



Annex 1: ETUC Position on the Commission's Communication on services of general interest (DOC/00/25 - COM (2000) 580)

1. Introduction

The ETUC has drawn up a draft Charter on services of general interest in collaboration with the CEEP, adopted by the Executive Committee on 15 June 2000. The aim is to have this draft Charter annexed as a protocol to the Treaty of the European Union. The ETUC proposes to take up a position vis-à-vis the Commission's initiatives on the basis of the social partner's joint proposal. The Commission is keen above all to strengthen the internal market and accelerate the opening up of markets, but the ETUC takes a broader view. The ETUC believes that services of general interest are an important element in the European social model, and a benchmark for the applicant countries in preparing for membership of the European Union: the transformation from planned economies to a social market economy can only be successful on the basis of efficient modern services of general interest.

The ETUC is in favour of a European Union in which the role of public services in ensuring economic and general social well-being is fully recognised. Market principles must be complemented by social principles. Democratic controls and responsibility, the responsible consumption of rare natural resources, a ban on the abuse of market power, the provision of long term services and the quality of public infrastructures - all these principles must be maintained by public intervention. European framework regulations should play a part in ensuring a consistent approach.

ETUC industry federations are preparing their own position on questions of particular relevance to their sectors. The criteria and principles for services of general interest should also be applied to directives on public procurement.

2. General position

2.1 The ETUC welcomes the revision of the Communication as an opportunity to remedy existing deficiencies and to provide the necessary clarifications. The Commission states that it is ready to adopt "a proactive stance on services of general interest, which incorporates and goes beyond the approach based on the Single Market", but we have yet to see the practical results of this declaration. The content, terminology and definitions of the document are ambiguous, which raises a number of questions and criticisms. The Commission has announced "other Community contributions to promote services of general interest",

**EUROPEAN TRADE UNION CONFEDERATION
CONFEDERATION EUROPEENNE DES SYNDICATS**

John Monks, General Secretary

Boulevard du Roi Albert II, 5 • B - 1210 Bruxelles • Tel: +32 2 224 04 11
Fax: +32 2 224 04 54 / 55 • e-mail: etuc@etuc.org • www.etuc.org

unfortunately without indicating the nature and extent of these initiatives. The ETUC also regrets that the main thrust of the document is not the modernisation of services of general interest regarded as a vital aspect of the European social model, but the opening of these markets as an end in itself. The ETUC is in favour of a pro-active strategy for the negotiated modernisation of these services which will play a part in sustainable social development in the context of a "social market economy" (CEEP-ETUC Charter).

2.2 The Commission has tried to respond to the request from the Lisbon European Council without paying the slightest attention to employment and the employment strategy, which is quite unacceptable. An evaluation which only stresses the benefits of liberalisation and the need to accelerate the liberalisation process, and which pays no attention to the employment question, social policy, the quality of work, social protection, or social exclusion is quite inadequate. As already highlighted in the ETUC-CEEP Charter on services of general interest, the ETUC calls on the Commission to include the employment dimension. Increasing the rate of employment, as decided by the Lisbon European Council and as should be reflected in the overall thrust of economic policy and in the employment guidelines, is an important preliminary step in achieving the general aims of the Treaty. There is a clear link between integrating the social dimension and respecting the aims of the Treaty, as stated: "to promote a high level of employment" (Article 2, Treaty establishing the European Community).

The ETUC calls upon the Commission to respect this imperative in its handling of services of general interest. The balanced development of the European Union is dependent, in particular, on the existence of quality services of general interest. A satisfactory equilibrium between the economic, social and environmental dimensions must be achieved, whilst respecting a number of essential principles such as: equal access, fair pricing, quality services, the quality of work, quality employment, safety, making a contribution to the fight against exclusion, social and territorial cohesion, universality, "democratic control" and "concertation, particularly with employees and their unions, and with users and their representative associations" (CEEP-ETUC Charter). The ETUC calls on those concerned not to endanger the level of working conditions, health and safety by ill-considered privatisation initiatives. In this context, a system of benchmarking for the quality and safety of affordable services would be welcome.

2.3 In the face of proponents of the greatest possible liberalisation in the sectors concerned - principally telecommunications, water and electricity distribution, transport and postal services - with a view to maximising profitability, the ETUC has always supported the principle that when opening up the market, it should take place in a controlled and sustainable manner, with democratic regulation of those sectors which are a "key factor in the European social model" ensuring social and territorial cohesion. "If the internal market for services is to function in a manner compatible with the provision of services of general interest, the necessary coherence must be ensured at European level. A decision

(regulation or directive) will have to specify for each sector: the principles agreed upon for defining general interest tasks; the activities subject to competition and any limitations which may be necessary on this competition (in particular the granting of special or exclusive rights); the relations between the authority and the service provider; and the general framework for regulating and financing such activities" (CEEP-ETUC Charter). It is not enough to pay lip service to the European social model as the Commission does; it must be given practical effect in sectoral policies and initiatives. ETUC agrees with the Commission to exclude the non-economic activities (such as health care, education, housing, social and welfare services, etc) from the EU Internal Market and competition rules. The ETUC supports the Commission's intention to strengthen "European co-ordination for monitoring the activities of regulators and operators", but would prefer this to be given practical expression in a framework directive accompanied by specific sectoral directives.

2.4 Given the consequences of the socio-industrial and technological upheavals of recent years - particularly the loss of jobs in certain sectors: 40% in the postal sector since the beginning of liberalisation and 250 000 jobs in the electricity sector, with forecasts of a loss of 20% to 25% in future years - the question of the information, consultation and participation of workers, users, the general public and consumers is now back on the agenda. The Commission's document, however, is silent on these issues. The ETUC upholds the need for information, consultation and participation if services are to be modernised: "Information, consultation and participation of employees and their representatives are essential for a negotiated modernisation of service organisation. In this context, the promotion of social dialogue and of the involvement of workers' representatives and their trade unions must enable methods to be developed for their representation in boards of administration or equivalent bodies. Services of general interest should produce an annual social report, which must be the subject of consultation with employees and their representatives and be transmitted to the public authority concerned. When required, there must also be dialogue between employer and employee representatives at European level between the cross-sectoral and sectoral social partners concerned" (ETUC-CEEP Charter).

2.5 Services of general interest vary considerably from one Member State to another. The ETUC emphasises the fact that the Commission's initiatives should not compromise the rights of national public authorities under the Treaty regarding the manner in which they organise and manage services in accordance with the subsidiarity principle. "The decision to create or maintain a service of general interest, the technical and economic characteristics of the service, its quality, the way it is operated and funded, and its democratic regulation are the fundamental responsibility of public authorities. [...] A service of general interest must, according to the principle of subsidiarity, be defined at the most appropriate level and be complementary with European, national and local levels." (CEEP-ETUC Charter). The Commission should not propose simply to open up the markets, but should also demand respect for the quality of services and the standards reached, including working conditions etc. The Commission's criterion of intervening when activities "affect trade

between Member States" is too vague: when the European Union begins to liberalise a given sector, this affects trade between Member States automatically.

2.6 The Commission has stated that it is in favour of a "European framework relating to the good functioning of services", but it does not explain what this framework might consist of. It takes too narrow a view of the single market, a view which focuses chiefly on avoiding subsidies or state aid which are always suspected of falsifying competition, whilst questions regarding a coordinating and regulatory body are only mentioned in passing. Nor is trade union representation on bodies of this kind mentioned, though the ETUC is calling for such participation. "Limitations in the way the market works, and the wide variety of structures and statutes that national or local public authorities may use to ensure the provision of services of general interest, call for the creation of a body at European level, supported by national and possibly regional contact points, to assess the results obtained in Member States as objectively as possible ... The management of assessment bodies must be pluralist and transparent. Pluralist in the sense of participation in the management of these bodies by representatives of the stakeholders of services of general interest..." (CEEP-ETUC Charter)

2.7 We share a neutral position regarding the public or private ownership of services. "Services of general interest, above all those (...) provided by a public sector or private sector company, shall have their obligations authority clearly laid down.(...) The operator can take the form of an administration, a public sector company, a private sector company or a mixed company. (...) The choice of organisational form for the operator and subsequent changes (transformation of an administration into a public sector company, the partial or total privatisation of a public sector company, or, conversely, a public take-over of a private enterprise) falls within the competence of the public authority responsible for the organisation of the SGI." (CEEP-ETUC Charter). But the ETUC is convinced that it would be a mistake to use liberalisation as a tool with which to attack services of general interest, or as a political argument to launch or back up a privatisation campaign. It would be unacceptable for the Commission to use a concession system to liberalise or privatise public services and enterprises. Such a step would endanger collective agreements and strengthen the trend towards the individualisation of contracts. Above all, we must avoid replacing a regulated public monopoly with an unregulated private monopoly.

2.8 A comparative study of regulation in Europe, with a qualitative and quantitative assessment of the effects of liberalisation on jobs in the various sectors is now needed, along with projections for the future; this is another reason supporting the call for an industrial relations observatory. Recent evaluations, for example those carried out in the water distribution sector, have shown that prices have risen, which casts doubt on the Commission's assertions. Price reductions during the early restructuring stages are often followed by price rises once restructuring is complete and a new oligopoly has been established, carrying the risk that medium and long term investment is neglected.

If the Commission is beginning to hold discussions on a liberalisation measure, systematic consultation of the sectoral social partners will be necessary, and the Commission should make public the results of these consultations. The necessary evaluations must be carried out with the concerned parties, including trade union representatives; and here an observatory could make a significant contribution. Without the participation of all the parties, the Commission runs the risk of receiving naïve evaluations in favour of liberalisation which can be used to legitimise privatisation but which themselves lack all legitimacy.

Trade unions should have a consultative role on regulatory bodies and agencies in every sector. Directives on the award of public contracts should be in accordance with the general principles and purpose of services of general interest. It should be possible to promote fair labour standards, the use of renewable energy sources, anti-discrimination and equal opportunity measures, etc.

2.9 The ETUC urges the Commission and Member States to take rapid action regarding the French Presidency's proposed initiative aimed at creating a framework for the operation of services of public interest: a framework directive with specific sectoral directives. As a directly involved party, the ETUC and its affiliates expect to be consulted on these proposals. In this context, Article 16 of the Treaty should be extended by appending the CEEP-ETUC Charter on services of general interest as a protocol to the European Union Treaty. The ETUC calls for its own position, and the social partners' joint position as agreed in the Charter drawn up with the CEEP, to be taken into consideration in the current debate: it would not be possible, for example, to consider public and television services simply from the point of view of the single market without distorting and endangering them, which would have unfavourable repercussions on public opinion. It is becoming a matter of urgency to establish a framework for debate regarding the future of services of public interest, if we are not to run the risk of seeing the legitimacy of European interventions challenged by public opinion, wedded to tradition and unable to understand why European intervention - seen as acting against the interests of these services - is justified. The mission of services of general interest belongs to our common European values. Workers and general public alike expect these services to operate efficiently, and they form a central element in the European social model. The ETUC is ready to enter into constructive dialogue on the future of services of general interest in Europe, which are also a benchmark for applicant countries.