

# Auctions and demand forecast in public-private partnerships (PRESENTATION ONLY)

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## Abstract

In this paper we tackle with a rather controversial issue about public-private partnerships, namely that of unrealistic provision of market condition forecast at the evaluation stage of the essential facility projects. We formally show that the competition for monopoly franchise contracts that is generated by the standard auctions induces firms to report overoptimistic forecasts whenever the latter expect renegotiation to occur at later stage. We as well highlight that the bids of the firms increase in both the expected size of the market and the volatility of the project, with impact on social efficiency. We ultimately identify some "intermediary" bid values for which the government cannot disentangle true market forecasts from volatility, so that it would better renounce to implement the project.

Keywords: Stochastic demand; public-private partnership; auctioning; renegotiation

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