

**SOCIETE DU CANAL DE PROVENCE
and
REGIONAL DEVELOPMENT IN PROVENCE**

***A SUCCESSFUL TRANSFER FROM CENTRAL GOVERNMENT
TO
SEMI-PRIVATE SECTOR***

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Nota : This document has been written a few years ago. The figures given have not been updated, this may explain some differences between these figures and those given in the Power Point presentation which are of end 1998.

SUMMARY

Before describing the different aspects of SCP's work and its facilities, it is worthwhile considering the role and the missions of this regional development company in the initial perspective which the founding texts assigned to it and which, as early as 1951, were devoted to regional development.

Today, with regional development having found new vigor, these texts have been codified in legislation and integrally adopted in the updated Rural Code in a special section entitled "Rural Development Companies".

These texts can be paraphrased as follows:

"When the development of determined regions requires the execution of works involving several ministerial departments, the engineering and design, execution and subsequent operation of facilities may be made the subject of a general mission or of a single concession awarded by decree to a private and public capital company, provided that the majority of the capital belongs to public entities".

"The regional and departmental authorities of government are to be involved in defining the missions of these companies and their management and verification".

These stipulations have enabled sustained hydraulic development schemes to be implemented throughout South-East of France.

1 – Establishing a Regional Development Company

During the 1950s, considerable development problems arose in south-east France. These highlighted a fundamental constraint, which was the need for a regular supply of water. It was essential to meet the water needs of towns, industry and the rural world in eastern Provence, which was facing frequent droughts and could not easily make use of the River Durance water that was already widely distributed.

Indeed, over the centuries many projects had been outlined on paper but due to technical and financial shortcomings at the time, or because the initiatives were too isolated, no large-scale project had actually seen the light of day.

The 1951 texts provided a legal framework for a common approach to the transfer of River Verdon water to the coastal belt. The 1955 law implementing the River Durance scheme authorized the construction of the reservoir at Serre-Ponçon that would supply the Var and the Bouches-du-Rhône departments with River Verdon water. Indeed, modern techniques now made it possible to execute the project, which until then had been considered utopia.

In this context and under impetus from by the Ministry of Agriculture, local authorities (departments of the Bouches-du-Rhône and the Var, City of Marseilles) in association with other departments and Chambers of Agriculture from what was later to become the Provence-Alpes- Côte d'Azur region, created a public and private capital company called the Société du Canal de Provence et d'Aménagement de la Région Provençale (SCP). This company, whose role was first and foremost as consulting engineers, was to develop the master plan and texts so that the Central Government could clearly establish its assigned tasks which were finally set out in a decree dated 15th May 1953 signed by the President of France and many ministers, after approval by the Council of Central Government.

Decree

Without detailing all its stipulations, the decree established that the task assigned to the SCP was: "the creation and operation of the hydraulic infrastructures needed for the development of the Provence Region".

The concession included:

- a) The construction and operation of a River Verdon diversion canal called the Canal de Provence, to supply the departments of the Bouches-du-Rhône and the Var and the City of Marseilles with water for agricultural, domestic and industrial use.
- b) The construction and operation, or just operation, in isolation or in association with any interested third party, of the reservoir needed to make best use of the diverted resources.
- c) The construction and operation of any other hydraulic facilities which could become necessary for the economic development of the region, especially dams, canals, irrigation networks and farmland drainage insofar as local authorities, public bodies or Users' Associations, after having been advised the general interest of these operations, did not themselves take the initiative.
- d) The operation of hydraulic structures already constructed and which were to be handed over to concessionaires by their owners or their present concessionaires.

2 – Options for the Canal de Provence

The problems facing this new hydraulic infrastructure in the beginning of the 1960s had already been clearly defined since previous generations had long reflected on them. It required the diversion of an annual volume of River Verdon water close to 660 million m³ at a maximum flow of 40 m³/s in order to supply around 60,000 hectares ¹, a hundred or so towns and villages (i.e. close to 3 million inhabitants)

¹ area distributed from the Canal de Provence itself. Besides this perimeter Canal de Provence distributes also water to Calavon & Valensole perimeter

and their industry. There were many engineering difficulties, but these were doubtless no more important than the institutional or economic problems that had to be resolved. With hindsight, we can review the different institutional, economic and technical choices, which were adopted.

2.1 Institutional Choices

After considering the pros and cons of creating an interdepartmental association grouping together the three territorial authorities responsible for supervising this operation, this option was abandoned due to the top-heavy administrative structure that it would create. As part of its policy of active involvement in the field of regional development, the Ministry of Agriculture sought to set up a flexible organization adapted to regional needs. He proposed the creation of a public and private mixed capital company between the departmental authorities of the Var, the Bouches-du-Rhône and the City of Marseilles. Representatives of agriculture through farmers' Chambers of Agriculture and the banks Crédit Agricole and Caisse des Dépôts et Consignations, whose vocation led them to work in the field of regional development, were also associated with the project.

This composition received a favorable welcome from all sides.

Its status as a private and public capital company provided the company with flexibility which any other legal status, inter-departmental association or mixed association in particular, would not have had. The entity which was thus created, SCP, would concentrate all the efforts of the various local authorities working towards hydraulic and agricultural development of the Provence Region with the financial backing of the Ministry of Agriculture, responsible for the major regional development credits, whose interministerial nature was thus further enhanced.

Representing all the aspects of regional development, the company was to carry out effective development of multipurpose hydraulic schemes whilst enabling it to make economies of scale and apply greater efficiency and adaptability to the schemes executed. In passing, it is worth underlining the regional aspect of this option since all too frequently users selfishly develop their own structures and their own resources.

2.2 Technical Choice

The main technical choices were evolved from certain basic principles:

- the water resource is inherently limited and it is therefore essential that it is used economically at all levels in the process,
- River Verdon water is of very high quality and its transport and distribution must preserve this quality entirely,
- users would like to have water available without constraints, i.e. precisely when needed and with unrestricted delivery flows,
- lastly, compliance with all these constraints must cost as little as possible.

Based on these basic considerations, the facilities were gradually developed.

First of all upstream, where the specificities of the River Verdon with its extremely low summer flow required the construction of large fixed reservoir facilities providing 250 m³ impound capacity. These reservoirs were created jointly with Electricité de France, which executed a hydropower scheme on the river at the same time. They are managed in the best general interest under an agreement in 1963.

Downstream, a piped pressurized distribution system was installed. This appeared self-evident for the supply to industrialists and to urban groups who receive the water in their tanks and their treatment installations, but less so in the case of irrigation since until 1955 only gravity irrigation had been used, the

water being distributed on a strict and rigid roster established for the entire season. SCP decided to distribute piped pressurized water on an unrestricted basis, the farmer taking the water which he required up to the limits of the flow that he had freely contracted, the actual volumes consumed being measured by a meter. All users were therefore able to use all the water they needed at any time.

Finally, between the distribution networks and the River Verdon head structure, around 260 km of major engineering facilities had to be created providing a maximum flow of up to 40 m³/s. Regional relief required that 1,000 m high mountain ranges be crossed. To solve this problem, it was decided to alternate canals and tunnels at the highest possible elevation. The canals were lined and protected from side flows. This solution was more economic in time and more effective in avoiding losses and protecting the quality of water. The tunnels were also lined and operated as pressure conduits, which was more economic and easier.

In addition to all this, it was necessary to make sure that the transport network only diverted the volumes needed by users from the River Verdon. It was therefore essential that an effective control system be implemented to avoid, as was the case in old canal systems, low efficiencies that wasted the resources and generated excessive investment costs.

2.3 Economic Choices

As to the investments involved, the Central Government made a considerable contribution in the form of subsidies, allowing local authorities to determine the level of debt, which was acceptable. Over the years, and well before Plan contracts existed, multi-annual programs were established and their execution pursued roughly in compliance with the initial forecasts, despite many unforeseen events of all kinds. This continuity in the shared effort was the determinant factor in the success of the work undertaken.

As to annual operating charges, the Board of Administrators decided to implement a tariff system, which would orient consumers' decisions towards the general interest, while sharing the charges equitably between consumers. A marginal cost tariff policy was chosen. Doubtless there is no ideal tariff policy but there are others which are worse.

This tariff system, which is designed to make users pay a just price for the service provided by coinciding his own interest with the general interest leads to considerable financial charges during the period of structure construction and the first years of operation. This is gradually absorbed through the amortization of loans and increased consumption. However, the institution of this tariff system required that advances be made to cover the inevitable financial charges for the structures constructed by a generation for a use which will last for many decades to come. The Central Government and founding local authorities came to an agreement to guarantee the corresponding financial contributions and to back the enterprise undertaken.

Moreover, regional solidarity was clearly expressed when choosing the priority for satisfying demands, which were to be scheduled over several decades and several departments. The administrators representing the regions alone made these choices directly within the company Board. It was often necessary to make delicate arbitrations which required thorough understanding of the problem by elected local representatives and a long-term vision of the regional interest, transcending the immediate interests of the local authorities in question.

3. Today

Nearly forty years after its creation it is worth examining how the initial project has developed and how the original choices have been complied with in the light of the intervening social and economic changes.

3.1 Institutionally

The Board of Administrators brings together representatives from regional authorities (Region, Departments, City of Marseilles), representatives of agriculture and banks. At the outset, more than 35

years ago, certain persons questioned the capacity of SCP to undertake with consistency a hydraulic development scheme which would only be effective if it were pursued for several decades.

The schemes completed have shown that in spite of the changes which have occurred due to the passage of time, electoral bodies or in thinking, it has been possible to implement effective policies on the bases initially established, with very considerable perseverance. It must therefore be observed that this type of formula, which associates the Central Government, regional authorities and professional representatives, has proved in this case to be perfectly viable.

Of course, this cooperation can only prosper if the Board of Administrators is effective as a place of discussion and mutual comprehension where technical, economic and political opinions are expressed freely and where guidelines are finally engineered for achieving, in the best conditions, the aims established in common.

This exchange between the Central Government and the Board of Administrators was an on-going process, but it also applied between the Board and representatives of all the regional authorities. This climate of understanding and solidarity between the regional authorities is perfectly illustrated by the system of revolving chairmanship implemented for the Board of Administrators, which demonstrates illustrates how everyone involved plays a significant role in the success of the common enterprise.

3.2 Technically

The technical situation must be viewed from several standpoints, each one corresponding, firstly to effective execution of structures and secondly to their degree of use and maintenance.

3.2.1 – Projects

A few figures will suffice to describe the projects, which now extend over several administrative counties.

To safely and reliably divert 660 million cubic meters in spite of the unfavorable climate, it was estimated that it was necessary to have a reserve storage capacity of 250 million m³. Since 1975 these reserves do exist. They are shared between the dam reservoirs of Castillon (85 Mm³), Bimont (25 Mm³) and Sainte-Croix (140 Mm³).

The main conveyors extend over a distance of 260 km. Their head flow diverts 40 m³/s, which is gradually reduced until it reaches only a few m³/s. 148 km of tunnels with diameters between 3 and 5 m have been driven through the major geographical obstacles, especially the mountain ranges of Sainte-Victoire, Sainte-Baume and l'Etoile. The works on these various tunnels cover a total of almost 20 years and certain sections required 6 to 7 years' work in order to be completed.

There are more than 4,000 km of pipes of all diameters (between 100 mm and 2000 mm) supplying one hundred or so communes and all the industrial estates which can demonstrate the need, and almost 60,000 hectares of farmland have effective access to an unrestricted piped pressure supply.

To this can be added a further 70 storage facilities or reservoirs with volumes between 100 m³ and 3 Mm³ and almost as many pumping stations, the largest of which has an installed power of 2500 kVA.

To ensure that the transport and distribution of water is properly controlled, at the start of the 1970s the company developed its own control system called "Dynamic Regulation", which is entirely automatic and has been described many times. Suffice to say that this process avoids any wastage of water and enables the construction of optimally dimensioned facilities. This allows each one of the 45000 turnouts to have an unrestricted supply of water whenever required.

3.2.2 – Utilization of the structures

Facilities as large as the Canal de Provence are only brought into use very progressively. The largest infrastructures were executed to their final-use gauge but the other structures, easier to reinforce, have been executed with a view to doubling or tripling their capacity in the coming decades.

Today, the capacity of the main structures represents 35 to 40% of their maximum potential. This level of use is less than the forecast growth in consumption made 25 years ago. This may be regretted or applauded depending on one's point of view. However, once the pros and cons have been balanced, the fact that in coming years the regional community will have a considerable margin for a quality product, as precious as it is globally limited will doubtless weigh out in its favor.

This slow development of consumption is the concrete result of water savings made at all levels, at the company of course, but also with all customers.

Efforts made by urban authorities to reduce leakage, improve management of networks and increase consumers' awareness, have born fruit and led to the stabilization (and even reduction) of unit consumption.

For 20 years, total consumption of water for industrial use has remained practically stable whereas the number of supplied establishments has increased by 30%. This can be explained by the fact that, in spite of sustained activity, industrialists apply a policy of very strict water economies, both in terms of volumes consumed and of discharges as part of a determined policy of environmental protection.

Finally, in terms of irrigation, the quantities used per equipped hectare are around ten times less than those of conventional irrigation, i.e. gravity irrigation based on rosters supplied by old canals using summary control systems.

The preliminary design proposed harmonious delivery of water for the three main users: rural, urban and industrial. Forecasts were met in relative values and the volumes supplied to the three categories of users remain roughly balanced.

Finally, it must be emphasized that during the three years of severe drought, 1989, 1990 and 1991, the areas supplied by the Canal de Provence were never threatened by the slightest restriction.

3.3 Economically

3.3.1 – Tariff system

The choices made in economic terms recommended the setting up of the marginal cost tariff system which appeared to be overall the most satisfactory. Indeed, this tariff system orients consumers decisions towards the general interest. It makes each customer aware of the charges, which have to be borne by him to provide him with a unit of flow or additional volume during peak periods (summer) or during off-peak periods (winter).

The tariff is therefore diversified based on the use, which the customer makes of the flows made available to him, and this encourages him to subscribe to a contract in his best interest and not use water unthinkingly.

This tariff system allows the charges between the various water users, urban, industrial and agricultural, to be shared out equitably. It provides an indicator relative to the optimum economic situation. This is not an absolute necessity but at least it gives information on the extent of a deviation.

In practice an attempt is made to apply realistic, clear and flexible tariffs. The tariffs practiced are binomial and consist of:

- a flow charge,
- a consumption-related charge.

The flow charge corresponds to the expenditure, which has to be made in order to provide the consumer with the immediately available flow established in his contract. This charge is roughly proportional to the contracted flow and increases with the distance from the off-take. There are three tariff zones, with the following incidence for identical conditions of consumption:

Zone I: -1.35 Zone II: 1 Zone III: 0.55

The consumption-related charge supports the costs proportional to the volumes consumed, costs that are relatively low. In view of the difficulty of applying fixed rates for the flow charges, which would be too high, part of this charge is carried over onto the peak volume charges. Thus, there is a peak period volume charge and a much lower off-peak charge.

This system is applied to all users in relation to their own specific characteristics. A few modifications have been progressively added:

- professional farmers benefit from a 50% reduction on the irrigation tariffs in order to reflect effective solidarity of the various sectors of activity in favor of agriculture as part of the policy of sustained rural activity,
- for urban and industrial users, seasonal tariffs and standby tariffs have been developed to cover two situations. Either seaside towns and villages whose populations increase considerably during the summer, or customers who have their own source of supply but would like to have the means which would allow them to cope with an unexpected and limited interruption in this resource.

The average sale price to customers, whatever the use, is 1.7 F/m³. Water delivered to towns or industry is sold at 2 F/m³ and irrigation water at around 0.60 F/m³. The range of individual prices is much wider but in this case the specificities of each situation have to be considered.

This tariff system today gives full satisfaction taking into account the adjustments and successive additions that have been made necessary by users' needs.

The tariffs have been index-linked to economic indicators representing the costs engaged and their evolution effectively reflects changes in charges of all kinds, which the company is required to bear.

3.3.2 – Financing

The most delicate aspect of the original economic options covered the financial plan for the works. The nature of the works was inherently expensive, in addition to which it could only be used after the execution of substantial phases and even then at a relatively modest level during the early years.

This argued in favor of a very high level of subsidy and moreover the official texts referred to rates close to 80 or 90%. In actual fact, practice has shown that Central Government credits were limited and that it was impossible to execute structures in a reasonable period of 15 to 20 years while complying with a very high level of subsidies.

The solution adopted was to comply with this construction period of 15 to 20 years, which appeared to be the acceptable limit, and therefore to speed up the work program by borrowing the amounts that the subsidies were not able to contribute. The cumulated level of subsidy is even today close to 45% for a cumulated asset value of 4.6 billion francs of actual investment and close to 9 billion at current values.

This low level of subsidy has resulted in substantial loans, the reimbursement of which the Central Government, and above all local authorities, decided to make in the form of loans to the company until it can progressively take over the charge and cover all the financial costs from its own income.

For almost 15 years, the company has benefited from cash flow loans to cover its financial charges. It has therefore progressively passed, in administrative terminology, from a small balance, i.e. between income and O&M costs, to an average balance, i.e. between income and O&M plus interest repayments, and now to a large balance, i.e. between income and O&M, interest repayments plus depreciation.

3.3.3 – The future: durable management

Since the facility to be managed was expensive, it is important that its service life be extended to the maximum. The Central Government concession stipulated that at the end of the operating concession (75 years) the concessionaire had to return a structure in perfect working condition having benefited from maintenance so that it will not require considerable short term works, apart from maintenance and normal renewal of structure facility. To achieve this, the Ministry of Agriculture had estimated the amounts required for corrective maintenance, preventive maintenance, and provisions for renewal of structures. This takes the form of an annual rate expressed as a percentage of the cost of structures – necessarily updated each year – and evaluated in a relatively wide range.

The company scrupulously follows this maintenance policy. Although the maintenance rate range allows considerable flexibility, this flexibility also reflects the fluctuations of the contribution needed for upkeep of such a structure. Everyone is aware of the changes over the years in the maintenance costs of an industrial facility: high on commissioning (essentially during the early years which are generally covered by the manufacturer's guarantee), very low the following years and progressively but slowly increasing thereafter until they become high and increase strongly as the end of the service life of the equipment approaches. Hydraulic facilities and their component structures (especially hydro-mechanical, electrical and electronic equipment) follow the same law although with very different service lives from one type of structure to another. This change therefore causes the company to devote small financial sums to maintenance at the start of operation, and progressively increasing with time. Fortunately, such a law is compatible with the degree of use of the structures and therefore the income generated (low level use during the early years).

What is true for corrective and preventive maintenance is also true for renewal of structures: few provisional sums required for renewal at the start of operation, particularly limited to equipment with short service lives, increasing provisions as the structures age. Once again, this law is compatible with the financial capacities of the company: these are largely devoted to reimbursing loans during the first decades, which thereafter progressively disappear with time to liberate the financial capacity and allow the company to allocate sums to more large-scale renewal of equipment and structures.

However, this type of situation is not easy to manage: there is a perpetual process of arbitration between the various needs of operation and the maintenance function and judicious allocation of limited financial resources. A renewal and maintenance policy has therefore had to be defined and if possible rendered "optimum". In order to move towards such a policy, the company implements methods drawn from industrial maintenance procedures adapted to hydraulic structures. These are grouped into types and geographical areas, methodically monitored with all the maintenance operations described and listed in computer data sheets from which statistical data and wear renewal laws can be drawn. At the same time, programs for the maintenance and simulation of failures and their consequences allow the measurement or forecasting of situations resulting from these failures and offer decision-aid tools for deciding priorities and maintenance levels.

The policy of maintenance and renewal of structures therefore relies on series of data and technical and financial considerations. These optimize maintenance programming and enable the most judicious finance to be organized to ensure the optimum service life of the facilities and scrupulously comply with the terms of the operating concession.

3.3.4 – Macro-economic impact

For agriculture

Henceforth, the Canal de Provence ensures the irrigation of 60,000 ha; almost all of which had little or no access to water previously. This irrigation has made it possible to increase the agricultural potential of the region, to develop yields from traditional crops and to introduce new ones.

The end of the constraint resulting from the shortage of water has given the operators the opportunity to benefit from all the progress made in genetic and chemical engineering. The profitability of horticulture, fruit growing and market gardening has been increased and especially high-added value crops such as those grown from seed.

Pressurized water has provided access to modern irrigation techniques: sprinkler, drip, etc., based on the principle of less watering but better watering.

Water saving techniques mean that where 15,000 to 30,000 m³ per ha were used previously, nowadays 3,000 m³ suffice. Techniques are less constraining for farmers but closer to crop requirements.

For industry

Today, any industry can set up a production unit in Provence with the certainty that it will have all the water it needs for production purposes, such as refrigeration, washing, etc. There is an ever-increasing need for water. Thus, the Canal de Provence facilitated the installation and the development of the major water consumers such as the oil refinery and petro-chemical industries around the Etang de Berre. The quality of Verdon River water is greatly appreciated by those industries, which need an extra-pure quality of water.

More than 400 companies obtain almost all their supplies from the Canal de Provence. Even companies already supplied by another source obtain complementary supplies from the Canal de Provence.

Local Governments

Everyone remembers the uninterrupted thread of running water in the high districts of towns and villages, water, which became salty and strangely colored on occasions. Town councils remember their summer fears of water shortages. In this Mediterranean Region, one need not be very old to remember the restrictions on consumption: interruptions at certain times and fines on non-priority users.

Nowadays, these same towns allow individuals to build swimming pools and to water their lawns at their discretion, and investors can build golf courses and aquatic leisure parks.

Even if the population has doubled in a few years, and even where the population increases many times through the influx of tourists during the summer, water is no longer a problem.

In addition, many hydrants have been installed at local government level to facilitate fire fighting.

3.3.5 – Regional management of a multi-purpose facility

Here and there much is made of "Regional management of water". Indeed, this is the principle which for more than thirty years has guided the Canal de Provence project, a multi-purpose hydraulic development scheme, which it was clearly perceived would allow the different uses to be reconciled and economies of scale to be achieved (reinforced by the non-simultaneity of demand peaks) in investments and operating costs.

Moreover, it is now even more obvious that the multi-purpose nature of the scheme enhances the quality of service and the opportunities for flexible adaptation to structural changes.

In terms of quality of service, water users who could theoretically accommodate less strict supply conditions (such as irrigation where a 48-hour interruption in service is generally possible without major prejudice) benefit from a much better quality of service due to the stricter requirements of urban and industrial uses.

In terms of adaptability to structural changes, it is worth noting that the flows to be conveyed to supply one hectare are not significantly different, whether consisting of agriculture, parkland, urban zones or

industrial activities (what does differ is the annual consumption times for these flows which are very seasonable in the case of agriculture and practically continuous for industry).

Whatever the inevitable development of land occupancy and land use in the long term, in relation to changes in lifestyle and types of activity, the adaptation of systems for routing water is consequently simplified to the extent that the area which can be reasonably equipped is, ultimately, fairly well delimited.

We have seen that in the case of the Canal de Provence hydraulic development scheme, the volumes of water allocated to irrigation will probably remain within initial forecasts – the areas equipped being in line with those predicted. Their location could show some changes at the margins due to the extension of urban areas and industry, more or less compensated for by an extension of irrigation to the more marginal zones in order to sustain communities in rural areas.

In view of the progress achieved by industry in the field of process efficiency, which has resulted in their net unit consumption diminishing, and the predicted progression of their output, it appears that volumes allocated to industry should roughly remain in line with forecasts.

Thanks to the overall policy which has been applied since the outset to economic management of River Verdon water resources, there is still a satisfactory margin for durably meeting population increases and increased drinking water consumption and, generally speaking, all the needs associated with the development of Provence.

CONCLUSION

With almost 35 years' experience, SCP is able to provide an interesting insight into an overall regional hydraulic development scheme, which has found and applied regional solutions with the full agreement of the local government authorities involved. No doubt the nature of the problem called for a regional solution, but nevertheless the tool set up in close collaboration between the Central Government and regional government authorities proved to be very appropriate to undertake the tasks involved. Moreover, since then it has been more widely applied throughout the region, not only to the field of water engineering but also to tourist development and forest exploitation.

The Central Government established the main principles of a general interest policy (the concession decree) and the regional authorities, brought together in an ad hoc structure, have applied this policy. The structure they created has enabled them to provide an effective line of action and to routinely adapt to the many problems involved in managing a facility, which contributes to regional development and satisfies the requirements of users.

Like any regional development operation, the most difficult aspect is not to implement the technical solutions or to obtain funding, the most difficult is to durably manage overall operations and to allow all participants to benefit from economies of scale and provide effective help to the most threatened and most difficult areas so that they benefit from a quality service and a balance of charges in their favor. There can be no regional development if there is not a balance in favor of the weakest economic areas, if the better-off abandon the more vulnerable areas, which surround them.

This is the principle, which SCP managers have ensured is applied on a day-to-day basis.