

Services of General Economic Interest in Europe

Regulation, Financing, Evaluation, Good Practices

CEEP

European Centre of Entreprises with Public Participation
and of Entreprises of General Economic Interest

CIRIEC

International Centre of Research and Information
on the Public and Cooperative Economy

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Foreword

Even if services of general interest are more and more object of discourse, notably following recent EC initiatives (among which article 16 added in the Amsterdam Treaty and the Communication of services of general interest in Europe), relatively few analytical studies concerning them are published.

CEEP (European Centre of Entreprises with Public Participation and of Entreprises of General Economic Interest) and CIRIEC (International Centre of Research and Information on the Public and Cooperative Economy) therefore joined forces to prepare a Seminar - scheduled in May 2001 in Brussels - on recent issues encountered in the procurement and the provision of services of general economic interest. The present work - also available in French and German - gathers the preparatory reports for this Seminar, realised by some forty experts from the CEEP and CIRIEC networks. The findings assembled hereafter reflect the collective opinion of the working groups members under the joint responsibility of the co-presidents and the members of the Coordination Committee.

Exchange of views were intense and fruitful, and issues are still open. Several schools of thoughts and trends do co-exist and the Seminar will offer the opportunity to present and discuss those works, while debating about proposals to improve the conditions to provide services of general economic interest.

This important work would not have been realised without the support of the European Commission - which is not liable for the content of this document -, nor of the secretariats and various instances of CEEP and CIRIEC that strove for the completion of this project. That all members of the Coordination Committee and of the four working groups be thanked for their active contribution to the dialogue between practitioners and scholars, between jurists and economists, between interests of operators and users/citizens; it is precisely that interdisciplinarity that constitutes the richness of this work. The rapporteurs of the four working groups as well as the European Broadcasting Union have to be particularly acknowledged, since they accepted the difficult task to synthesize the reflections and intense debates occurred during the 15 months of the project. Finally a great thank to Barbara Sak and Anne-Marie Tatin who co-ordinated the scientific work and to Carmela De Cicco and Eliane Evrard-Grce who checked the translations - with the help of several members of the working groups in particular for the German edition -, and ensured the final proof-reading as well as the lay-out of the publication you hold in your hands.

Helmut COX

Jacques FOURNIER

Marc GIRARDOT

Composition of the Coordination Committee and the Working Groups

	CEEP	CIRIEC
Co-Presidents	Mr Fournier (F) <i>(until June 2000)</i>	Mr Cox (D)

Members of the groups (presidents and rapporteurs of the groups included)

Group 1: Regulation

Coordinator	Mrs Schulte-Beckhausen (D)	
Rapporteur		Mr Bognetti (I)
Members	Mr Fawcner (UK) (transport) Mr Lehman (F) (transport) Mrs Escolar Polo (E) Mr Weening (NL) (energy) Miss Robin (F) (energy) Mr Gerard/Mrs Frank (CH) (radio-TV)	Mr Barea (E) (telecom) Mrs Ruiz Cañete (E) (telecom) * <i>* (until April 2000)</i>

Group 2: Financing

Coordinator		Mrs Cartelier (F)
Rapporteur	Mr Ruys (NL)	
Members	Mrs Diaz Cremades (E) (bank) Mr Bertran (F) (telecom) Mrs Detchart (F) (transport) Mr Metz (D) (transport) Mr Gerard/Mrs Frank (CH) (radio-TV)	Mr Cox (D) Mr Debande (L) (transport) Mr Obermann (A)

Group 3: Evaluation

Coordinator		Mr De Block (B) (energy)
Rapporteur	Mr Bauby (F) * (energy)	
Members	Mr Decker (D) Mrs Gonzalez (E) <i>* assisted by Mr Grousset and Mrs Pflieger</i>	Mrs Greiling (D) Mrs Waddams Price (UK)

Group 4: Good practices

Coordinator		Mr Glachant (F) (energy)
Rapporteur	Mr Plassmann (D)	
Members	Mr Helleryd (S) (loc. author.) Mr Durrieu (F) Mr Loff (P) Mr Damas Rico (E) (transport) Mrs Frank (CH) (radio-TV)	Mr Bance (F) Mr Visco Comandini (I) (post)

The "Coordination Committee" was set up with both co-presidents, the coordinators and rapporteurs of the four working groups, and

Mrs Sak – secretariat CIRIEC

Mrs Tatin – general secretary CEEP

Mr Girardot – CEEP France

Mrs Kip – CEEP Benelux

Mr Thiry – Director of CIRIEC *(until December 1999)*

The general and scientific secretariat was ensured by CEEP and CIRIEC jointly.

Origins and objectives of the project

In 1995, CEEP, with the scientific participation of CIRIEC, put forward proposals to ensure that services of general economic interest would be taken into account more:

- Amendment of the Treaty, notably the current Article 86-2, to take better account of the special features of these services
- Proposal concerning a Charter of general economic interest services containing the definitions and guiding principles that could be used as a reference in the various sectors concerned
- Establishment of an observatory of general economic interest services to conduct analyses and comparisons over time, space and between sectors, thus providing decision-makers with better bases for their future action.

The various proposals by the players concerned led to what has become Article 16 of the Treaty¹, which confirms the shared value for the European Union of services of general economic interest, but without laying down general principles which characterise and differentiate "publics" services from other services.

Hence the idea, developed in conjunction with CIRIEC, of making some improvements five years later, by drawing on the great variety of actions and experiences in the various Member States and according to the sectors, notably because of the increase of the at least partial liberalisation of these services.

In order to compare the various efforts made in relation to services of general interest and to draw lessons for the future, it was considered that the most pertinent method would be to organise, together with representatives of the authorities and of the various sectors of activity, a scientific seminar based on preparatory work comprising an initial comparative analysis and recommendations. With a view to remaining within budgetary limits and acceptable deadlines, the scope of the project was deliberately limited to three domains in which the special nature of services of general economic interest is most evident, and which are also the domains of most importance for the future, namely regulation, financing and performance evaluation methods. In order to perhaps focus on other issues regarded as being particularly interesting, an open topic was added concerning the collection of good practices.

¹ Article 16: *"Without prejudice to Articles 73, 86 and 87, and given the place occupied by services of general economic interest in the shared values of the Union as well as their role in promoting social and territorial cohesion, the Community and the Member States, each within their respective powers and within the scope of application of this Treaty, shall take care that such services operate on the basis of principles and conditions which enable them to fulfil their missions".*

When analysing regulation procedures, the project will focus in particular on the Community legislative framework, the scope of regulation, the need to take account of the special features of the networks, the verification of public missions on the basis on operational criteria, and the various models for organisation and regulation mindful of the principle of subsidiarity.

The examination of the financing of services of general economic interest will provide an opportunity to compare the advantages and disadvantages of the various methods of financing possible depending on the sector.

The chapter on performance assessment is aimed at comparing the methods and evaluation criteria and not the results obtained. The main objective is to assess the suitability of the measurement criteria with regard to the objectives to be achieved, to question the relevance of universal service obligations, and to identify the conditions ensuring efficient evaluation.

Lastly, the analysis of good practices should permit the identification of several elements that can be transferred to other sectors and other undertakings, by highlighting the conditions for achieving this.

EXECUTIVE SUMMARY

Introduction and EC framework

The preparatory work for the seminar to be held in May 2001 led in the four working groups of the CIRIEC-CEEP project aims at studying the possible applications and consequences of the new Article 16 of the EC Treaty on the procurement and provision of services of general economic interest. More precisely, the four groups looked into the regulation of these services, their financing, the assessment of their performance and possible good practices to be implemented in each Member State.

Article 16 "recognises the fundamental character of the values underpinning [services of general economic interest] and the need for the Community to take into account their function in devising and implementing all its policies, placing it among the Principles of the Treaty", as stated in the updated Communication from the Commission on Services of General Interest in Europe¹. The latter are thus a "key element in the European model of society" and Article 16 "now confirms their place among the shared values of the Union and their role in promoting social and territorial cohesion². These services also contribute to the overall competitiveness of the European economy and are provided in the context of continuously evolving markets and technologies."

Without constituting a right for citizens to claim for services of general economic interest of a certain standard at European level, Article 16 puts on institutions and Member States the positive obligation to promote general interest, and the negative obligation to abstain from any type of behaviour that may endanger general interest³.

The work presented hereafter is basing on the European legislation and terminology, more precisely on the latter recently synthesized in the updated Communication.

As defined by the European Commission, a service of general interest (SGI) "covers market and non-market services that the public authorities class as being of general interest and subject to specific public service obligations". The concept of a service of general economic interest (SGEI) "is used in Article 86 of the EU Treaty and refers to market services which the Member States subject to specific public service obligations by virtue of a general interest criterion". Of course, according to the subsidiarity principle, Member States keep the freedom to define and structure the missions of general interest.

¹ COMMUNICATION FROM THE COMMISSION - Services of general interest in Europe, COM(2000) 580 final, September 20, 2000.

Unless otherwise precised, the citations under quotations marks in this section are all referring to this Communication.

² "The existence of a network of services of general interest is an essential element of social cohesion; conversely, the disappearance of such services is a telling sign of the desertification of a rural area or the degradation of a town."

³ Cf. PÜTTNER Günter, "Die Aufwertung der Daseinsvorsorge in Europa", *Zeitschrift für öffentliche und gemeinwirtschaftliche Wirtschaft*, Band 23, Heft 3, 2000, pp. 373-376.

"At the heart of Community policy on services of general interest lies the interest of citizens. ... As users of these services, European citizens have come to expect high quality services at affordable prices. It is thus users and their requirements that are the main focus of public action in this domain. The Community protects the objectives of general interest and the mission of serving the public."

"In order to fulfil their mission, it is necessary for the relevant public authorities to act in full transparency, by stipulating with some precision the needs of users for which services of general interest are being established, who is in charge of setting up and enforcing the relevant obligations and how these obligations are going to be fulfilled. Action at appropriate level, Community, national, regional or local level needs to be taken to establish criteria for services of general interest. Such action must be mutually supportive and coherent."

"Services of general economic interest are different from ordinary services in that public authorities consider that they need to be provided even where the market may not have sufficient incentives to do so. [...], if the public authorities consider that certain services are in the general interest and market forces may not result in a satisfactory provision, they can lay down a number of specific service provisions to meet these needs in the form of service of general interest obligations. The fulfilment of these obligations may trigger, albeit not necessarily, the granting of special or exclusive rights, or the provision for specific funding mechanisms. The definition of a specific mission of general interest and the attendant service required to fulfil that mission need not imply any specific method of service provision. The classical case is the universal service obligation⁴, i.e., the obligation to provide a certain service throughout the territory at affordable tariffs and on similar quality conditions, irrespective of the profitability of individual operations."

When giving "perspectives on how, building upon Article 16, the Community in partnership with local, regional and national authorities can develop a proactive policy at European level to ensure that all the citizens of Europe have access to the best services", the Communication also envisages to strengthen European co-ordination and solidarity. The following is stated in this respect: "In order to facilitate the evaluation of services of general economic interest the Commission could envisage an examination of the results achieved overall in the Member States in the operation of these services and the effectiveness of the regulatory frameworks. Such an examination should take into particular account the interactions between different infrastructure networks, and the objectives of both economic efficiency, consumer protection and economic, social and territorial cohesion."

Within the above mentioned framework, it is thus the procurement and the provision of services of general economic interest – and universal service obligations when relevant - that are going to be investigated in this work, without neglecting the processes to assess their performances as well as good practices that could be

⁴ The notion of universal service and that of public service obligation have been acknowledged by the case law of the Court (Case C-320/91 *Corbeau* [1993]; Case C-393/92 *Almelo* [1994]) and developed in Community legislation for those services, for which a common regulatory framework has been put in place to achieve a single European market.

This concerns noticeably the telecommunications sector.

implemented in various sectors and Member States. It appeared that the four treated themes are closely correlated and the evoked issues do largely interpenetrate each other. This state of things should clearly come out in the debates of the discussion seminar. While presenting the situation of different sectors in various Member States – without aspiring exhaustiveness –, the groups also sought to place their analysis in a dynamic perspective that can take account of the inevitable evolutions as much in the definition of general interest missions as in the organisational and provision processes of the services under consideration.

Hereafter are the summaries of the four main reports to which a separate report on public broadcasting is added in part III. This particular case was integrated in the Treaties since the Protocol No. 32 (Amsterdam, 1997). Indeed, the general interest or public service character of this sector primarily concerns programme content and not the networks allowing broadcasting; moreover rather than economic, its general interest objectives are of political, democratic, cultural and social nature. Only universal coverage of the service brings broadcasting closer to the other traditional public utilities, as water (supply and waste-water treatment), energy, telecommunications and postal services, transport, banking services or waste (treatment and disposal). These are used as examples in the four reports dealing respectively with regulation, financing, evaluation and good practices of services of general economic interest.

The preparatory work realised by CEEP and CIRIEC experts will be submitted to discussion during a seminar scheduled in Brussels on May 10-11, 2001. Several questions do indeed remain open (see part IV) and will be subject of exchanges and debates at that occasion.

Regulation

Preamble

It will be recalled that with the introduction of Article 16, representing a synthesis of two opposite views advanced by different Member States at the Intergovernmental Conference, Services of General Economic Interest (SGEI) are now recognised as a principle of the European Union, even if they are not defined. Article 16 puts on institutions and Member States the positive obligation to promote the general interest, and the negative obligation to abstain from any type of behaviour that may compromise the general interest.

*The purpose of Group I was to examine the **regulation of public service obligations (PSO) (as well as universal service (US) in some specific sectors)** through European legislation (sectoral directives), and the extent to which these directives have been implemented by individual Member States. The structure of regulatory systems, their control mechanisms, and certain specific characteristics (e.g. access prices, quality, security) were analysed. The ultimate aim was to show the respective weak and strong points of different regulatory models and their advantages and drawbacks, and to consider the possibility of transposing them to other situations.*

Introduction

After several months of research, it is striking to note how liberalisation and privatisation (and thus regulation) differ strongly from sector to sector and from country to country. We think that these differences can be mainly explained by past history, different political choices, different technological situations and different market failures (the characteristics of infrastructure needed to supply the service can explain the variations in the extent to which competition can be introduced into a sector). Thus, we think that there is no single model of regulation that can be judged a priori as the best suited for all situations. It should be noted however that, even in sectors where competition is quite strong, regulation and/or price control have often been maintained at least for the present. The need to take care of public service obligations prevents total neglect by the State. There is strong resistance on the part of incumbents to the introduction of full competition. It is thus important to look into the sectoral realities and practices.

Regulation in the European scenario

Among the main regulation features, it seems worthwhile to point out the following two:

- *A two-tier regulation*

The general juridical framework derives from two sources: on the one hand the Treaties and the European Directives (which at least in principle should be transposed into norms by each of the Member States), and the pronouncements of the Court of Justice; on the other, the laws and statutes of Member States, which,

provided they do not contradict the Directives, can be very different from country to country.

- *Conflicts of interest between the competition principle (introduced by European Directives) and general interest obligations*

This potential conflict should be settled through a trade-off. This must bear in mind the principle of subsidiarity, reflected in judicial pronouncements and practice indicating that defining public service objectives is a matter for Member States. It still depends however on a political decision, which needs to take account of the requirement of proportionality – i.e. in this case that any departure from the general principle of competition should be clearly justified by the benefits.

Main aspects to consider for SGEI regulation

In practice, the control exercised on SGEI is an outcome of legislation, governance and social control. Thus all the constraints imposed on anyone operating in the sector have to be considered, i.e. the laws and statutes specific of that sector: general rules that have to be observed in any case; the decisions of specific and/or general regulatory authorities; and, finally, relevant judicial decisions.

While traditionally the problem was to control the behaviour of a public or of a private monopoly to avoid the abuse of monopolistic power to raise prices (regulation of conduct), the aim of regulation now is usually to build a market framework where competition can survive (structural regulation), which is a much more complex task.

Models of **conduct regulation** tend in practice to regulate the management choices of the individual enterprises concerned, instead of being general and applying to an undifferentiated set of suppliers. Their degree of specificity and detail increases with the complexity of the individual activities to be regulated.

Structural regulation tries in practice to define a minimal set of general rules, chosen because they are thought to be essential for full and efficient access to networks or markets, allowing different competitors to seek to supply effective services in line with users' demand. It is not a question of regulating behaviours and choices, but of avoiding all discrimination among suppliers, who should have equal rights to operate and to access infrastructures which function as common carriers for public services supply in Europe.

Sectoral regulation

Each utility displays different kinds of market failures, and regulation of public utilities must therefore be considered case by case. The choice between different ways of bringing about competition depends on the characteristics of the sector: it can be introduced by way of tendering, by controlling the level of prices and preventing discriminatory treatment in the use of network, by introducing substitute services, or by creating competition between networks.

Assessment of SGEI regulation

With the introduction of liberalisation, an enlarged market was expected that should probably bring additional advantages. However, regulation appeared even more necessary in order to create and control the overall framework. The aim of normative output of the EU policy maker was to give priority to the interoperability of national

networks (especially to problems of interconnection and technical harmonisation) and to separating network management and trading, the main goal being to extend opportunities of non-discriminatory access to national networks. Of course, changing technologies modify the picture and make it possible to exploit the potential of alternative networks or of larger cross-border networks. This allows to spread the supply risk and maybe to reduce total capacity, while eliminating some rigidities of the former fixed and high cost infrastructure.

Concerning the various models of regulation and aiming at a fairly simple classification, the group has considered three different models:

- The first can be identified by the presence of an independent sector regulator with rather extensive decisional powers consisting in a general supervision of the regulated sector: this usually means the power to fix tariffs (for non eligible consumers) according to some general rules set by legislator or eventually by the executive power; the possibility to act and give orders ex ante and control ex post operating units to prevent unwanted behaviour. The strength of the sector regulator varies in the single models depending on the power of the competent minister. This model is frequently characterised by the presence of a plurality of operating units often of private nature.
- In the second model, the regulator has less power (in some cases, a national regulator is completely absent as for instance in Germany in the electric sector). Tariffs are not fixed by regulators but by contracts; sometimes regulators have an ex post control on tariffs to avoid the exercise of monopolistic power. This type of regulation is frequently adopted when a plurality of subjects was already present in the market, before the regulatory process started. No vertically integrated monopoly was present, and the role of local authorities was very important. Ownership is now public, private or mixed. In any case, what is involved is the local or regional public ownership only.
- A third model is characterised by the presence of a fairly public and fairly integrated industry and where regulation has been until recently controlled by the executive, namely the Minister; the recent changes have brought some degree of autonomy to the regulator.

Although there is no unique solution, there has been a tendency to create regulators (e.g. Scandinavian, Spanish, Belgian Authorities). In what sense may they be more effective than competition authorities, which have been suggested as an alternative and in some countries (for instance, Germany) adopted? Generally speaking the application of competition law is more appropriate where market failures are not of first importance and where the sector is working with a reasonable level of competition. But we all know that competition law procedures are very slow, act only ex-post and usually on a negative basis (i.e. to prohibit some types of conduct). Besides, unless structured and staffed by sector speciality, some competition authorities do not have expert personnel able to master the intricacies of the specific sectors. Sectoral authorities on the other hand have specialised knowledge, power to act ex-ante, flexibility of intervention. Their weakness is that they may be more influenced by the parties being regulated, to whom they have more proximity.

Public service obligation (PSO) versus universal service obligation (USO)

There is no official definition at the European level of Public Service Obligation (PSO). The fact that there is no general definition does not prevent public service obligations from being implemented in a fairly uniform way. We find that in a specific sector the same "core" of obligations is established in different countries. The terminology varies from one sector to another and also depends on the characteristics of the sector and the European regulation framework.

The main remaining issue is to evaluate the true cost of USOs with all the problems of asymmetrical information between the incumbent and the regulator.

The air transportation sector will be a special illustration in this matter, since a public service obligation can be imposed by a Member State according to the rules of the European Regulation. In case of divergence between the Member State and the Commission, the final decision is taken by the ad hoc "Public Service Council".

In the telecommunication sector, each Member State may impose additional requirement to the universal service, but it may not impose constraints on the universal service costs and the additional service may not be financed by mandatory contributions by the market players. Other financing methods have therefore to be found.

It has to be recalled that a public service obligation cannot hinder competition. However the introduction of Article 16 in the Treaty will bring new questions concerning the co-existence of the competition principle of the Treaty, the sector directives, and the fact that Member States "shall take care that such services (of general economic interest) operate on the basis of principles and conditions which enable them to fulfil their missions". No one knows at present how the European Court of Justice is going to interpret new Article 16.

What model of regulation?

As we can see, methods of regulation and regulators are chosen according to overall complex considerations, where history plays an important role. There is an interaction between the model of regulation and two main factors: the structure of the industry before reform and political preferences.

In the present situation, it is difficult to say which is the "best" regulation model in Europe. Models of regulation depend on the type of market failure, on the type of relationships between politicians and bureaucracy, on the quality and independence of public administration from vested interest. Besides, the principle of subsidiarity has to be applied, being justified by the fact that national regulators probably have better knowledge of their countries' sectors. Finally, the actual mode of regulation of national SGEI reflects also the distributive policies that strike a compromise among different interests, articulated in the specific social contract.

Should one look to some sort of European Regulator, whose role should be limited to evident market failures at European level, concerning mainly interoperability, cross-border transactions and resolving conflicts of interest? This might be either a Regulator emanating from and in some way dependent on the Commission, or an Autonomous Agency with regulatory power, or else a Regulator whose members should be national regulators (there is obviously a problem when there is no national

regulator)? This last solution gives regulators the opportunity to sort out problems, to exchange information, to create a professional community with its own standards, but also a place where national and possibly divergent national public interests might be represented.

Conclusions

No regulation mode can be stated as optimal, because it always depends on the sectorial and geographical situation, as well as on the technological development of a specific sector. According to times and sectors, some modes of regulation (and their variants) have proved their efficiency under specific conditions, which are not necessarily reproducible from one sector or country to another. Let us remind that the better a market functions, the less conduct regulation may be necessary, but the regulation of public service obligations remains one of the priorities of regulation. The political input is thus still of utter importance to organise and support the action of regulators. However, the government's action potential should be maintained through the large implementation of the principle of subsidiarity and proportionality.

National Regulation

No model of regulation can be defined as the "best": models of regulation depend on the type of market failure, on the type of relationship between politicians and bureaucracy, on the quality and independence of public administration from vested interest, on public service obligations etc. Besides, regulation is a dynamic process; it changes over time according to the evolution of the industry and to the technological evolution that may lead to various types of monopolistic behaviours and bottlenecks. Finally, the actual mode of regulation of national SGEI reflects the distributive policies that strike a compromise among different interests, articulated in a specific social contract. At the present moment, no unified solution should be imposed. Thus, a large space should be left to the principle of subsidiarity, being justified also by the fact that national regulators probably have better knowledge of their countries' sectors. Obviously this does not mean that a comparison of the advantages and disadvantages of different European regulation is not very useful but such a comparison is feasible only with in-depth analysis of each different sector.

The European Scenario

Divergences among national regulations are limited in any case by the necessity to comply with European directives and judicial decisions. As it is very well known, European directives focused initially on liberalising SGEI sectors in Europe to introduce competition and reap efficiency gains. But SGEI are there to foster also some general interest, which might however clash with the practice of competition. The recent introduction of Article 16 in the Amsterdam Treaty indicates that SGEI represent a value for the EU and that competition cannot be the only object of regulation.

Judicial pronouncement and practice indicate that defining public service obligations is a matter for Member States; but Community laws oblige States to the principle of proportionality, meaning by this that measures taken to pursue public service obligations must not restrict intercommunity trade more than it is strictly necessary to reach the objectives desired. On the whole, specific European regulation concerning public service obligations regulation is rather weak. The new Article 16 may lead to

more specific regulation in this field both on the European as well as on the national level.

The Integrated Market and Regulation

One of the aim of the EU was and is to create an integrated market. This goal has not yet been achieved. One way to improve the situation is to create better and more developed transeuropean networks in the sectors of transport, energy and telecommunication infrastructures as it is contemplated in the treaties.

Another possible line of action is to have some sort of regulation at the European level from the viewpoint of an integrated market. Its role should be limited to evident European market failures, concerning mainly interoperability, cross border transactions and conflict of interests.

We feel that the possibility to create a regulatory body for each sector whose members could be the national regulators should be explored. This solution would give regulators the opportunity to have a place where to sort out (transnational) problems and where possibly divergent national public interests might be represented.

On the European level, a developed institutional framework is clearly missing. In some sectors, a European regulator was refused from the beginning, for example in the telecommunications sector. In the energy sector, the Regulators' Forums is an interesting approach in terms of self-regulation, respecting the subsidiary principle. The exact power of a Regulators' Forum still needs to be defined. As a platform for regulatory issues, the composition of a European Regulator Forum should be restricted to the national regulators. The various stakeholders (government, incumbent and new operators, providers of related services, clients/users, unions etc.) should not be part of such a Forum, even though they might be consulted both on the national and on the European level. Further, it should be mentioned that in relation to antitrust authorities, sectorial regulators are able to act faster and to intervene ex ante. Another advantage is that they dispose of expert personnel for the specific sectors.

Regulation leads to more transparency and to more information about sector specific issues. This contributes to the goal of implementing an integrated market. However, any regulation should keep in mind the ultimate goal: providing better services and choices at reduced costs, with a certain quality level and in a socially coherent framework.

Financing

Introduction

The objective of group II is to analyse the **financing modes of public service obligations** (universal service in some specific sectors) by considering the European legislation (sectoral directives), but also to look into the reality in the Member States. The aim is among others to show the advantages and disadvantages of each financing mode.

In the process of gathering information about the various modes of financing services of general economic interest (GEI), the working group encountered a great variety of instruments. One reason of this variety is the complexity of the GEI notion; another reason is its dynamic aspect since a service considered of GEI may change in content as the technology or the tastes of the citizens develop.

Securing the financial means and mechanisms to provide the networks and to cover their maintenance, their security, their lasting existence and durability, without forgetting their extension when needed, this is the goal public authorities should pursue.

Public service obligation and universal service

In economics, the term *public service* relates to a service rendered equally to all members of society, without connotation to its governance. A public service obligation (PSO) is an obligation imposed on one or more providers of a specific market service by a public authority to render a service of general economic interest on that market, with specifications and under conditions that are defined by the public authority. Public service obligations can be understood and defined by each individual Member State according to the principle of subsidiarity – the historical and cultural background will have a great deal of influence in this respect –, but a public service obligation cannot hinder competition.

Similarly, a *universal service* (US) is a service rendered throughout a territory, while a universal service obligation (USO) imposes to provide a certain service throughout the territory at affordable tariffs and on similar quality conditions, irrespective of the profitability of individual operations. The concept of universal service (encountered as such in the postal and telecom sectors) is thus based on the three public interest principles of universality, equity and continuity.¹

Usually, a PSO cannot be sufficiently provided by the market mechanism. If a public authority considers that certain services need to be provided, that public authority can provide it either directly by giving this task or mission to an own public firm, or indirectly by outsourcing this task to other (private or public) firms. The fulfilment of this PSO mission requires resources that are obtained by specific funding

¹ Communication from the Commission - Services of general interest in Europe, DOC/00/25, September 20, 2000.

mechanisms, by the granting of special or exclusive rights or privileges, which can be valued in terms of money, or by imposing the PSO on firms by means of regulation. It may be noticed that a PSO mission can also be accepted voluntarily by private firms if the benefits of their reputation and of their response to social pressure outweigh the cost of the PSO. But in cases of low profitability or if prices fail to cover costs, such public services will only be provided if the enterprises on which a PSO is imposed receive adequate financial compensation.

To understand the new structure of delivering public services, it is important to note that instead of the former monopoly, we now have a procurer of the service (i.e. the authority organising the means to buy a service of general economic interest) and a provider of this service according to the regulatory framework.

Possible methods of financing public service obligations

The financing modes of the SGEI will strongly depend on the procurement of those services, but the evolution of the content and character of SGEI as well as the ongoing technological changes will also modify the solutions and answers over time and sector.

According to the points of view and the various possible classifications, one can count several financing modes.

From the procurer's point of view, five categories can be listed while bearing in mind that users as well as non users may finance the public service obligation.

- The state budget;
- Specific financial funds;
- Additional access charges;
- Cross-subsidisation within a company;
- Market prices.

But in terms of final financing sources, the above listed modes mainly correspond to four sources:

- The general taxpayer;
- The taxpayer facing a local, sectoral or specific tax base;
- The owners or clients of the firm providing the PSO, or its competing firms in the same market;
- The user of the service.

From the provider's point of view, one may distinguish the following instruments:

- A public provider with a legal task (classical utility that provides services with an additional legal task to provide a certain PSO).
- A Public-Private Partnership, with a specific contractual allocation to the partners of the private service provision and the PSO mission. The contractual or governance instruments (which may be obtained through a bidding process, auctions, or otherwise) are specific funding mechanisms, concessions, lease contracts, management contracts.
- Public regulation of private firms (exclusive rights, price-cap regulation, rate of return regulation).

- Competition between providers.
- Voluntary provision of a PSO by providers competing for social reputation or intangible benefits.

Actual ways of financing public service obligations

It should be noticed that one has only a short experience – if any – in practising financing PSO. Indeed, even if legal texts do exist and if clear dispositions are to be found on PSO, few sectors and countries have applied the various financing modes mentioned here. And when applied, the experiences are not necessarily satisfactory. That pertains notably to the various Public-Private Partnerships (PPP) constructions. Some projects have turned out to be successful while others had to be abandoned and the State had to take the deficit over. The problem does not really lie in the financial participation of the private sector; it is the definition, the assessment and allocation of responsibilities and risks to the participants. As for financing, the State is a captive participant, which has to renegotiate with the private partners and eventually has to take up the bill in the case of failure.

The most important financial instruments that allow a choice to the providers of certain services to also provide a PSO are the following four:

- Competition for the market of the service
- The "pay or play" system for the PSO-part of the service
- Additional access charges to finance the cost of the PSO
- Internal cross-subsidisation between profitable services and a PSO.

These different financing models are applied in the five sectors under consideration (telecommunications, electricity, passenger transportation, water and financial services). This illustrates the variety of approaches that can be chosen by the Members States in the financing of public service obligations. It expresses also the subsidiarity principle's exercise.

The variety of financing models (as well as the variety in the content of public service obligations) is the main cause for the absence of a European directive concerning the definition, the organisation and the financing of PSOs, which leaves a rather large room for subsidiarity.

Advantages and disadvantages of different ways of financing public service obligations

The following criteria were used in the study to evaluate the financing modes:

1. Extent of achievement of PSO according to quantity, quality, price, continuity, security and other criteria
2. Incidence on state budget
3. Independence from governmental and political decisions
4. Cost of governance and implementation, degree of bureaucracy
5. Chance of competitive tendering to reduce the needed subsidies, provided that the standards of PSOs are clear and determined
6. Incidence: Who bears the cost of PSOs?
7. Competition neutrality versus competition distortion.

Regarding the order of priority of criteria, criteria 1 (Extent of achievement of PSOs) and 6 (Incidence) are particularly important in the evaluation of the various financing modes; the other criteria, while also significant, are more in the nature of additional factors.

So the procurers of a PSO, the national governments and their subordinate public authorities, may call upon a wide range of funding instruments. They increasingly make use of financing instruments that combine private and public sources, the so-called Public-Private-Partnerships, especially since the development of the private financing of infrastructure in the various European countries. In some sectors the (public) financing of infrastructure is separated from the (private) exploitation of this infrastructure. In other sectors this infrastructure can be (privately) financed from the revenue of the exploitation, by means of long term contracts. Optimal long term financing requires an allocation of risks to those providers who are most suited to bear each specific risk.

Conclusions

All along the work, it appeared that no ideal financing system does exist and bidding could be the most competitive system in case there is no market. Moreover important prerequisites for a well-functioning tender system lie in the length of the terms of the contract, the detailed definition of the service to be rendered (and its conditions) and the renegotiation conditions. The know-how to draft the contents of a new tender procedure is also vital and the public authorities, by not delivering the services themselves anymore, loose insight in the market practices (real costs, margins, professional and business "secrets"). Control never replaces the fact of doing it oneself, which implies know-how and total access to information (including financial one).

Some pretend that to better know the costs of a public service obligation, one should favour the bidding procedures (public tender), since bidding competition should reveal the real cost. Besides a precondition for compensation could be that the costs are to be explicated correctly. However it is quite difficult for the State or the regulator, who is not an operator anymore, to clearly define what has to be done and which costs can be taken into consideration, especially in case of technological change. Moreover, the cost stated in a bidding procedure is a cost promise, which is not necessarily confirmed in reality; the failure and bankruptcy of the candidate can not be excluded, the price and quality promises might not be encountered, etc. Thus the price/cost resulting from a public tender should rather be understood and analysed as the entry cost into the market.

The general conclusion is that the financing of a PSO is embedded in a wider procurement context, which co-determines the success of the desired provision of a SGEI. It is increasingly difficult for a public authority to provide directly and solely a SGEI in the sectors investigated. New financial instruments are developed, tailor-made for specific PSO-contracts. This close relation between financing and governance asks for a new approach by the public authorities. The traditional public funding was not that much oriented on allocative efficiency, because the political lines of control were much shorter in the past, and non-allocative objectives were more

dominant. The new approach is searching for the optimal trade-off between most efficient (non-distortive) modes of taxation and the (informational and incentive) cost of governance associated with these modes of taxation. It is also realised that financial funding by means of taxation has to be supported by the understanding and cooperation of users and clients, which element is part of the procurement process. It is a challenge for the European Union to give orientation to these developments, to respect the principle of subsidiarity and to make them transparent for the European citizen.

Evaluation

The report, carried out as part of the study "Conditions for the supply of services of general economic interest in the context of the implementation of the new Article 16 of the Treaty of European Union", concerns performance assessment. Its aim is not to undertake a comparative assessment of performance, but to draw up an inventory of national experience and good practices, establish a common vocabulary and share references, in order to **define what performance assessment could be within the European Union.**

Without claiming to be exhaustive, the report describes the wealth of national experience, in particular in Belgium, Finland, France, Germany, Great Britain, Spain and Sweden, in four essential sectors - telecommunications, energy, water and purification and the post - in order to generate community deliberations and contribute to the emergence of a common approach.

Taking complete account of the complexity of assessment

Owing to the tasks assigned to them, "services of general economic interest" are subject not solely to the common law of competition, but also to **conflictual relations** between the rules of competition and their general interest tasks.

These conflictual relations are not fixed and stable, but **develop** according to the passage of time and their area. They are particularly influenced by national history, traditions, institutions and culture. The ways services of general economic interest are put into operation are closely dependent on the societies in which they function.

Assessment is only meaningful when taken in connection with the designated **objectives and tasks**, which in their definition derive from **three sources** - the consumer, the citizen and the society - and have **three components** - guarantee of the exercise of people's fundamental rights, social and territorial cohesion and the definition and conduct of public policy.

Performance **assessment** features a **different function from regulation**, but also is a necessary element of the latter. Regulation has to be supported by relevant assessment and generate it. At the same time, assessment must enable dysfunction, differences in quality and/or type of service from one country to another to be comprehended. We therefore place the accent on the way tasks inevitably evolve along with the regulatory context.

A **series of parties** are involved in services of general economic interest. Their interests are different, in some cases opposed, and therefore their relations are influenced by **lack of symmetry** in information and expertise. Performance of a service of general economic interest is a **pluralist concept**.

The relative performance of services of general economic interest is based on close relations with the **territories**, on different scales -local, national and European. Assessment can relate to different and/or complimentary **levels**, each one having its specific aspects.

Performance can be appraised according to varying **time scales**, in the very short term, according to immediate satisfaction with the service, its quality, effectiveness and management or in the medium, even long term, for effects more spread out over time. Services of general interest often have their **structuring effects** in the long term. Performance, sometimes irregular, of services of general interest can be influenced by **positive or negative external factors**.

Performance assessment is now proving **indispensable**, but also **complex** owing to the multiplicity of objectives pursued. The specific characteristics of aims, organisation methods and the parties involved lead to "performance" having a **definition both complex and without uniformity**.

On this basis, it is possible to make a number of proposals and recommendations in order to **promote performance assessment within the European Union** as an essential element in implementing Article 16 of the Treaty. A reference schedule has therefore been proposed for the types of assessment criteria which could be generally applied to all sectors and also recommended are the principles and structures necessary for putting this assessment into operation.

Proposal for a reference schedule

The proposed schedule presented on the following page is intended to give an overall **view of the various possible angles of approach** to assessment. It must be elaborated in a more specific way at sectoral level and according to the categories of party involved (users, authorities, etc.). However, when an assessment scheme is being studied it enables what is, and is not, the subject of performance assessment to be properly identified.

The **generic approach** means that all the criteria and fields listed cannot be standardised. The proposed schedule provides **overall coherence**. Each criterion has its relevance, but their cross-reference enables the varying dimensions inherent in services of general economic interest to be connected. For instance the price criterion for the service must be related to its nature and quality.

It is noticeable that assessment criteria such as **productivity** and **economic profitability** have been left aside. The latter relate to conventional economic assessment and as such lie outside the scope of this report. Criteria of this kind do not feature in the directives and laws and are left to the appraisal of public or private sector shareholders and the market. On the other hand, and over and above what is usually understood as "benchmarking", we have tried to cover the **whole series of objectives** which could be set by public authorities, so that the assessment of the system's performance, including its regulation, can enable its **effectiveness** and **efficiency** to be examined.

The indicators taken from the schedule must be compared to the analysis filter of the quality particular to the analysis criteria selected. In order to be broadly and democratically used, the performance indicators for services of general economic interest must themselves obey a number of **quality criteria**, such as relevance, efficiency (cost effectiveness), reliability, comprehensibility and integrity (not conducive to unwarranted behaviour).

Proposal for a reference schedule

Type of performance	Field of assessment	Possible indicators in development
Price of service	Price, tariff and development	List prices and real prices
Universal access, social and territorial cohesion	Connection and supply	Obligation to connect and supply, rate of cuts, pre-payment rate, etc.
	Social access	Social prices, particular terms for disadvantaged users etc.
	Physical access	Arrangements for the elderly and/or disabled, etc.
	Territorial access	Network's territorial density service to rural zones and zones in difficulty, etc.
Quality of product and service supply	Continuity/general quality of service	Quality of network (speed of mail, water pressure, power cuts, etc.), possible breakdowns, etc.
	Safety	Users' physical safety, environmental safety, etc.
		Possible confidentiality (correspondence, communications)
	Change	Research/development Change in supply owing to technical progress and social expectations, etc.
Relations with individual consumers	Clarity and transparency of supply and contracts	Analysis of contracts
	Invoicing	Readability, error rate, etc.
	Intervention	Speed and quality of intervention on request for service (connection, repair, visits, etc.)
	Reaction	Time for reply to mail, etc.
	Treatment of complaints	Speed and quality of treatment
	Indemnity for non-compliance with contract/criteria	Service charter
	Rate of consumer satisfaction	Survey, enquiries, opinions, etc.
Positive or negative external factors	Cohesion and territorial development	Territorial imbalance, territories' attractiveness, etc.
	Environment protection and sustainable development	Impact studies, compliance with possible quotas, etc.
	Employment	Direct, indirect, induced
	Effects on other activities	Specific indicators to be created
Other specific national objectives	Public policies (security of supply, diversification, long-term planning, etc.)	Specific indicators to be created
	Public safety	Specific indicators to be created

Pluralist, specialised and autonomous assessment bodies

How to define, conduct and use performance assessment of services of general economic interest? Replying to this question, implies taking into account the **specific characteristics** of services of general economic interest, which has led us to emphasise **six essential features**.

1/ The bodies entrusted with assessment – Offices or Observatories or ... - must be accessible to the **plurality of parties** involved, in their expectations, aspirations and interests; any hindrance to the active participation of one of the parties will impoverish assessment and harm its legitimacy. No single party must assume - de jure or de facto – the monopoly of assessment. The best guarantee of involving all parties is that representatives of each party should belong to the structure defining the assessment guidelines and their follow-up.

2/ We have insisted on the specific nature of assessment at the same time as its relationship with regulation. Assessment does not have the power to arbitrate or penalise, but the equally essential power to **speak** and **reveal**. We therefore recommend that the bodies entrusted with assessments should be **specialised** in its definition and conduct.

3/ These bodies must have **margins of autonomy** in their relations with the various parties concerned. There is the risk of some of the parties appropriating assessment if the assessment function is entirely and solely dependent on them. This could, for example, occur if assessment is entrusted solely to bodies in charge of regulation or to politico-administrative bodies which define regulation or, on a European scale, to the Commission alone. Assessment must take into account the plurality of sources of information and expertise; schemes giving "recourse" must enable the way in which assessment is conducted to be contested and generate counter-expertise. Bodies entrusted with assessment must possess real means of expertise and investigation, guaranteed as far as possible by law.

4/ Bearing in mind the proposals for the reference schedule, bodies entrusted with assessment must be in charge of a **specific sector** (possibly transport, energy, water purification, telecommunications or the postal services) even though it would be useful to prescribe **exchanges** between sectoral bodies. They could exchange experience and good practices and regularly examine the interaction between sectors (increasingly frequently the same operators are to be found in different sectors).

5/ It is clear that the bodies entrusted with assessment must be appointed at **each Member State** level (on a scale which can be local); at the same time at **community level**, it is necessary to devise methods for exchanges, encounters, comparison, co-ordination and even harmonisation; the latter could also be a support for national efforts. The European dimension is increasingly important owing to the markets concerned becoming less and less national; the parties are becoming more transnational to the point where one can speak of "Euro-operators". At the present stage and to start the assessment process, as proposed in CEEP's 1994 report, an **Observatory could be founded. It could be attached to the European Parliament** and thereby, in communication with national bodies, possess real **legitimacy**.

6/ Lastly, a **cost ratio** must always be observed between the projected schemes for assessing performance **and the advantages** accruing from the system's effectiveness. Consequently, some indicators could only be subject to periodic "searchlights".

Giving the parties capacity to act

Assessment has several objectives, but its aim is to supply **information as objective as possible** about the way a sector works. It is then up to the parties to draw the conclusions relating to the objectives which they set themselves. Assessment must therefore, by supplying information, provide the basis for **public discussion**, and contribute to forming a European public opinion, an essential condition. The discussion's democratic character will depend on all the **parties' capacity** to take part.

The **various public authorities** will naturally be present. Formerly they often had the monopoly on legitimately making their voices heard. They will continue to maintain a strong presence insofar as they assume their role of laying down the sector's general interest tasks and regulation. **The operators**, as well as big industrial customers, will also have the necessary resources to take their place in the discussion, as they have already done in the deliberations on the directives and transposition laws.

The problem arises mainly for the residential **consumer-citizens**. Examining the various situations in Member States shows that they are rarely in a position to make their voices effectively heard when they are not provided with a **structure** enabling them to have access to the discussion in a firm and sustainable way.

The creation of **consumer-councils**¹, armed with their own expertise and means of communication, could contribute to assessment's effectiveness and enable consumer-citizens fully to play their role by giving their judgement on the way services of general economic interest are organised and regulated. The appointment of "mediators" could also contribute to the recognition of consumer aspirations.

Strong political will

Putting these proposals and recommendations into operation supposes the existence of a **strong political will**, to overcome the **reluctance** and **obstacles**. Some parties emphasise the inherent difficulties and complexities in order to hinder, even obstruct, the exercise. In the case of public authority officials, assessment can lead to revealing objectives which they do not always want to make explicit. Some operators can count on users not being in possession of the accurate facts for making comparisons. The parties who consider themselves to be in a favourable position in the division of rents may not want true transparency; etc.

By developing a **progressive dynamic** for assessment, reluctance and obstacles will be overcome to a much greater extent than by making rules or giving orders. Therefore we recommend, without waiting any longer, that every kind of experiment be conducted, however partial it might be.

¹ It is not one of the objectives of this report to examine the ways of representing consumers; they must ensure their own legitimacy and democratic action.

Article 16 of the Treaty of European Union recognises that services of general economic interest are components of the Union's "**common values**". It emphasises their role in the promotion of "**social and territorial cohesion**". These strong words will remain meaningless unless they are given substance in each one of the areas concerned and are reflected in their effectiveness in society, without being used as an alibi for forms of national protection.

Elaborating performance assessment for services of general economic interest is the **key way** ahead for them to go from strength to strength in fulfilling their purpose, which is **to respond to the needs of consumers, citizens and society** and their future development.

Good practices

There are well over 10,000 enterprises in Europe engaged in providing services of general economic interest to customers, the general public and local communities on a daily basis. They are active over a wide range of sectors and at a number of different territorial levels – local and regional, national and pan-European. In order to show the efficiency, innovative approach and special capabilities of enterprises engaged in providing services of general economic interest, the "Good Practices" working group has adopted an approach based on the following definition of "good examples" of the work of enterprises engaged in providing services of general economic interest.

"Good examples" of the provision of services of general economic interest are organisations or bodies that have created some kind of added value for consumers and public authorities that cannot normally be provided (or not as efficiently) in another form of organisation.

The working group sent a letter to enterprises engaged in the provision of services of general economic interest and their national associations to explain the purpose and conduct of the study. In addition, based on the above definition the letter explained to the enterprises what a good example is. To illustrate this, in the appendix to the letter the working group outlined three categories of good practice in the form of the following questions:

- 1. In what way are public utilities developing new, more innovative or additional services of general economic interest, and what methods are they using to define objectives precisely and to monitor their implementation?**
- 2. How is the general economic interest being served by the internal organisation and management practices of enterprises?**
- 3. How are public authorities and enterprises increasing their economic efficiency in implementing objectives for services of general economic interest?**

Also, a form was attached to the letter in which the enterprises were asked to present in a few words their main activities and their good practices and to name a contact person for further information. There was little response to this request, which was sent to the National CEEP sections, most CEEP-affiliated enterprises and other associations of providers of services of general economic interest.

However, a large number of examples proposed by the enterprises contacted did not fulfil the defined criteria. For example, a number of enterprises submitted commercial initiatives that could only be regarded as marketing campaigns aimed at increasing competitiveness. Some examples are:

- Improved access to the services of the enterprise, e.g. by e-mail and e-commerce (these examples were not considered as good practices, because in this context only better technical possibilities for the use of the existing services were created, while further objectives, such as territorial cohesion, were not to be achieved)

- Easier payment, again by e-mail (same reason for the non-inclusion in the good practices as above)
- Additional services aimed at increasing customer loyalty, such as special price reductions for customers (in particular customer loyalty programs as conventionally practised in competitive markets)
- Marketing campaigns, including sponsorship campaigns (the submitted actions were essentially those which are generally practised on the market, so that they could not be considered as good examples in the meaning of the above definition).

A large number of enterprises submitted examples that, in effect, gave the actual purpose of the business as an example of good practice. Among this group were enterprises involved in urban development, but it also included service companies in the public banking, transport and energy sectors. Close scrutiny of these submissions revealed that they did not meet our definition of "good practices", even though they all described innovative measures that had led to improvements in performance, quality and cost of the services offered.

The working group was forced to conclude that a fairly large proportion of enterprises engaged in the provision of services of general economic interest had not spontaneously seen any difference between their "normal" practices, which they regarded as "good", and "good" practice in the sense of the definition given above. This led the working group to look for the reasons behind this phenomenon, as we had expected this particular group of service providers to make a precise distinction.

One likely explanation is that enterprises that provide services of general economic interest have a different self-image than purely commercially-orientated enterprises, and that in some cases this leads them to believe that their services should a priori be evaluated differently from those of purely commercial undertakings. This conclusion has apparently led some enterprises to regard their "normal" everyday service, i.e. the purpose of their enterprise, as "good practice".

Another possible reason is that a clearly defined national concept of "service public" and services of general economic interest – as in France, for example – does not exist in all Member States. This does not mean that there is no comparable organisational framework in these Member States, but because these services are sometimes defined on a regional or municipal basis rather than by central government (and even this may only apply to certain economic sectors), and because of the extreme diversity of practices due to differences in traditions and behaviour, it is difficult to adopt a uniform set of criteria at European level.

However, the main reason for the relatively small number of examples of "good practices" received may well lie in the fact that many companies are currently focusing their efforts on fighting market competition. Providers of services of general economic interest have recently come under severe pressure to adapt to market conditions, and in some cases this may have relegated the importance of a most extensive development of these services to the background. Competition forces enterprises to improve the quality of their services, increase efficiency and cut prices. Competition is probably the most effective means of bringing this about. However, beating the competition should not be regarded as the sole objective of providers of

services of economic interest. Rather, market forces should help them to find ways of providing their services more efficiently and of promoting social and territorial cohesion in their role as providers of services of general economic interest. These enterprises have a special function that goes far beyond simply providing services that could, in principle, be provided by "anyone".

One of the recommended conclusions of this working group is consequently: that the Community on the one hand and Member States and enterprises on the other have to pay an increased attention, within the conditions of market competition and with its help, to invigorate the obligation imposed by Article 16, which plans to establish principles and conditions that enable services of general economic interest to carry out their missions in a way that promotes and increases social and territorial cohesion in the Member States and in the European Union as a whole.

In addition, it should be mentioned at this point that the work of the "financing services of general economic interest" and "performance assessment of services of general economic interest" CEEP-CIRIEC working groups in particular has already included examination of other interesting practices of several providers of services of general economic interest.

Taking the above into account, the working group has selected below a number of examples of enterprises that are setting exemplary standards of good practice in the provision of services of general economic interest:

- I. Social cohesion
- II. Territorial cohesion
- III. Access to services and level of service guarantees
- IV. Customer care and involvement
- V. Cooperation between providers of services of general economic interest
- VI. New services
- VII. Environment
- VIII. Employees and conditions of employment

Conclusions

Both the Community and the Member States are committed to the common goal of creating principles and conditions that will enable services of general economic interest to function efficiently. The enterprises responsible for providing these services are currently under considerable pressure from market competition, and this occasionally prevents them from developing their special role. However, competition should serve only as a means of helping enterprises to work more efficiently and achieve the greatest possible benefit for customers and society as a whole. These enterprises have been, and continue to be, extremely efficient service providers. However, it is crucial that they be given the necessary "room to manoeuvre" to enable them fulfil their task of developing services of general economic interest. The Community and its Member States must work to make this happen.

The working group recommends that a permanent working group be appointed to monitor the development of services of general economic interest. This working group would collect "good practices" on services of general economic interest level that could be used as models, and make them available at regular intervals to the EU institutions, the Member States and interested members of the public. This would be another small step towards achieving the goals of Article 16.