistics functions and assets within the infrastructure to make it compatible with the new organization of the food supply chain structured by the food logistics sector. Between 2002 and 2016, none of these solutions could be implemented. The main reason were obstacles in producing the collective action needed to implement policy programs that would have profoundly



changed existing policy rules and Sogemi's politics (Fligstein 1996). Wholesalers and traditional retailers acted as veto players hindering decision-making processes. Between the 1990s and the 2000s, the food distribution market structure was transformed, primarily by the development of food logistics and concentration of distribution channels. Although the effects of this ongoing change on the infrastructure operation were increasingly evident, policy makers were unable to re-integrate wholesale markets into the new economic context. The policy drift outcome was not consciously and deliberately pursued by the policy actors. Rather, it was the unintended by-product that emerged from a repeated short-term strategy in which the economic operators of the wholesale markets and the local politicians who supported them have favoured the reproduction of distributive practices, useful to both in the short term but detrimental to the development of this urban infrastructure. The result has been the dramatic marginalization of its role in local food distribution system and the abandonment of large underused areas now under pressure for the insertion of different urban functions. This policy change is thus the outcome of lack of collective action capable of introducing policy changes.

The main aspect that must be highlighted in the comparison between these outcomes is the presence of analytically common policy change processes – layering – and the fact that at some point the two public policies followed a path of change that leading to very different outcomes. In the next paragraph, I explain how actors, policy rules, the political context, and the economic structure of food distribution are related to each other in determining these outcomes. From an analytical point of view, therefore, I identify the causal mechanisms that have organized the relationship between these elements and that over time have constituted these processes of change.

### ***6.3 Explaining processes of policy change through causal mechanisms***

The first step is to explain the processes that led the management of the two policies to produce such an outcome. The second step is to highlight which causal mechanisms have produced these processes. In qualifying the functioning of the mechanisms from an analytical and empirical point of view, I draw attention to two elements that are connected to each other. The first of these elements are the actors who have occupied the role of 'change actors', producing over time the policy changes that have led to the observed

results. The second element concerns the context in which these actors acted and the role it played in influencing their action strategies. I define the context by three dimensions: the political dimension (Mahoney, Thelen 2010), the regulative pillar of policies' institutional dimensions (Mahoney, Thelen 2010; Scott 2013), and the structural changes of the market.

In their model, Mahoney and Thelen (2010) present four possible processes of change with which four outcomes are associated. Although some scholars have conceptualized these processes as social mechanisms able to explain the link between a starting situation and the policy change, I claim that to offer an explanation of how we have arrived at such divergent policy outcomes in the case of Milan and Paris, it is necessary to identify the causal links at a more detailed level of analysis. Following Falleti and Lynch (2009), I consider the processes identified by Mahoney and Thelen as the visible result of a series of interlinked mechanisms that have taken place over time at an organisational level (in the two operating companies) and at an individual level in the relations between policy actors.

The functioning of the mechanisms is discussed by linking the agency of the actors with the characteristics of the context in order to explain the unravelling of the processes of change in the two cases. Drawing on Falleti and Lynch (2009), I support the methodological statement that mechanisms produce an outcome only in relation to a specific context, and it is in the interaction between the functioning of the mechanism and its characteristics that the explanation of the outcome must be sought. The three elements on which the explanation is based (actors, mechanisms, context) have been widely presented during the thesis both for the actors and for the context. For greater clarity, however, it is useful to explain which rules have qualified the institutional dimension of the two public policies and which are the analytically relevant elements of the two political contexts.

### 6.3.1 The local context: policy rules

Regarding the policy rules, I prioritised the analysis of their functioning in the previous chapters. Here, I will focus instead on their analytical dimension. The empirical research highlighting the centrality of the following instances of regulation of the behaviour of the actors:

- *The regulation of the localisation choices of food wholesalers*: in the case of Milan, the localisation choices are deregulated with the intervention of wholesale trade liberalization in 1959. In the case of Paris, the location of economic operators was instead rigidly regulated by the functioning of the protection perimeters, which were then reformed in the 2000s.
- *The regulation of the representation of the interests of the wholesale market users*: in the case of Milan, the interests of the wholesalers and retailers are represented in the political arenas of the local government and in the market commission, which can also be qualified as a political arena given the presence of municipal councillors and the participation of the president of Sogemi, both strongly politicised roles. In the case of Paris, the interests of the food wholesalers are represented within the management of Semmaris in a stable way over time and from the beginning. The interests of traditional traders are absent from the politics setting.
- *The practices of rule enforcement (overview and sanction)*: in the case of Milan, rule enforcement is delegated to the market commission whose membership include both economic and political actors. In the case of Paris, rule enforcement is delegated to the *Conseil de Discipline*, a deliberative arena set up for the evaluation of possible infringements of internal rules. Its membership includes the market director of the sector involved (fruits and vegetable, seafood, dairy products, meats, plants and flowers), professional associations representatives, and two representatives of the state. No politically appointed member is present.
- *Definition of tariffs for the infrastructure operation*: In the case of Milan, the decision-making process has the market commission as the central player. In this case, therefore, decision have a political connotation. In the case of Paris, the adoption of new tariffs is decided by the board of directors in which representatives

of the state, local administrations, and wholesalers are present, and then confirmed by the local Prefect. The decision is controlled by the infrastructure management.

- *The regulation of the presence of operators in wholesale markets:* in the case of Milan, also this decision is taken within the market commission and is therefore influenced by the political strategy and type of relationship between the government coalition and the local economic interests, all represented within the commission. In the case of Paris, the decision is taken by the operating company, since it does not provide for the assessment of the request for establishment within the MIN by a commission. In essence, the difference lies in the fact that in the case of Milan, priority is given to protecting incumbent interests, while in the case of Paris priority is given to implementing the development strategy elaborated by Semmaris.

After highlighting the relevant areas that are concerned by the policy rules, it is possible to characterize the difference between the two cases. According to the model elaborated by Mahoney and Thelen, one of the explanatory dimensions that contribute to determine the policy change "concerns differences in the extent to which institutions are open to contending interpretations and variations in their enforcement" (Mahoney, Thelen 2010: 20). In other words, the type of change is related to the degree of compliance of the actors with the rules and to the room of discretion these rules are applied. These two variables (compliance and enforcement) are likely to vary over time.

In the case of Milan, a high degree of discretion can be observed throughout the policy process in the management of policy rules over time, both regarding compliance of the actors whose behaviour they intend to guide, and regarding flexibility in their enforcement. The scope of the regulation of localisation choices has been important in determining wholesalers of veto capacity. The complete liberalization of the wholesale trade activity in 1959 offered this interest group ample resources to negotiate rule interpretation and enforcement. To achieve an effective operationality, the infrastructure required the decision of wholesalers to locate their activities within it. If in the case of the MIN this could be imposed in an authoritative way, in the case of Milan the wholesalers used the threat of an exit strategy as a tool to obtain favourable conditions or to prevent disadvantageous policy changes.

The representation of users' interests within the wholesale market has changed in both form and relevance over time. These changes have been linked, consistently with the relationship between infrastructure and urban governance, to changes in urban policy. Until 1972, wholesalers were not represented in the management of Ortomercato Spa and, in 1965, initiated legal proceedings to have this right recognised. In 1975, they were once again excluded from infrastructure management following the election of the new left-wing political coalition, and were then reintegrated after the establishment of Sogemi, in which they became significant shareholders. In 1984, they left both the management and the shareholding structure of Sogemi, regaining a place to participate in the board of directors only between 2007 and 2010. These variations are associated with the reconfiguration of the coalitions of local actors in the construction of political consensus for urban government.

The instruments for rules enforcement are weak in the Milanese context. During the 1970s, there were numerous cases of rule infringement relating to economic transactions, and the uncertainty of hygiene conditions for the fish and meat markets. In the 1980s, neither the regional law 12/1975 nor the internal regulations that provided for the assignment of freight-handling services by public tender were applied, and Sogemi was used as a tool to distribute public resources to private actors, following a political patronage logic. During the 1990s, the movement of goods within the fruit and vegetable market was not regulated and opened the way to the infiltration of organized crime that continued to affect its operation at least until 2008. Since the 1980s, the internal labour market and the access of unauthorised persons have not been effectively controlled.

Finally, as far as economic participation in the operation of the infrastructure is concerned, over time there has been constant difficulty for Sogemi in approving and implementing the tariff adjustments needed to finance the management of wholesale markets, triggering a spiral of indebtedness and lack of investment. In 1965, the tariffs for the concession of points of sale to wholesalers established to guarantee the repayment of the loan taken out by the Municipality of Milan with the CARIPO bank were not fully applied. These downwardly adjusted tariffs remained stable until 1974 despite the inflation rate, which particularly high in that historical period. At the beginning of the 1980s, the problem of non-adjustment of store rents arose again. During the 1990s, wholesalers stopped paying their rent for a long period of time as a form of protest against the failed modernization of the infrastructure due to the missed opportunity of the Market Plan and

the slow progress of construction works started in the 1980s. At the beginning of the 2000s, wholesalers suspended the payment of rents for a second time, causing economic damage that would only be partially refunded after a compromise reached in 2007. In the last 15 years, one of the reasons that triggered the mobilizations of wholesalers against the development plans proposed by Sogemi, has been precisely the adjustment of tariffs that would have contributed to financing the implementation. Lastly, as far as the regulation of the presence of economic operators in wholesale markets is concerned, the decisions were influenced by the political equilibria between the government coalition and interest groups.

Sogemi, the Market Commission and the Municipality of Milan have not been able to guarantee an impartial and constant application of the policy rules. These, on the contrary, have been constantly redesigned in a contingent way over time as a result of power struggles between the different interests mobilized around the operation and governance of this infrastructure. It is therefore possible to define the Milan policy rules as of low degree of compliance on the part of the actors involved, a low capacity for enforcement, and a high degree of discretion in their production and interpretation.

In the case of Paris, the functioning of MIN policy regulatory dimension takes different features. As far as the interpretation of the policy rules is concerned, Semmaris has, since the beginning, exercised all the influence available to interpret in a flexible way the rules relating to the presence of operators within the MIN. Among the rules that qualified the policy setting, in fact, the operating company had among its tasks the steering of the wholesalers' concentration process, having the power to expel from the MIN companies with a too limited turnover or marketing capacity. Semmaris' leadership has constantly avoided applying this rule in a rigid way, introducing instead the instrument of GREFEL to encourage an endogenous and gradual process of economic restructuring without direct intervention. Looking at other areas of regulation, I observed a constant and stable capacity to effectively enforce the policy rules that thus acquired the character of impartiality, guaranteed in this case by the greater distance between political actors and economic interest groups present in the MIN, and a good degree of compliance by the actors. I do not intend to say that there have been no episodes of violation of the rules. However, unlike the case of Milan, there have been no collective and organised episodes of violation of policy rules used as an action strategy to assert stakeholders claims.

What are the sources of uncertainty for the interpretation and application of the policy rules in the two contexts? In the case of Semmaris, discretion is linked to the

autonomous agency capacity of the operating company. The agency has been further consolidated since 2007 with the withdrawal of the state from the absolute majority of the shares in favour of Altarea-Cogedim, which controlled one third of the shares until 2017. It should be emphasized that the type of discretion found in the case of Paris concerns only the interpretation of the rules, or, put differently, the actions that Semmaris has the legitimacy to carry out and the institutional places in which it feels entitled to participate. In the course of the research fieldwork, no significant discretion has ever been noted with regard to the enforcement of rules. This aspect produced impartiality and a sense of fairness over time. In the case of Sogemi, the wide and constant discretion concerns both the interpretation of the rules and their enforcement. The source of this factor is rooted in the corporative policy setting that consolidated during the last century and never questioned, and, in a similar way to the MIN, in the growing autonomy of Sogemi towards the local administration, especially since 2004 when its statute was modified.

### **6.3.2 The local context: political features**

According to the model elaborated by Mahoney and Thelen (2010), the political context assumes an explanatory value based on the veto possibilities allowed to actors that oppose the policy change. The way in which the articulation between this characteristic of the political context and the policy rules influences the outcome of the change has been discussed in the methodological paragraph of the introduction. Here I devote attention to the characterization of the political context in which the policy of the MIN Paris-Rungis and the wholesale market policy of Milan were governed. In both cases, it has changed over time. In order to carry out the construction of the explanation in a rigorous way, it is therefore necessary to highlight when these changes occurred and what their consequences were.

#### *Paris.*

When the decision to build the MIN was taken, the French political context designed by the Fifth Republic left very little room for veto action by opposing interest groups. The centrality of the Commissariat au Plan in economic planning, the strong influence in the national policy process for the construction of the MINs of the corps d'état, did not offer margins to influence the decision-making process. During the 1980s, a process of

decentralizing public action and redefining the methods of production of public action began. This process concerned the Île-de-France region in a much more gradual and time-delayed way compared to other regional contexts. However, it was in this period that Semmaris adopted its strategy of territorializing its organizational action and began to gain autonomy from the state administrations, even if from a formal point of view Semmaris remained firmly rooted in state organization through shareholding control. The intertwining of decentralization, territorialization, and increasing autonomy changed the political context in which Semmaris was rooted. The situation was no longer that of a top-down approach with policy measures defined by state technocrats. In the 1990s, these elements interacted with the national government political coalition led by Jacques Chirac as president (1995-2007), allowing wholesalers and Semmaris to influence the political decisions taken in the solution of the political conflict triggered by Cash&Carry operators. Although I do not think it is correct to conceptualize this situation as characterized by a strong veto capacity on the part of wholesalers, the role of UNIGROS and the professional association CGI<sup>230</sup> in the national context is still relevant in the decisions of national policy makers.

A significant change in the elements characterising the political context took place in 2007. At this stage of the policy process, urban governance was marked by the start of a metropolitanisation process. The dynamics of this process have structured by a centre-periphery competition and conflict. At the national level, a political change brought to power a fraction of the UMP (*Union pour un mouvement populaire*) not easily influenced by the actors of food distribution (traditional traders and wholesalers) with whom previously this party had maintained a relationship of political representation. At the local level, Paris, the Department of Val-de-Marne, and the municipality of Chevilly-Larue have begun to build the conditions for a production of metropolitan governance that includes different local actors and institutions. As far as the management of Semmaris is concerned, 2007 was the year in which the most important change took place since 1969: the state sold about half of its shares to Altera-Cogedim, an important corporate actor in the regional real estate sector. The interaction between these changes eroded the ability of UNIGROS and Semmaris to influence national policy makers. In order to try to counteract the policy

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<sup>230</sup> Confédération Française du Commerce de Gros et International



decisions that the government was about to take in favour of the economic players outside the MIN, a broad coalition of political players had to be mobilised which was capable of achieving a compromise without preventing a major change in the regulation of the economic geography of the wholesale trade.

In short, the political context of the MIN policy is characterized by little room for veto strategies of policy actors in the construction phase of the MIN and in the last years of its governance. In the period from the 1980s to almost all of the 2000s, Semmaris and the wholesalers manage to exert effective influence, although this cannot be defined decisively as a veto power.

### *Milan*

Looking at the political context in which the infrastructure policy of the wholesale markets of Milan is rooted, a decidedly different situation emerges. A first element of difference concerns the substantial stability of the characteristics of the political context. The second element concerns the constant presence over time of elements that guaranteed a wide and effective veto power for wholesalers located within the wholesale markets. The fact that the characteristics of the political context in relation to public policy are stable over time does not mean that there have been no major changes in its structural features, however.

The main change, and the most significant in terms of explanation, is linked to the administrative policies of reform of the organization of local government implemented during the 1990s. These reforms reduced the parties' influence over the local executive and their ability to penetrate the bureaucratic machine – both local and national. It is also necessary to add the consequence on the party system of the Bribesville judicial scandal. The effect was explosive and destabilizing: all the political parties that had controlled public action from 1945 onwards disappeared, generating a profound recomposition of the political organization at the local and national levels. As a result of these processes, parties became less central to public action. Today they no longer occupy the local bureaucracy, orient its decisions or influence, as they once did, the decisions taken in the various deliberative arenas of the urban government (policy commissions, municipal councils, city government) from the outside. Of course, they also influence to a lesser extent the organisational arenas that had been at the centre of the spoils system based on political

patronage that included the market commissions and obviously the management of Ortomercato Spa first, and then Sogemi.

These important changes, however, did not have an impact on the ability of wholesalers to exert their influence on the decision-making processes. What has changed is the form taken by veto strategies, and therefore, as I will show, the type of mechanisms that generated the policy outcome. In the period before 1993, the veto power of wholesalers was exercised through the channels of relations between the party system and the Union of Commerce. As I explained in Chapter four, the Milanese style of governance was characterised by elements of clientelism, party loyalties, and the high instability of party coalitions and within party fractions equilibrium. In such a highly integrated context, which nonetheless had many fragile points, a conflict between parties or between government coalition and interest groups with the right resources for collective action (such as wholesalers were) could quickly have repercussions in other policy areas, putting government action at risk. It was precisely the need to constantly find an inclusive political compromise that gave wholesalers extensive negotiating resources that translated into veto power.

After 1993, the centrality of the party system declined and, today, it is no longer the central pillar of Milanese urban politics. The resource of political integration stopped being parties' organization structures but the ability of local political elites to build alliances with local interest groups. These relations are centred on local politicians and are structured by the mayor, or by the mayoral candidate during election campaigns. In this new context, the form of the wholesalers' veto power is no longer based on the centrality of the Union of Commerce as an institution of urban governance practices but on their ability to position themselves as relevant actors in the construction of the coalition of interests in support of local government, now strongly dependent on the mayor's political legitimacy. At times when this was not the case – e.g. during the second term of Gabriele Albertini (2001-2006) and during the term of Giuliano Pisapia (2012-2016) – their veto capacity was linked to their collective action capacity as a single interest group, not counting as in the past on the resources made available to the Union of Commerce. In short, the political context of Milan's wholesale market policy is characterized by granting wide margins to the veto strategies of the policy actors in an almost uninterrupted manner throughout the implementation process studied in this research.

#### ***6.4 The interaction between context and mechanisms: a field for interest groups in action.***

In this section, I identify the causal mechanism chains that have produced the ongoing processes of conversion (Paris) and drift (Milan). I highlight how their causal power has been expressed in relation to the context in which they were active, and specify the link between the causal chains thus identified and the processes of policy change observed in Milan and Paris.

##### **6.4.1 Paris**

As stated above, a process of institutionalisation of the relations between Semmaris and the actors present within the MIN started after the inauguration of the new infrastructure. The integration of the different interest groups in the management's decisions was made possible by the operation of three mechanisms. The president of Semmaris, Libert Bou, operated a *buffering* mechanism between the requests of the ministerial bureaucracy and the priorities identified by him in order to make economic actors accept the new policy rules introduced within the MINs' policy. The *buffering* mechanism was necessary to avoid business structural concentration objectives for wholesaling and market boundaries to regulate challengers and incumbent relations would prevail over the need to start the operation of the infrastructure without elements of conflict. The second mechanism operating from the earliest stages of operation of the MIN is the *bridging* between Semmaris and the interest groups that are integrated into the management through two professional associations<sup>231</sup> and UNIGROS that federates the remainder. The effectiveness of this mechanism in the institutionalization process is grounded in the trust of the wholesalers on whom Libert Bou could rely thanks to his many years spent working in direct contact with economic operators within the *Comité Permanent d'Études des Marchés d'Intérêt National et de Réforme de la Distribution des Produits Agricoles Alimentaires* (see Chapter I, § 1.7.2) (Rothstein 2003).

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<sup>231</sup> Sycopla: Syndicat des commerçants en produits laitiers et avicoles du marché de Rungis ; APHUMR : Association des Producteurs Horticoles Usagers du Marché de Rungis.

The third mechanism at work is put into operation by UNIGROS, which allows *brokering* between the decisions taken within the management of Semmaris and the individual professional associations that are federated within this second-level professional association. The role of UNIGROS has been to ensure, on the one hand, access to management for the particular interests of each individual professional association and, on the other hand, to work so that there was good compliance by individual companies and professional associations. These mechanisms operated on three different levels: the relationship between Semmaris and the state administration; the relationship between Semmaris and economic interests; and the relationship between the different professional associations within the MIN. Their functioning was not limited in time to the presidency of Libert Bou alone, but continued during the 1970s under the leadership of Michel Giraud (1974-1976) and Arrighi de Casanova (1976-1981). The existence of these mechanisms has not only made it possible to build the social space which allows for the institutionalization process but to generate a reaction from the state administration with the Eveno report, which was very critical of the functioning of the MINs and Semmaris. Semmaris' response remained on the path traced by the integration of the various interests with the establishment of GREFEL in 1978, to endogenously initiate a gradual concentration of wholesalers.

The process of public action territorialisation in the 1980s, and the opening of collective action dynamics in public action production, changed the political context and, with it, the functioning of these mechanisms. The *internal bridging* mechanism turned towards the inside of the MIN is flanked by an identical mechanism – *external bridging* – turned towards the outside: the local administrations interested in coordinating their local policies with MIN development strategies. In both directions, this *bridging* was operated by the president of Semmaris, who in this period was Jean Menguy (1981-1987). The president also put in place a mechanism of *brokering* between the interests of wholesalers and the state in defining the methods of financing investments for the modernization of the MIN that were planned in those years. In the operation of the infrastructure, there were from this moment on two figures with a role of brokerage between the wholesalers and other interests: the president of Semmaris towards the state and subnational governments, and UNIGROS within Semmaris. The constant presence of the functioning of these social mechanisms put in place by the management of Semmaris (in the figure of the president and UNIGROS) did not allow the possibility for Semmaris to represent to the outside its

organizational interests in the 1980s, an expression of an internal collective action. This was the basis for the consolidation of its autonomy of action during the 1990s, when new corporate actors tried to question the core of the distributive dimension of this public policy, asking for the abolition of protection perimeters.

At a time when the interests of Cash & Carry companies threatened to call into question the regulation of the economic geography of wholesale trade, calling for the abolition of the protection perimeters around the MIN, Semmaris and UNIGROS acted collectively by implementing a mechanism of *boundary control* (Gibson 2005; Falletti, Lynch 2009). Its functioning consisted in the fact that incumbent actors, in this case wholesalers and Semmaris, implemented defensive strategies to ensure that their position in the distribution dynamics of public policy would not be endangered. The functioning of this mechanism, and its effectiveness, was linked to the political context and policy rules. The French political context, both local and national, did not offer a wide margin for action to exercise veto strategies; the process of institutionalization initiated within Semmaris and the presence of a mechanism of brokering between the interests of the state and those of the wholesalers initiated by the management of the management company since the 1980s, however, prevented a top-down decision totally favourable to challengers from being taken in the early 2000s. In other words, the capacity for collective action built up over the previous decades allowed Semmaris and the wholesalers to act as strategic and propositives actors, starting the layering process discussed above. In the meantime, the MIN's *internal bridging* and *brokering* mechanisms continued to function and design the space for the elaboration and implementation of a plan for investment and modernization of the MIN's physical structures from 1997 onwards.

The *boundary control* mechanism would once again become active in 2010 when a new contentious dynamic eliminated any form of regulation of the economic geography of the wholesale food sector. Although the mechanism was the same, and although the other mechanisms described above were also active in this case, the outcome was different and marked a compromise more favorable to challengers. How can I explain two distinct outcomes in similar situations within the same public policy? The answer is once again the role of the interaction between political context and mechanisms. In Chapter four, I analysed the institutional and political elements and dynamics that have produced the location of public action and the construction of metropolitan governance in the Paris urban region, the decision of the state to reduce its engagement in the Semmaris

management and the opening of its organizational strategy to market logics. The interweaving of these elements change the political context. We are no longer in the presence of a simple vertical relationship between Semmaris and national decision-making arenas limiting the soft veto capacity that the collective action of wholesalers and Semmaris was able to express during the 1990s.

The change in the political context also produced a different effect for another mechanism that had been operative since the 1980s: *external bridging*. The intention and capacity of the Semmaris president to weave horizontal relations with local governments extends in this period to the other actors present in management: Altarea-Cogedim and UNIGROS.

The territorial roots of Semmaris through this mechanism and the changed political context were the elements that allowed the process of conversion of this public policy. The opening and strengthening of the coalition of actors that supported and legitimized the functioning of the MIN and its urban insertion is, in fact, the ground for the elaboration of the new policy goals that I identified in the definition of the policy outcome. It was the stability over time of these mechanisms (buffering, bridging, brokering, boundary control) that made it possible to identify new functions for this infrastructure in a political context and in an economic structure profoundly different from those in which and for which it was built. Only one last element needs to be explained. What actually allowed the reproduction of the same mechanisms over time? The answer is in the analytical entry point that I have adopted in this research project: policy actors. Social mechanisms, in fact, are not abstract social facts that work in themselves once they are put into operation. They need the agency of the actors, those change actors who have mobilized in the policy process. In the case of the MIN Paris-Rungis, there was considerable stability over time for many of the actors and configurations of actors involved. The mayor of Paris between 1977 and 1995, Jacques Chirac, went on to become president of the republic from 1995 to 2007. The political coalition that led the Val-de-Marne department was dominated by the French Communist Party (PCF) from 1976 to the present day (2018). The executive of the department was represented by Michel Germa (1976-2001) and Christian Favier (2001 to the present). Similar stability can be seen in the local government of Chevilly-Larue. Since 1977 the local government has been led by the PCF and has seen mayors with long mandates: Guy Pettenati (1977-2002); Christian Hervy (2003-2014); Stéphanie Daumin (2014 to the present). The stability of the political context has substantially favoured and

strengthened over time the effects of the mechanisms put in place by the actors active within the MIN, in which the same propensity for stability of decision-making roles is observed both in UNIGROS and in the management of Semmaris.

#### **6.4.2 Milan**

After the construction of the new fruit and vegetable market, social mechanisms which led the process of implementation in the path of a layering process were active in different policy areas: (1) the regulation of localization choices; (2) the definition of tariffs; and (3) the enforcement of internal rules to the infrastructure.

The layering process started with the construction of the new fruit and vegetable market in a context in which the municipality of Milan managed all the markets according to a bureaucratic logic of its administrative offices. The construction of a new infrastructure, and therefore the introduction of a public policy parallel to that which had been implemented up to that moment, was made possible by the full control of decision-making process by political parties, even though the economic operators were potentially able to exercise veto actions due to the corporatist configuration of the policy setting.

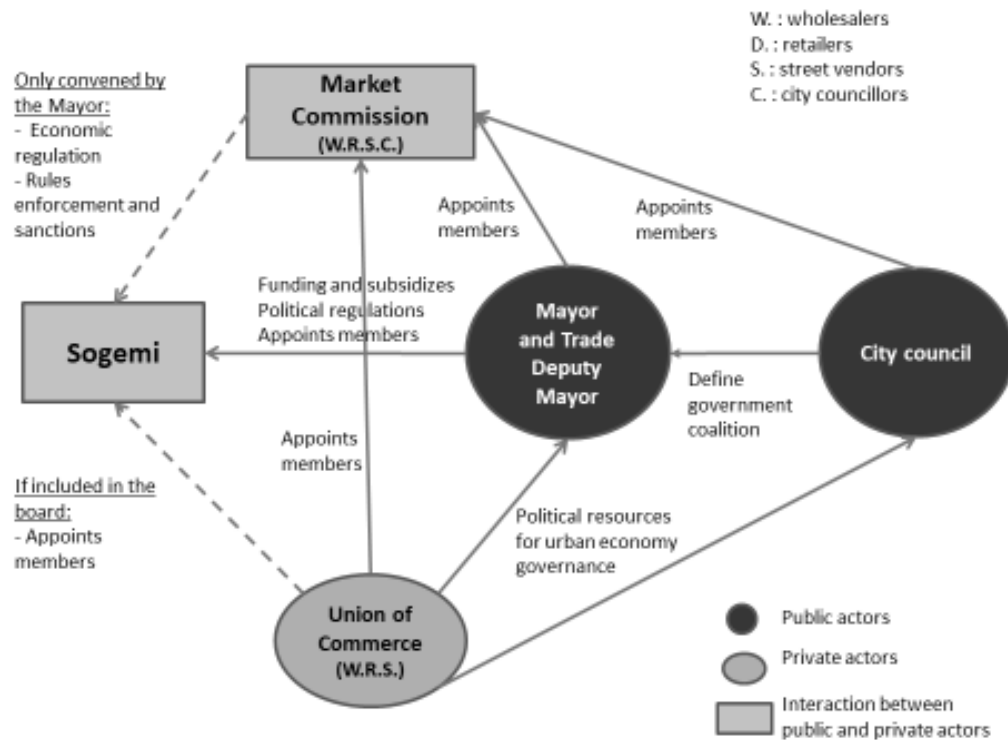
As I have shown in chapters one and five, a relationship was established between management companies and wholesalers which was regulated by the interaction between the mechanism of *exit* and *voice* (Hirschman 1970; Pfaff, Hyojoung 2003) from the very beginning. As Hirschman argued, the effectiveness of the voice mechanism is strengthened by the possibility of exit, in other words the intensity of the voice mechanism depends on the freedom of exit that is granted to the change actors who implement it. In the context of the Milan case, the relationship between these two mechanisms and the policy rules places the intensity of the voice effect at a very high level thanks to the liberalization of the wholesale trade introduced in 1959. The second aspect that must be considered is the form of this mechanism effect. The relationship between it and the political context, as we know characterized by the strong penetration of the parties in the local bureaucracy and in many areas of social regulation, as well as in the processes of implementation of policies, ensured that the voice in favor of wholesalers would be translated into a decisive power of veto in the organizational decisions of Ortomercato Spa. An example reported in chapter 1 of the concrete effects of the interaction between voice and exit mechanisms was the impossibility for the new operating company to set the entailed tariffs for fruit and

vegetable wholesalers selling units and the impossibility of constraining plant and flower wholesalers to actually locate in the infrastructure.

Considering now the field of internal rules enforcement, the mechanisms of *regulatory capture* (Laffont, Martimort 1999; Dal Bò 2006) has to be added to those outlined above. This mechanism connected three actors: the political decision-makers who defined the rules for economic transactions, the agents hired to enforce them – in this case the Market Director was responsible for enforcement – and the companies that must comply with them. The mechanism meant that target actors were able to influence the way in which these rules were actually applied. In the concrete case of the company Ortomercato Spa, we have seen how the effect of regulatory capture was the non-application of the rules relating to transactions with retailers, favouring hoarding practices and the reproduction of a rent position in favour of wholesalers in the political economy of the local distribution system. This effect was made possible by the local context both in its components relating to policy rules and in that relating to the political context. The policy rules were, as already mentioned, characterized by a high degree of flexibility and discretion due to the intertwining of parties and local society, opening the possibility for some interest groups to exert pressure so that this discretion was in their favour. The way in which it was actually exercised, on the other hand, depended on the political context. Wholesalers enjoyed a strong centrality in the dynamics of policy thanks to the role of advocacy of their interests played by the Union of Commerce, which was able to influence not only this specific public policy but also many areas of local government thanks to its capacity for action and representative weight of local interests (Fig 6.1). One could argue that the Union's position should not have been decisive as it also represented the interests of traditional retailers, who have seen it protest against the lack of regulation of transactions. However, from an economic point of view, retailers used internal uncertainty in the fruit and vegetable market as a legitimation for speculation and increasing their mark-up on consumer prices.



**Fig. 6. 1 Actor's configuration in Milan's wholesale market regulation**



Source: Author's elaboration

The strengthening of wholesalers rent position within the fruit and vegetable market and their influence on rule-setting for the representation of the interests of the various actors constituted the ground for the claims of the freight-handling cooperatives which were advanced in different conflicting episodes during the 1970s. The mode of conflict resolution implied a series of mechanisms, part of the *brokering* activity, which were implemented by different actors according to the outcome of the negotiations they try to obtain. As described in chapter 2, the first mechanism adopted was that of *political brokering* defined in this way for its adoption by the mayor or the trade deputy mayor. These two political actors had tried to recompose the conflicting episodes through a political mediation between the interests and the claims of freight-handlers and wholesalers. If the political mediation would not work, an *organizational brokering* mechanism was adopted by the leadership of Ortomercato Spa, trying to operate a mediation based on the legitimacy of the operating company within the decision-making process relative to the tariffs for the handling service. Only if this second attempt at mediation also failed was the *administrative brokering* mechanism adopted. This was

managed by the local prefect who had the administrative responsibility of validating decisions regarding the tariffs taken within the framework of the market commission. In this case, the strategy was one of trying to depoliticize the clash by outsourcing the recomposition to a third party actor outside the political context and towards whom the margins of veto and discretionary actions were much reduced. The effectivity of these mechanisms was scarce and contentious dynamics tended to repeat themselves throughout the decade. The reason for this was once again to be found in the local context. The high discretion of the policy rules prevented the construction of trust between the actors, who therefore found themselves having to engage in continuous negotiations for the re-definition of the rules that organized relations between them. (Rothstein 2003).

The establishment of Sogemi stemmed from the willingness of policy makers to reduce conflict and to introduce a new policy setting that would allow them to modify wholesale trade in the local political economy. The foundation of the new operating company did not provoke conflicts, but only because it was based on a fundamental ambiguity regarding its goals. For instance, the objective of the redefinition of the political economy was manifested later on in the design of the Food Policy, which entailed that the definition and enforcement of the policy rules must be carried out by a private actor, undermining the main channels of access to the decision-making arenas available to wholesalers. During the 1980s, a new mechanism was added to those identified above in determining the path of this public policy. This became central to blocking both the policy programme for the construction of the Food City and the programme for the development of a new university centre, which should have involved an under-utilised area of the public slaughterhouse. In both episodes, the wholesalers put in place a *boundary control* mechanism, adopting an economic defection strategy supported by the same dynamic between exit and voice that had been active since 1965. In a similar way to what was observed in the case of the MIN, the purpose of the incumbents was to prevent challengers (the real estate company IMMA and the MGD in the episode of the Food City and the University of Milan and other potential real estate interests in the other episode) from modifying public policy's distributive features in their favour. In this case too, the context in which the mechanism was active gave shape to its effects. In the case of the MIN, the effect was the start of a layering process at the beginning of the 2000s. In the case of the Milan wholesale markets, it triggered decision-making inertia. Public actors did not have enough capacity for action to carry out the decisions taken. In the case of Semmaris, the

main resource available to the actors was the degree of institutionalisation of their relations within the management company and their capacity for collective action. In the case of Sogemi, the available resource for wholesalers was still their centrality in the system of building political consensus, which offered them ample room to exercise veto strategies effectively. The outcome of the veto expressed by the wholesalers on the Food policy was therefore that of starting the construction of new wholesale markets at the expense of the local administration, maintaining the same political economy approach, and thus continuing the same layering strategy that had given rise in the 1960s to the fruit and vegetable market managed by Ortomercato Spa.

During the 1980s, there was another episode that helped to keep public policy within the layering process, without leaving room for a policy change introduced by urban government. The city of Milan was unable to complete its candidacy for the national market plan policy, losing substantial state funding and losing the last chance to introduce a transformation in the structural and organizational assets of the general markets. The research fieldwork has not revealed any particular mechanism or set of mechanisms associated with this outcome. Rather, the explanation is to be attributed to the absence of a mechanism that would make possible the collective action necessary to finalize the dossier with which Milan had been indicated as the Italian city that would have been eligible for the largest funding. Comparing the Milanese policy process with that which characterized the MIN Paris-Rungis, it emerges that the *bridging mechanisms* played a crucial role in the French case to build and feed over time the collective action at local level to support the development of the infrastructure. In particular, these mechanisms were useful during the 1980s in coordinating the various public actors in the context of the investment programme for the modernisation of the MIN. The absence of this mechanism is analytically relevant because it did not allow for the bridging of the gap between different social fields (Sogemi, the business system, and the local administration) and it did not allow common elements between different interests and priorities of the actors living in these different social fields to be found. The genuine distrust between Sogemi's management and local administration and between the latter and the wholesalers was, in fact, at the heart of the impossibility of producing the collective action necessary to participate in the Market Plan approved in 1986 and to produce the spatial concentration of the new markets in a faster time. (Rothstein 2003).

At the beginning of the 1990s, there was a relevant change in the political context, leaving the policy rules component substantially unchanged, which continued to be marked by a high degree of discretion in both interpretation and application. The changes in the political context can be summarised as a strengthened influence of the local executive on the municipal council in the organisation of local government. Another aspect was the reduction of the interpenetration between the party system and local bureaucracy. However, these changes did not affect the substance of the predisposition of the political context to offer veto opportunities to local actors involved in this public policy. This element remains constant, albeit in a different form. The veto was no longer exercised to use the channels of access to the decision-making arenas defined by the political parties; rather, the channels defined by the political relations built by the mayor and the deputy mayors responsible for the political guidance of each policy sectors. Local politics, instead of being mainly based on the logic of influence between and within parties, started to be regulated by a personal trust component between the mayor, the deputy mayors and the local elites. Once again, therefore, the degree of flexibility in the regulatory and distribution component of the wholesale market policy remained high. In this decade, MGD implemented, in a similar way to what wholesalers in the 1960s, the mechanism that linked voice and exit together. As for wholesalers, they supported the legitimacy of this mechanism due to the fact that the current market changes (see chapter 5) offered this interest group the legitimacy of asking for a different regulation of economic transactions within Sogemi. MGD companies thus asked to use the infrastructure to manage their procurement strategies without having to resort to compulsory transactions with wholesalers. In response to this strategy of action, wholesalers once again put in place a *boundary control* mechanism, relying on Sogemi's dependence on their economic participation and exploiting to their advantage the deep fragmentation of urban government during the mandate led by the LN. The result was to obtain from Sogemi the rejection of the requests of the MGD, pushing the first companies to leave the market by exercising their exit and leaving to the wholesalers the monopoly of economic transactions within the infrastructure.

The new centrality of relations between actors, no longer mediated by party interests, has produced since the 2000s, after a period of transition, a change in the type of mechanisms that we have seen at work in the policy process. We observe, in fact, the absence or marginality of mechanisms concerning the relations between distinct social

spheres or between organizations with different interests (brokering, and boundary control) and the centrality of a new mechanism centered on the absence of trust between the actors and on the importance of the personalization of local politics around the figures of the deputy mayors and the mayor. Starting from the second mandate as mayor of Gabriele Albertini (FI, 2002-2006), the functioning of a new mechanism began to consolidate, which identifies as the main causal link of the passage from the process of policy layering to that of policy drift: the mechanism of *blame avoidance*. (Vis., Van Kersbergen 2013). The functioning of this mechanism was constant from the early 2000s to 2016 without being affected by the changes in political coalitions. The actors who implemented this mechanism were the mayors who worked to prevent the continuous policy failures that prevented the modernisation of the infrastructure from having consequences in terms of political consensus. This social mechanism connected the urban government with the management of Sogemi, and the type of relationship that is designed serves to mark the distance between the local administration and the difficulties of managing an infrastructure with serious economic, structural, hygienic, security, and rooted illegality problems. Barbara Vis (2016) proposes a classification of the different possible ways this mechanism can function in the processes of policy change. Using this classification, it is possible to consider the operation in the case of Milan as an instance of 'manipulating procedures'. In fact, the premises for its introduction in the management of the policy have been:

- the granting of greater autonomy to Sogemi, delegating to it the responsibility for extraordinary maintenance of wholesale markets, which resulted in a sub-mechanism of *insulation*;
- the practice of limiting Sogemi's possible strategic options in such a way as to pass the responsibility on to the management while at the same time removing the responsibility from the local government, takes the form of a *passing-the-buck* sub-mechanism;
- the adoption of a *finding the scapegoat* sub-mechanism to blame an actor external from the political coalition for unsuitable or failing solutions. In most cases this scapegoat has been identified in the management itself.

Although this mechanism has functioned consistently in recent years, independently of urban politics, the legitimacy of its use has been affected by the changes in the political coalitions that have supported urban governments. From the interviews administered to

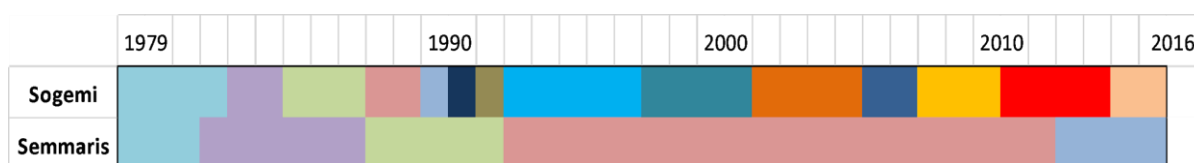
deputy mayors in charge in the last fifteen years it is possible to identify two types of legitimacy for its adoption. The first representation is that Sogemi is an organization too difficult to govern. This idea is related to the change in the political context that is structured around the political accountability of the mayor which identifies the failure of the overall transformation of an infrastructure so relevant from the point of view of the urban land occupied as being too expensive. The high political cost is thus defined in relation to the structural changes in food distribution that have weakened the economic, political, and social centrality of private actors directly involved in the functioning of wholesale markets. This change in the market means that the political return in the event of success is likely to be poor. The second representation is that Sogemi no longer manages an infrastructure useful for local economic development – as Semmaris is considered in the Parisian metropolis – but is a sort of administrator who simply regulates the downward return on land in an area potentially strategic for the insertion of different urban functions. The combined arrangement of these representations has legitimized the adoption of the mechanism of *blame avoidance* triggering the failed implementation of the solutions proposed by Sogemi without having to pay a political price in terms of legitimacy and consensus.

It should be highlighted that the effect in terms of policy drift that I associate with the blame avoidance mechanism must be understood in interaction with the absence of a bridging mechanism that I have already underlined as crucial in determining the difficulty of producing collective action during the 1980s. As in that period, the impossibility of implementing this type of mechanism was due to the lack of trust between the actors involved. That lack of trust was reinforced and fed in a circular way by the blame avoidance mechanism. In fact, wholesalers perceived the management company to be an incompetent actor incapable of understanding the problems of the infrastructure, with a management selected on the basis of political criteria – making possible the *insulation* and *passing-the-buck* mechanisms – and subject to a high instability – due to *scapegoat* mechanism – which makes it possible to build the proximity between actors with different interests essential to build trust ties (Rothstein 2003). Sogemi's managers, on the other hand, complained about the lack of rules compliance, and the constant opposition to the proposed solutions by wholesalers, who over time consolidated informal behaviour practices, thanks to the wide discretion granted by the policy rules since 1965, which allowed them a part of the added value of their economic transactions.

The mechanisms in place in the case of Milan are therefore distinct from those that can be observed in the case of Paris. These are essentially mechanisms of *brokering* in the attempt to recompose the conflicting dynamics, of *capture* within the infrastructure until the 1990s as far as the regulation of transactions and the definition of the economic participation of the wholesalers is concerned, of *boundary control* to oppose all attempts to modify the distributive dimension of the public policy which, until the most recent years, was affected by the corporate approach consolidated during the last century, and of *blame avoidance* on the part of the local administration in order to avoid having to assume responsibility for the policy failures. The political context and the characteristics of the policy rules are the elements of the context that determine the outcomes of these mechanisms in terms of the ability of wholesalers to veto and the specular inability of policy makers to produce policy changes.

As for the MIN, the role of the actors is important in determining the way in which these mechanisms have been put into operation. The configuration of policy actors since 1965 is characterized by high instability. As far as urban governance is concerned, this instability is also present during the long period of centrality of the PSI in the formation of government coalitions. The characteristics of the political system have meant that during the 11 local election rounds from 1964 to 2016, 19 trade deputy mayors have followed one another. If, on the other hand, I consider the membership of Sogemi's management over time, the degree of instability is even more evident. Looking at the number of presidents or administrators who have led the management company since the production of the organizational unit of the different wholesale markets (1979-2016), there are 14 different names. For the same period of time, Semmaris was headed by 5 different presidents (Fig. 6.2).

**Fig. 6.2 Graphic presentation of leadership stability for Sogemi and Semmaris 1979-2016**



Source: elaboration of the Author

The consequence of the instability of local leadership within the urban government and management of Sogemi, which, we must remember, is designed to function as a decentralised political arena, is the difficulty of building collective action, and the impossibility of building in a shared way the new objectives that could legitimize the presence of this urban infrastructure in an economic and institutional context profoundly different from those for which it was built.

### ***6.5 What counts in wholesale markets urban governance***

With this research project, I wanted to explain how two urban logistics infrastructures were governed in the European context.

The research design is based on the selection of two case studies with two different outcomes, although the two public policies have different features in common. The wholesale markets chosen to conduct the paired comparison have been built in similar market situations, they are both the most important infrastructures in their national contexts, and are placed in urban and regional contexts with similar profiles from different points of view: the bargaining context in relation to market forces (Savitch, Kantor 2002), the transformations of the food distribution sector, the positive outcome of the transformation of the urban economy, the attractiveness in the logistics real estate market and the centrality in the organization of logistics flows in the two national contexts. Other factors mark the difference between the two selected case studies: the level of government responsible for the policy level (local vs national), and the fragmentation in the management of Milan's wholesale markets for a certain period of time.

The aim of the research is to identify which factors could explain the different outcomes and how these elements are linked in contributing to the explanation. To this end, I examined the genesis of the two public policies in order to identify possible elements that could have favoured a process of path dependence. I also analysed the changes in the food distribution sector and in urban logistics that occurred in the two national contexts, focusing on the regional dimension when necessary. I then discussed the link between policy management and the processes of reorganization of the Italian and French states that were the premise for the emergence of urban governance practices. And, finally, I analyzed the relationship between market changes, the action strategies of interest groups that have



mobilized around the two policies, and the outcomes of these strategies. The information thus collected allowed me to analytically qualify the two policy outcomes as examples of policy conversion (Paris) and policy drift (Milan). In this final chapter I then showed what series of causal mechanisms have led over time to these outcomes. I am now able to discuss the hypotheses presented in the introduction in the light of the activity developed in the various chapters and in this conclusion.

In hypothesis (1), I stated that on the basis of the neo-institutionalist theoretical approach I should have expected to observe the influence of the local context – defined in terms of the political context and the regulatory dimension of public policy – on the policy outcome, even though the economic transformations that affected the two cases were similar. I can say that this hypothesis proves to be true. In both contexts, the policy outcome is linked to the interaction between the way in which the policy rules have been applied and interpreted by the actors and the possibilities given to the actors to effectively exercise veto strategies on political decisions.

In hypothesis (2), I stated that the constitution of an autonomous political space in the policy process would have favoured a process of institutionalisation of the relations between the actors, favouring the elaboration of the policy changes within it, and thus limiting the role of the market in the policy change. This hypothesis can only be said to have been partially verified. An institutionalization process has actually occurred in the case of the MIN Paris-Rungis and this has allowed (1) the constitution of a soft veto space in an unfavourable political context, and (2), the elaboration new goals for this public policy in order to renew its legitimacy in a widely different institutional and economic context. In the case of Milan's wholesale markets, although there was an autonomous political space, no process of institutionalisation took place. The reasons for this difference are to be found in the political context characterized by instability that is also reflected in the leadership of the management and in the rules of policy, whose wide margins of discretion have hindered the consolidation of the minimum share of trust between the actors.

In hypothesis (3), I affirmed that if a condition of high conflict between the policy actors had occurred over time, this would have been associated with a policy drift outcome due to the difficulty in introducing the necessary policy changes, producing a mismatch between public policy and a changed context. I can now say that this hypothesis has been verified. The case of the general markets of Milan has highlighted how, in order to

introduce a policy change, a minimum degree of consensus among the actors is necessary, being this condition even more important when the political context is susceptible to pay the consequences of veto strategies.

I can now identify the respective roles of market, state, and actors in explaining how these two urban infrastructures have been governed. The role of the market has been to distribute the resources and legitimacy for action to the different interest groups that have mobilised around these two public policies over time. How these resources have been translated into action by the different actors, and how these actions have had an effect, depends on the context in which the two case studies are rooted. The actors have been agents of change of the two policies over time and have taken their decisions to act on the basis of the structure of opportunities offered to them by the local context. In other words, market changes have not had an impact on the way in which these infrastructures have been governed. Changes in the economic structure instead provided the resources for collective action to the different interest groups involved. Like this action this collective action has been expressed by actor has depended on the interaction between policy rules and the political context. If and when this collective action has taken place depended on the strategic decisions of each individual and collective actor. Finally, I can propose some general statements that derive from this research work:

- ✓ Urban policies have an inner inertia in adapting to changing context features being those related to market, institutions, or politics.
- ✓ This inertia is linked to institutional elements of these policies and to the position of stakeholder and interest groups within the policy setting.
- ✓ Market change does not have a direct impact on infrastructure policies even when these are designed to govern its dynamics.
- ✓ The impact of market changes is mediated by local institutional environment including in cases of centralized policy settings.

From a methodological point of view, this research has confirmed the importance of taking seriously the power relationship between different actors for the understanding of the political economy defined by policy rules, the way in which these dynamics are field-based, and how empirical analysis of long-term historical dynamics is necessary to understand the processes of urban politics that have contributed to defining the

development of utilities networks and urban logistics infrastructures. The choice of food wholesale market as the object of analysis is strategic from this point of view because of the peculiarity of these urban objects. At the same time, these are local public services that have been developed to regulate urban development and the urban economy and are infrastructures that aim to govern goods procurement flows at the local level and freight flows at the supra-local one. The interest of this research is also to demonstrate how much urban infrastructures are the result of a stratification of functions in the production of the city that persists over time despite the profound structural changes from the Second World War onwards. The constancy of the urban insertion of wholesale food markets does not seem to be called into question by these changes.

The role of the actors, the local rootedness of their interests, the capacity for collective action present in the different local contexts indicates they have an important role in explaining the outcomes of these infrastructural policies.

The current economic context places the governance capacity of logistics flows in metropolitan areas among the crucial factors for strengthening local development and the attractiveness of urban areas. Strengthening the capacity of local governments to act and problems related to environmental sustainability open up new important opportunities for the conversion of these infrastructures into tools for pursuing new objectives, including the protection of the diversity of food supply, the promotion of urban projects related to the food economy, and integration into food policy programmes at the local level. An understanding of the policy outcomes that can be observed in different local contexts shows, within this reference framework, which of these paths can be followed and what the margins are for a successful policy conversion process. Wholesale food markets are not the vestiges of a past that will not return but opportunities to reinterpret the crucial role they have played in the economic and social development of urban contexts in Europe.



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## Annexes

**Table of interviews administered during the fieldwork**

**Milan - Italy**

	<b>Sector</b>	<b>Organisation</b>	<b>Organisation type</b>	<b>Role of the respondent</b>	<b>Date</b>
1	Freight logistics	AILOG (Associazione Italiana di Logistica e supply chain management)	professional organization	Secretary	25 <sup>th</sup> March 2014
2	Food logistics	CLO (Cooperativa Lavoratori Ortomercato)	Food Freight-handling cooperative	expert for MGD sector	24 <sup>th</sup> February 2015
3	Academic research	individual actor	-	scholar at public university	8 <sup>th</sup> April 2015
4	Academic research	individual actor	-	research consultant	15 <sup>th</sup> October 2014
5	Academic research	individual actor	-	scholar at private research centre	6 <sup>th</sup> October 2014
6	Freight-handling	CLO (Cooperativa Lavoratori Ortomercato)	Food Freight-handling cooperative	President	28 <sup>th</sup> November 2014
7	Freight-handling	CLO (Cooperativa Lavoratori Ortomercato)	Food Freight-handling cooperative	Vice-president	18 <sup>th</sup> November 2014
8	Freight-handling	Si Cobas	Trade Union	President	26 <sup>th</sup> February 2014
9	Urban economy regulation	individual expert	expert in IT systems	member of Market Plan ministerial commission	3 <sup>rd</sup> March 2015
10	Urban economy regulation	Union of Commerce	professional organization	member of Market Plan ministerial commission	26 <sup>th</sup> May 2015
11	Urban economy regulation	Union of Commerce	professional organization	high-rnak official	25 <sup>th</sup> May 2015
12	Urban economy regulation	Chamber of Commerce	public institution	President	21 <sup>st</sup> May 2015
13	Urban planning	PIM (Centro Studi per la Programmazione Intercomunale dell'area Metropolitana)	public research centre	officials	25 <sup>th</sup> September 2014
14	Urban planning	AMAT (Agenzia Mobilità Ambiente Territorio)	public agency	official	13 <sup>th</sup> January 2015

15	Urban planning	AMAT (Agenzia Mobilità Ambiente Territorio)	public agency	High-rank official	14 <sup>th</sup> October 2014
16	Wholesaling	company	fruit and vegetable wholesaler	company manager	10 <sup>th</sup> March 2014
17	Wholesaling	company	fruit and vegetable wholesaler	company manager	27 <sup>th</sup> March 2014
18	Wholesaling	company	fruit and vegetable wholesaler	company manager	8 <sup>th</sup> April 2014
19	Wholesaling	company	fruit and vegetable wholesaler	company manager	19 <sup>th</sup> April 2014
20	Wholesaling	company	fruit and vegetable wholesaler	company manager	22 <sup>nd</sup> November 2014
-	Wholesaling (bis)	company	plants and flowers	company manager	28 <sup>th</sup> November 2014
-	Wholesaling (bis)	company	seafood	company manager	7 <sup>th</sup> March 2015
21	Wholesaling	FEDAGRO (Federazione nazionale degli operatori all'ingrosso agro-florotittico-alimentari)	professional organization	president	21 <sup>st</sup> January 2015
22	Wholesaling	AGO (Associazione Grossisti Ortofrutticoli)	professional organization	President and officials	26 <sup>th</sup> September 2014
23	Wholesaling	Associazione Grossisti e Commissionari Prodotti Ittici	professional organization	President	13 <sup>th</sup> February 2015
24	Wholesaling	Associazione Grossisti e Commissionari Prodotti Ittici	professional organization	President	7 <sup>th</sup> March 2015
25	Wholesaling	Associazione Grossisti e Commissionari Prodotti Ittici	professional organization	President	8 <sup>th</sup> February 2015
26	Wholesaling	individual actor	supply chain expert		17 <sup>th</sup> March 2015
27	Retailing	ASSOFOOD MILANO - Associazione Milanese Esercenti il Commercio Alimentare Tradizionale al Dettaglio	professional organization	Secretary	7 <sup>th</sup> November 2014
28	Retailing	Associazione Macellai Milano e Provincia	professional organization	President	20 <sup>th</sup> November 2014
29	Retailing	Associazione Dettaglianti Ittici Milano	professional organization	President	25 <sup>th</sup> November 2014
30	Retailing	ANVA (Associazione Nazionale Venditori Ambulanti)	professional organization	high-rank official	13 <sup>th</sup> May 2015
-	Retailing (bis)	Sindacato Provinciale Dettaglianti Ortofrutticoli	professional organization	President	4 <sup>th</sup> February 2015

31	Ho.Re.Ca	company	fruits and vegetable distribution	manager	2 <sup>nd</sup> December 2014
32	Ho.Re.Ca	company	fruits and vegetable distribution	President	4 <sup>th</sup> February 2015
33	Infrastructure management	Sogemi	operating company	high-rank official	23 <sup>rd</sup> February 2015
34	Infrastructure management	Sogemi	operating company	President	21 <sup>st</sup> January 2015
35	Infrastructure management	Sogemi	operating company	President	9 <sup>th</sup> February 2015
36	Infrastructure management	Sogemi	operating company	President	16 <sup>th</sup> March 2015
37	Infrastructure management	Sogemi	operating company	President	21 <sup>st</sup> November 2014
38	Infrastructure management	Sogemi	operating company	President	16 <sup>th</sup> March 2017
39	Infrastructure management	Sogemi	operating company	board member	4 <sup>th</sup> November 2014
40	Infrastructure management	Sogemi	operating company	board member	27 <sup>th</sup> February 2017
41	Infrastructure management	Sogemi	operating company	board member	28 <sup>th</sup> November 2014
42	Infrastructure regulation	Sogemi	operating company	municipal police officers	30 <sup>th</sup> March 2015
43	Regional government	Lombardy	administrative trade department	high-rank official	25 <sup>th</sup> May 2015
44	Urban government	City of Milan	administrative public companies department	high-rank official	5 <sup>th</sup> June 2015
45	Urban government	City of Milan	administrative trade department	high-rank official	24 <sup>th</sup> November 2014
46	Urban government	City of Milan	municipal council	city councillor	15 <sup>th</sup> November 2014
47	Urban government	City of Milan	executive body	Trade Deputy Mayor	18 <sup>th</sup> February 2015
48	Urban government	City of Milan	executive body	Trade Deputy Mayor	22 <sup>th</sup> April 2015
-	Urban government (bis)	City of Milan	executive body	Trade Deputy Mayor	21 <sup>st</sup> January 2015
49	Urban government	City of Milan	executive body	Trade Deputy Mayor	21 <sup>st</sup> March 2017

**Paris Ile-de-France**

	<b>Sector</b>	<b>Organisation</b>	<b>Organisation type</b>	<b>Role of the respondent</b>	<b>Date</b>
1	Freight logistics	SOGARIS	SEM operating logistics platform	Official	1 <sup>st</sup> July 2015
2	Academic research	individual actor		scholar at public university	26 <sup>th</sup> February 2016
3	Academic research	individual actor		scholar at public university	15 <sup>th</sup> December 2014
4	Academic research	individual actor		scholar at public university	18 <sup>th</sup> May 2016
5	Wholesaling	syndicat des grossistes de viande de Rungis		President	24 <sup>th</sup> October 2016
6	Wholesaling	SFL (Syndicat de Fruits et Légumes Rungis)	professional organization	President	23 <sup>rd</sup> July 2015
7	Infrastructure management	Semmaris	operating company	President	14 <sup>th</sup> March 2016
8	Infrastructure management	Semmaris	operating company	high-rank officials	2 <sup>nd</sup> February 2016
9	Infrastructure management	Semmaris	operating company	official	3 <sup>rd</sup> February 2016
10	Infrastructure management	Semmaris	operating company	official	21 <sup>st</sup> July 2014
11	Infrastructure management	Semmaris	operating company	high-rank official	16 <sup>th</sup> February 2016
12	Infrastructure management	Semmaris	operating company	high-rank official	28 <sup>th</sup> August 2015
13	Infrastructure management	Semmaris	operating company	official	30 <sup>th</sup> October 2015
14	Infrastructure management	Semmaris	operating company	official	19 <sup>th</sup> October 2015
15	MIN network regulation	FMGF - Fédération des Marchés de Gros de France	professional organization	President	15 <sup>th</sup> January 2016
16	MIN network regulation	FMGF - Fédération des Marchés de Gros de France	professional organization	high-rank official	8 <sup>th</sup> December 2015
17	Retailing	UNFD - Union Nationale de la Fédération des Détaillants de fruits et légumes	professional organization	high-rank official	8 <sup>th</sup> January 2016
18	Urban planning	IAU - Institut d'Aménagement et d'Urbanisme	public research centre	officials on food retail development	17 <sup>th</sup> December 2015

19	Urban planning	IAU - Institut d'Aménagement et d'Urbanisme	public research centre	official on freight logistics	4 <sup>th</sup> May 2015
20	Urban planning	EPA-ORSA (Etablissement Public d'Aménagement Orly Seine Amont)	public urban development agency	official	27 <sup>th</sup> August 2015
21	Urban government	Ville de Paris	administrative trade department	officials	18 <sup>th</sup> December 2015
22	Urban government	Ville de Paris	city council	city councillor	29 <sup>th</sup> July 2015
23	Urban government	Ville de Paris	administrative freight department	officials	11 <sup>th</sup> November 2015
24	Urban government	Ville de Cachan	local administration	high-rank official	22 <sup>th</sup> March 2016
25	Department government	Val-de-Marne	administrative freight department	official	22 <sup>th</sup> June 2015

\*Some respondent occupied different role in each local context during time. These cases are marked a '*bis*'.