



La cohésion et les territoires en Europe

CERI-DATAR

Paris, 28 janvier 2011

**Services of General Interest and
Economic, Social and Territorial Cohesion**

Barbara SAK, Managing Director of CIRIEC

2 studies on SGI

- ▶ 2003-04: **“Contribution of Services of General Interest to Economic, Social and Territorial Cohesion”**

for the European Commission – DG Regio

- ▶ 2009-10: **“The inter-relationship between the Structural Funds and the provision of services of general (economic) interest”**

for the European Parliament's Committee on Regional Development

Objective

“Contribution of SGI to Economic, Social and Territorial Cohesion”

- To assess the extent to which services of general interest contribute to improving economic, social and territorial cohesion in the context of the liberalisation of service markets

“The inter-relationship between the Structural Funds and the provision SG(E)I”

- To provide a detailed and critical analysis of SG(E)I in the 27 Member States and their regions in the scope of EU regional policy in their financing

“Contribution of SGI to Economic, Social and Territorial Cohesion”

- 4 sectors: transport (air, rail, local), energy (electricity and gas), postal services, telecommunications
- 9 countries: Finland, France, Germany, Hungary, Italy, Poland, Portugal, Spain, United Kingdom

“The inter-relationship between the Structural Funds and the provision SG(E)I”

- 4 sectors: transport, environment and energy, telecommunications, social infrastructures
- Case studies for the 27 Member States



DG Regio study: Common list of indicators

1. Universality and general accessibility
2. Affordability and price equalisation
3. Social accessibility
4. Territorial accessibility
5. Continuity and quality of provision
6. Spatial cohesion and development



1. Universality and General Accessibility

- Percentage of persons not having access to the service
- Main characteristics of persons not having access to the service
- Rate of use of the services
- Main characteristics of persons not using the services
- Number of service providers for any user
- Other

2. Financial accessibility

Tentative approach to measure affordability:

- Affordability indices
- Price trends
- Price equalisation mechanisms
- Other

3. Social accessibility

- Percentage of specific categories of persons (elderly persons, persons with disabilities or handicaps, large families, ...) not having access to the services
- Price differentiation with respect to specific categories of persons
- Special equipments for persons with disabilities and other specific categories of persons
- Other

4. Territorial accessibility

- Percentage of territory not having access to the service
- Main characteristics of those parts of the territory not having access to the service
- Spatial density of networks by type of equipment (per inhabitant and per square km)
- Price differentiation with respect to location
- Other

5. Continuity and quality of provision

- Reliability of services: interruptions of services, delays, repair time...
- Security of supply, safety
- Time for connection to the network / to the service
- System and time to respond to complaints
- Other, with particular reference to consumer perception of services offered

6. Spatial cohesion and development

- Spatial imbalances
- Description of bottleneck situations
- Other

General considerations on accessibility and affordability

- Needs vary according to groups of people and locations.
- Substitutable means (with different economic and public interest policy impacts) exist to satisfy a same need (see notably technological development)
- Difficult to find data on the percentage of people or territories not having access to/not using a given service
- Notion of affordability varies over time and space and is itself subject to social changes (e.g., willingness of people to pay for a given quality of service).
- The provision and use of SG(E)I do have multiple consequences, and are notably crucial to the overall economic development of competitive economic activities (see attractiveness of territories).

General accessibility

	AIR	RAIL	LOCAL TSPT	ENERGY	POST	TELECOM
Infrastructure offered and available	More airports in use, but need of better local access to regional airports	Investment in infrastructure good at inter-city level, negative in some rural areas	Good situation where modernisation of existing network	No particular problem with electricity Gas not available everywhere	Closure of some post offices, especially in sparsely populated areas	Very good considering the development of mobile networks
Service provision	Good connections to bigger or profitable cities due to low-cost aviation; existence of PSOs, important for services to more remote areas	Problems with sparsely populated areas and transborder services	Speed of traffic requires separate lanes	No particular problem for electricity	Good for now...	Positive development in mobile services



Affordability

	AIR	RAIL	LOCAL TSPT	ENERGY	POST	TELECOM
Service provision	Fares fall, consumers satisfied	Price levels relate to GDP; tariffs lack transparency, low satisfaction on quality of service	Mixed picture – cost cuts from tendering, price rises from lost subsidies	Prices fall (fuel costs), but forecast to rise; uncertain effects of market. Problem of pre-payment metering schemes	Prices vary across EU, no convergence	Prices have fallen, but consumers less satisfied. Fixed costs and subscription tend to increase, causing a problem for low-intensity users



Accessibility for specific categories of persons

	AIR	RAIL	LOCAL TSPT	ENERGY	POST	TELECOM
Infrastructure offered and available	–	Positive situation and evolution with respect to new vehicles with special equipment	Positive situation and evolution with respect to new vehicles with special equipment	–	Disabled access to offices	Mobile and wireless technologies allow for easier access
Service provision	Disabled access rules, PSOs require special tariffs	Special rates for specific groups, but not generalised	General affordability important, given range of needs; disabled access varies	Fuel poverty policies vary. Pre-payment meters hide problems	Main issue is for blind	Some 'low-use' tariffs, not easily implemented

Territorial accessibility

	AIR	RAIL	LOCAL TSPT	ENERGY	POST	TELECOM
Infrastructure offered and available	Use of more regional airports	Coverage has decreased	More inter-municipal services, park and ride, but thinner networks in rural areas	Electricity network complete; increasing gas networks	Reduced rural coverage of post offices	Full fixed coverage, with a few gaps (e.g. Poland); weak coverage for mobile phones in sparsely populated areas, but coverage is increasing
Service provision	Larger number of connections to more areas. Affordability issues for local connections to airports	Lack of timetable integration internationally	Tariff integration is a positive development in some cities.	–	Unequal treatment of outermost European regions	Mobile phones potential substitute for linking rural areas (e.g., Poland)

The analysis of the SG(E)I infrastructural endowment and level of provision in Member States has showed that:

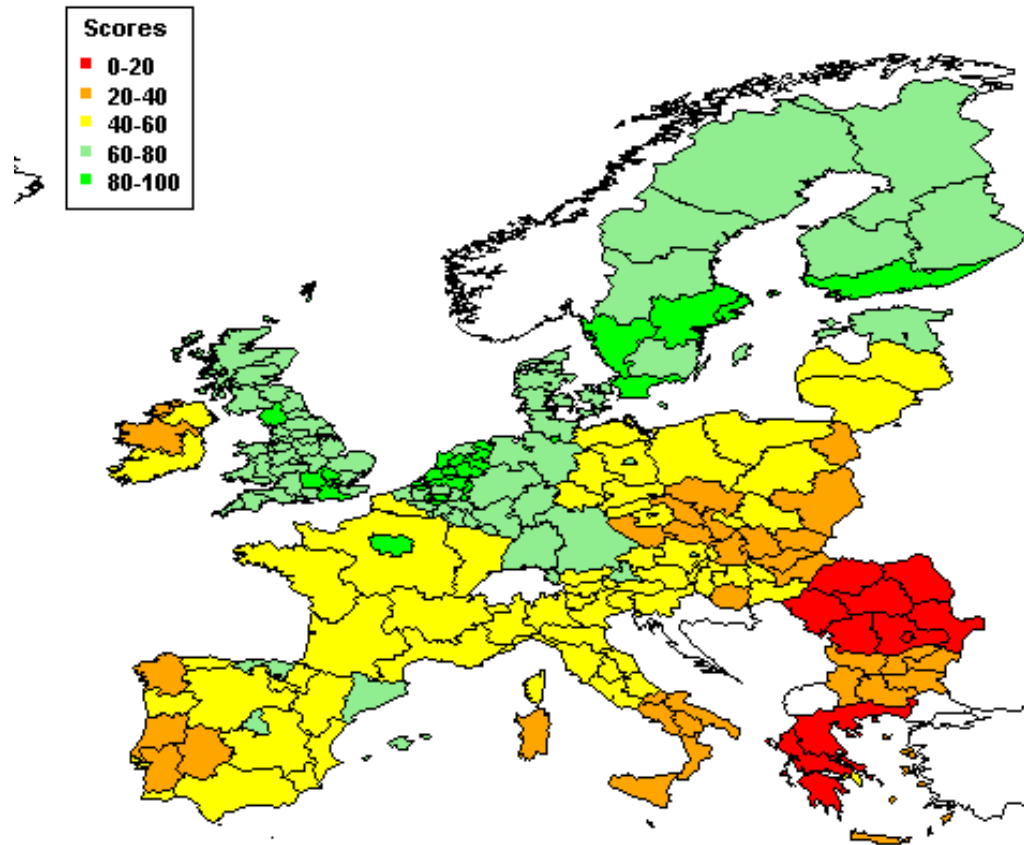
- **The largest gaps** in the provision of SG(E)I and the quality of the services can be found in the **EU-12 countries** and in rural and peripheral regions.
- **The highest level of provision** and quality of services is found in Scandinavian and Nordic countries and, when the regional disaggregation is considered, in capital city regions of EU-15 countries.

- ***Telecommunications:*** the largest imbalances relate to the EU-12 countries.
- ***Social services and infrastructures:*** the gaps exist among European countries, but patterns are difficult to detect. Clear distinctions cannot be made between the EU-15 and the EU-12.
- ***Environment:*** Eastern European countries are less endowed with infrastructures to treat wastewater and urban solid waste than the rest of the EU, despite their increasing needs. However, recent and ongoing investments and policies in the EU-12 are helping to reduce the gap.

- **Energy:** the promotion of renewable energies is of particular relevance for all countries, from both an environmental and economic perspective, and this is still underdeveloped in most of Europe.
- **Transport:** many differences persist, with gaps more pronounced for EU-12 countries, in the length and quality of the **motorway and electrified railway network**. Railway networks are present in EU-12 countries, but consist mainly of single track and/or not electrified lines that substantially increase travel times.

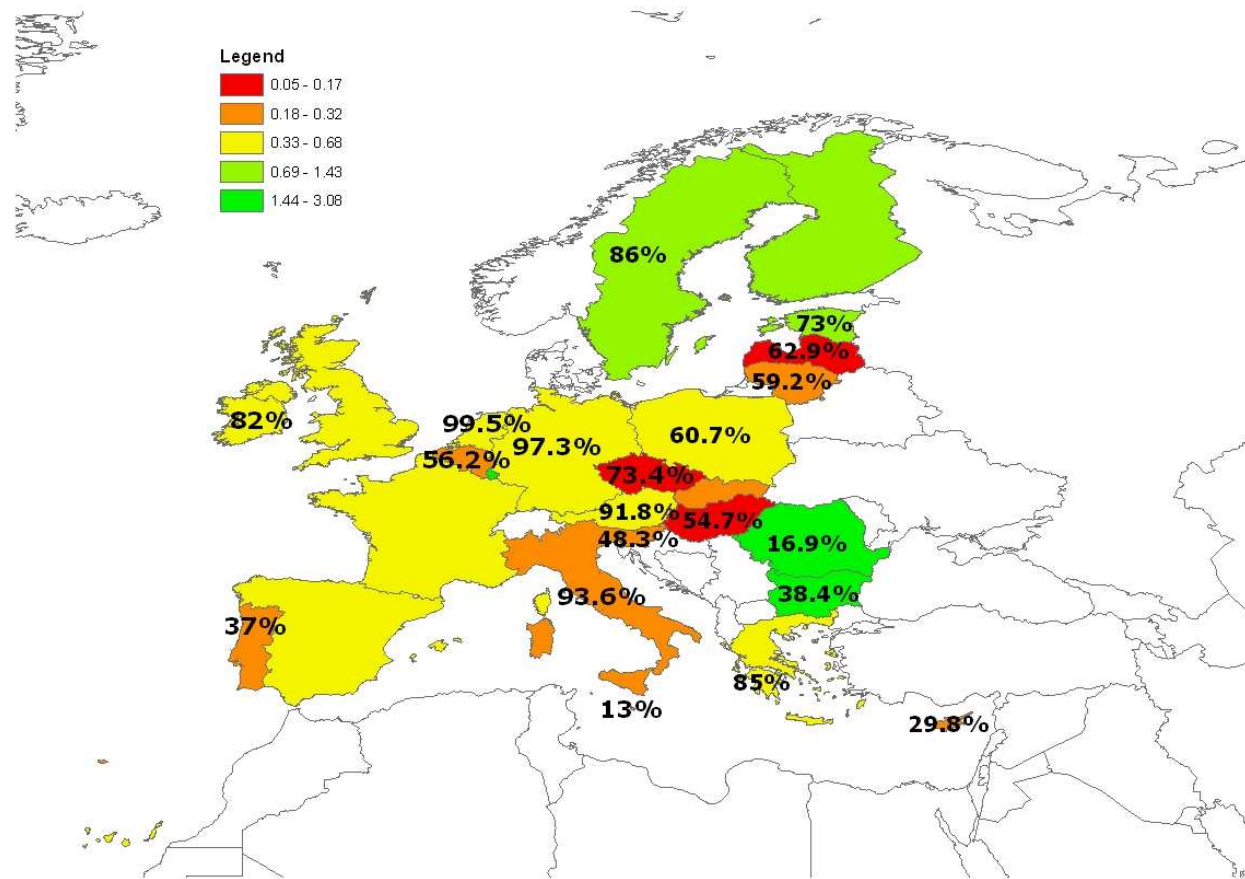
Level of provision of SG(E)I at regional level

Overall sectors (telecommunications, transport and social infrastructures)



Environment and energy sector

Total treatment of waste (tonnes per capita) and percentage of waste treated for recovery and energy recovery – 2006



Remote and outermost regions

Less attractive to commercial operators because of specific constraints and the often low population density

Making investments and even ensuring the maintenance of existing basic infrastructure, or seeing to its upgrading, is rarely profitable

In accession countries:

- Issues mainly connected with the lower levels of economic development, this being typically a matter for European regional cohesion policy
- Usefulness of EU funds to support infrastructure – and maybe service - costs
Problem: costs of services is higher in relation to income. This affects both social cohesion and economic development

Support from the European Union with a view to ensuring cohesion is necessary to allow for future competitiveness and sustainable balanced growth potential over the long run

- Data limitations
- Substitutability and changes in technology
- Universal service and public service obligations
- Affordability and financing
- Solidarity and financial aspects
- Consumer protection and transparency of tariffs
- Levels of competence and subsidiarity



A. Data limitations, concerns and issues

- Transparency and availability, especially at (sub)regional level (e.g., comparison urban versus countryside)
- Need of detailed comparable data, because mean figures do not show discrepancies
- Problem of finding indicators to assess satisfaction of social needs (e.g., in electricity or air transport, improvement in network does not necessarily imply better service)

B. Substitutability and changes in technology

- Need and access may be met by various means (depending on technology and cost efficiency evolution) → need of appraisal by various indicators.
- Attention to interconnections (technical problems, time and money costs)
- Attention to digital divide (e.g., older persons and less developed areas)

C. Universal (USO) and public service obligations (PSO)

- Time to consider developing and updating the content of USO/PSO in the light of technological change and the needs of its users, citizens and society as a whole
 - *mechanisms for monitoring legal/administrative evolutions and for registering social needs*
- How far is liberalisation compatible with sustaining the financing mechanisms for these USOs and PSOs, which must necessarily involve some form of solidarity financing through either subsidy or cross-subsidy?

D.1. Affordability and financing

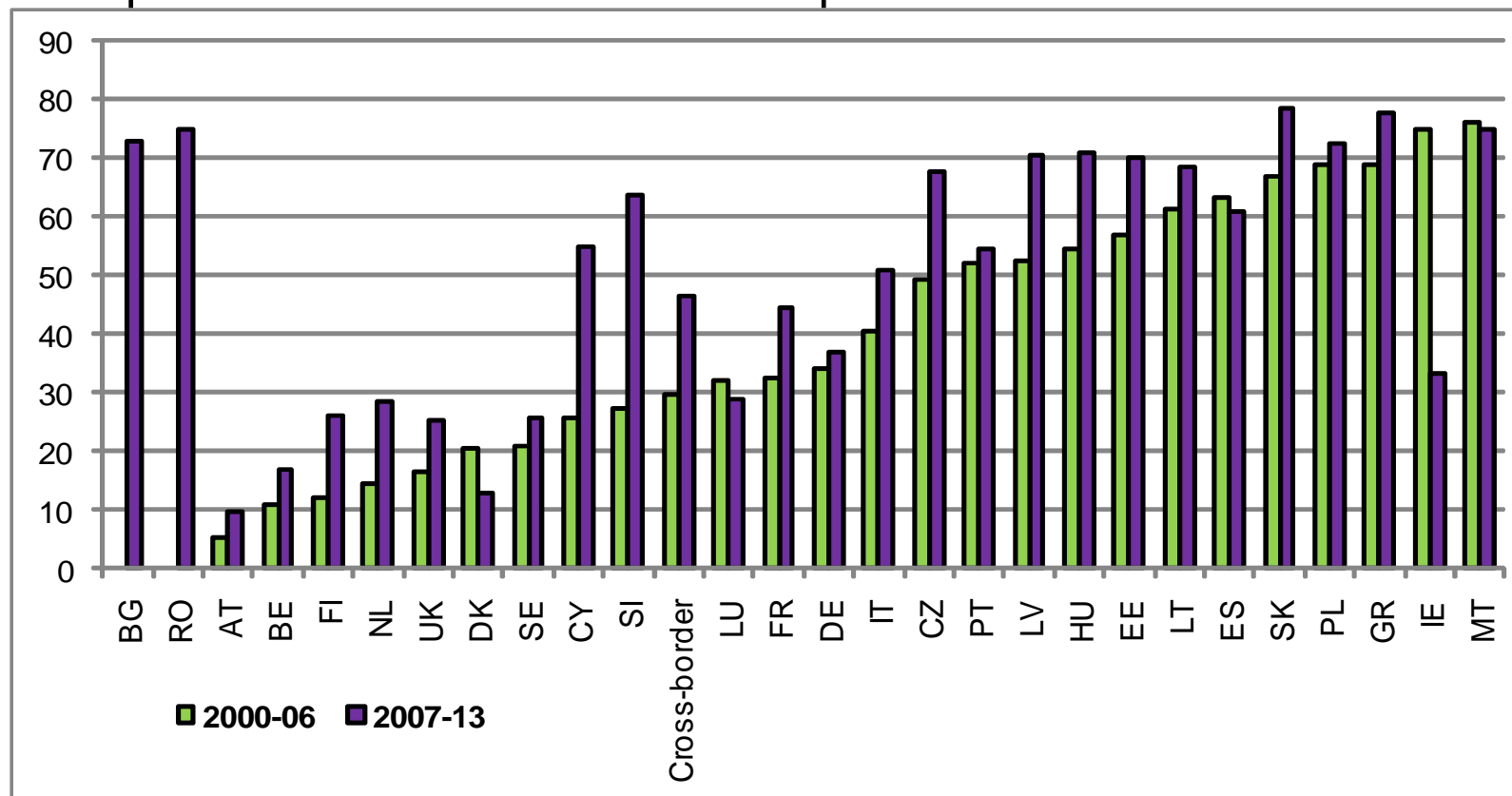
- Moves towards full cost recovery and reduction of subsidies lead to a worsening of territorial and social cohesion
- Cross-subsidies and liberalisation ("cherry-picking").
- Equalised payment schemes (via, e.g., tariff equalisation or cross subsidies) are important for both social cohesion and also for territorial and economic cohesion. Where price regulation has limited the use of cross-subsidy, further demand may be placed on social security systems
- Importance of a correct level of support from central to local government in matters of territorial and social cohesion

D.2. Affordability and financing

- **Following liberalisation, technological evolution and transformation of network industries, solidarity mechanisms have undergone changes over time:**
evolving from a strong national solidarity (with geographical averaging and price equalisation systems averaging out differentials in the cost of service provision) to social assistance measures targeted on specific categories of population and territory
- ▶ The question of European solidarity now arises.
Which social groups - or even regions - should be considered for support, and who, by contrast, should be expected to pay the 'full' fare/tariff?

PE study: Financing of SG(E) in the Member States

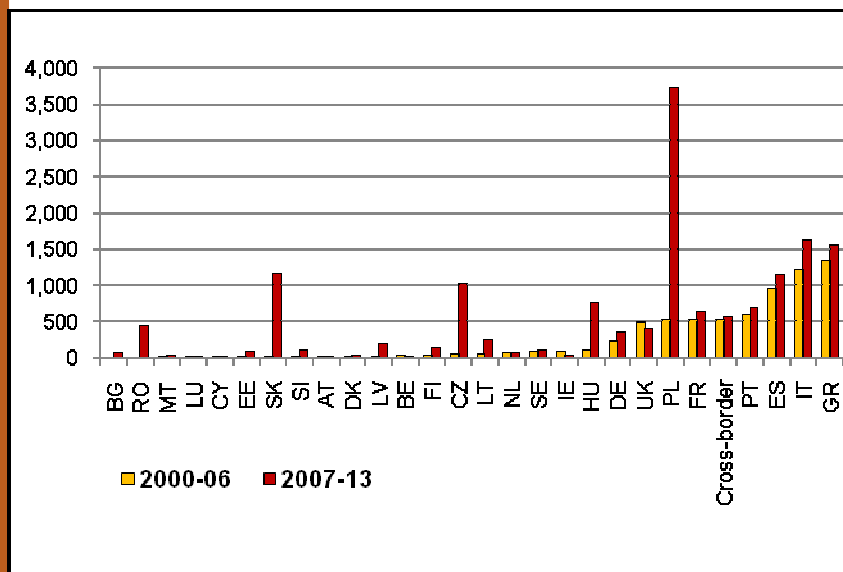
Percentage of ERDF allocation in SG(E)I sectors in 2000-2006 and 2007-2013 periods over the total ERDF expenditure



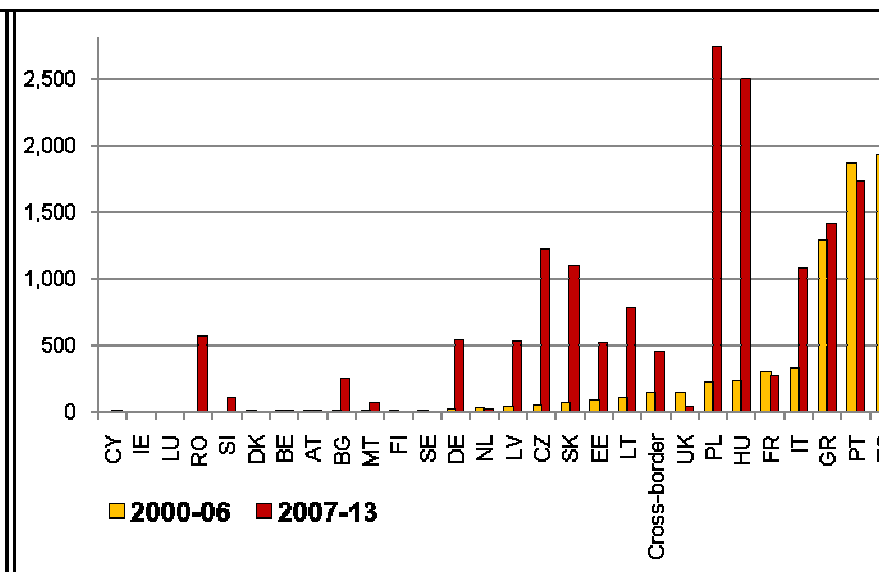
Financing of SG(E) in the Member States by sectors (1)

Total allocation of ERDF (EUR million) in the periods 2000-2006 and 2007-2013

Telecommunication

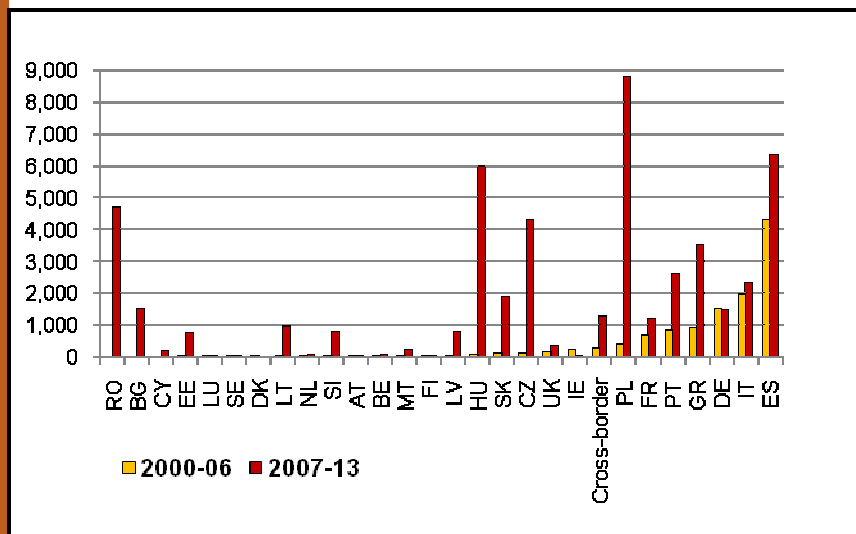


Social infrastructures

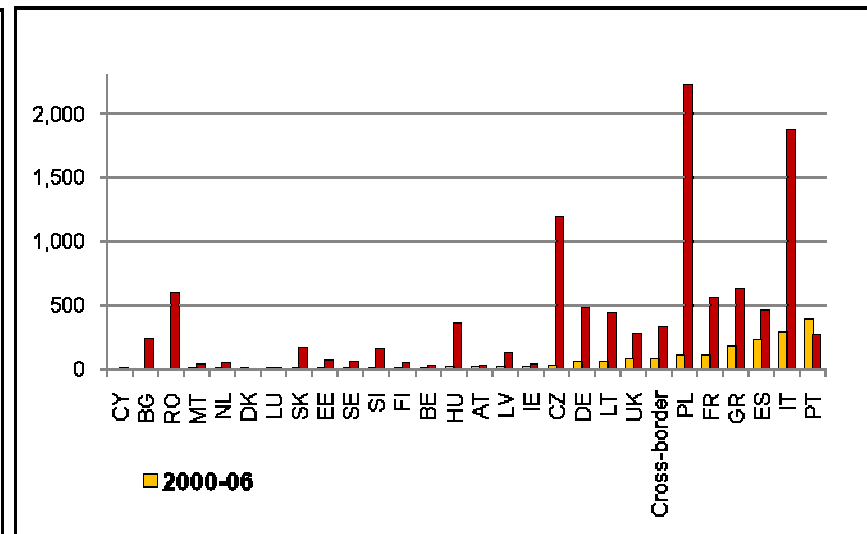


Total allocation of ERDF (EUR million) in the periods 2000-2006 and 2007-2013

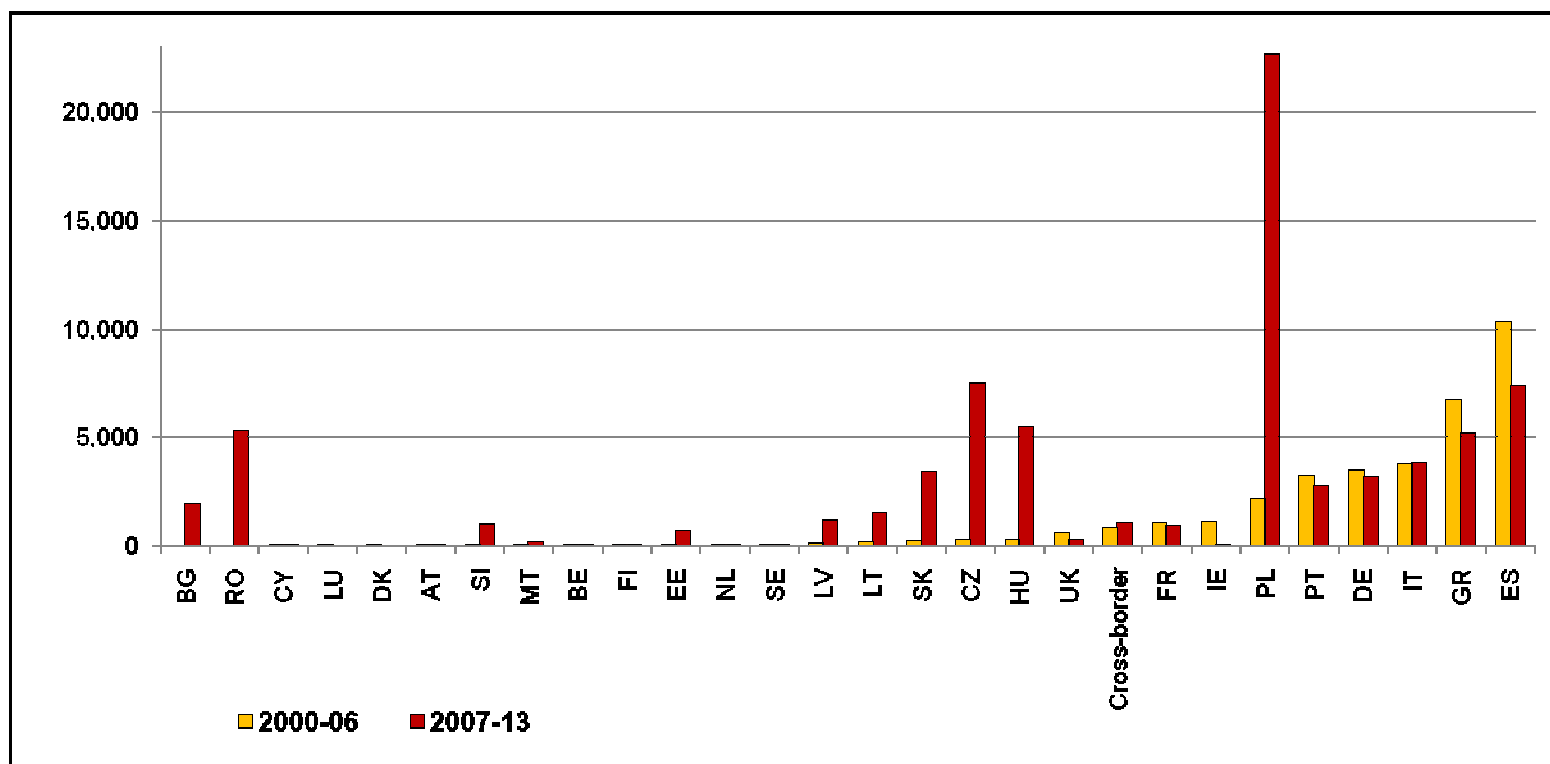
Environment



Energy



Total allocation of ERDF (EUR million) to the transport sector in the periods 2000-2006 and 2007-2013



F. Consumer protection and transparency of tariffs

- Attention to territorial polarisation and thus to protecting consumers' rights to equal treatment.
- Comparing tariffs proves a time-consuming and difficult process; with increasing liberalisation and competition among operators, transparency and understanding of tariffs and price structures will become an increasingly important issue.
- Attention to user-friendliness of services and tariffs needs, especially for disadvantaged groups such as older people and persons with social difficulties.
- Useful to promote coordinated tariff-setting, in order to simplify tariff structures and schemes.

G. Level of competence and subsidiarity

- Each level of public authorities should contribute as appropriate, and the appropriate level may change with changing conditions.
- Different policy options affect the question of the appropriate level, including the one of solidarity financing.
- The funding of services raises different issues, concerning the appropriate level of subsidy and cross-subsidy, which need to be considered in relation to the arrangements for operating and regulating services.
- The potential efficiency of transnational coordination should be considered.

- Cohesion, public service obligations and universal service obligations
- Affordability and quality
- Solidarity mechanisms
- Evaluation, data and indicators

Cohesion, PSOs and USOs

- Universal service obligations (USOs) and public service obligations (PSOs) should:
 - evolve with technological and societal developments,
 - be evaluated against the public policy objectives including cohesion and solidarity
 - but what about their financial sustainability in the long run?
- Further cross-sectoral USOs and PSOs should be considered, for example:
 - including internet and e-mail access in a common USO for the post and telecommunication sector
 - in relation to access to transport (see mobility, environment, sustainable development concerns)
- Attention to interconnections between networks and modes, notably time and money costs arising when using several modes.
- Ensure access for disadvantaged groups, because of changes in the solidarity mechanisms related to SGI (see, e.g., price consequences).

Affordability and quality

- Problems resulting from the lack of transparency of tariffs and thus difficult understanding for some groups of users
 - ▶ *regulatory requirements should be considered in this area*
- Complementary general affordability policies may enhance and positively catalyse policies more specifically oriented towards cohesion
 - but possible adverse distributional consequences resulting from financing those measures*
- Possible pro-active and directive measures to favour specific categories of persons on an EU-wide basis, in order to guarantee minimum rights and facilities
- If continuity or quality standards or requirements are not met, necessity of a clear procedure for action by public authorities
 - + *need of regular and systematic evaluation of services to users*
- Attention to general price level trends.

Solidarity mechanisms

- Changes in solidarity mechanisms and their financing
 - ▶ *the EU, Member States and public authorities should develop clear definitions of their solidarity objectives with respect to SGI, in order to identify what solidarity should be developed at each level.*
- On the basis of these objectives, the EU should carry out a systematic review of possible appropriate actions and policies for achieving these objectives in relation to SGI.
- Cost-recovery should not be adopted as a primary objective, since political choices may decide which groups should be collectively supported by solidarity mechanisms (be it through general subsidised tariffs, ..., or social welfare support).
- Consideration should continue to be given to specific Community provisions to guarantee the same rights in terms of access to and affordability/pricing of essential services for consumers and citizens in ultra-peripheral and outermost regions.
- The EU should maintain and strengthen the existing use of structural regional funds to finance the costs of investments in infrastructure, particularly in rural and outermost regions.

PE study: Conclusions (1)

- **Territorial cohesion** is enhanced if the access to quality and efficient SG(E)I is ensured throughout all the EU territories, including urban, remote, peripheral and scarcely populated territories.
- **Social cohesion** is ensured if people are not discriminated in the enjoyment of their fundamental rights and freedom on the basis of their social conditions. The equal access to SG(E)I is a precondition for social cohesion.

PE study: Conclusions (2)

- Significant disparities in the level and quality of provision of SG(E)I in the EU-27 are in place at the national and regional level, and **investing in infrastructures is a precondition for bridging these gaps.**
- The **Structural Funds**, the *ERDF and the Cohesion Fund* in particular, thanks to their wide fields of intervention, finance essential infrastructures for ensuring SG(E)I provision.
- Structural Funds are contributing to the increase in delivery and quality of SG(E)I in the sectors that are lagging behind (this seems to be especially true for the **telecommunications sector, social infrastructure and transport**).
- Once the infrastructure has been financed, **finding a balance between financial sustainability and affordable tariffs remains a key issue** in the provision of SG(E)I. Specific arrangements, such as price differentiation schemes, fiscal instruments in the form of cross-subsidies and taxes should be put in place.

DG Regio conclusion- Evaluation (1)

- EU-wide evaluations of all services of general interest (SGI) with reference to public policy objectives (including cohesion, environmental considerations, and cost).
These evaluations should:
 - address the changing **needs of citizens, consumers** and society
 - consider relevant technological developments
 - use multiple criteria to reflect the interests and expectations of different stakeholders
 - **assess the effects** of the measures taken in **European legislation** on the **EU's public policy objectives for SGI**
But need of explicitly defining those objectives beforehand
- A European level observatory to develop a dynamic and public evaluation:
 - Setting up a common evaluation methodology and grids enabling comparisons in time, space and according to market and population segments (with sufficient levels of disaggregation)
 - Implementation at territorial level where objectives, missions and obligations are decided upon
 - The Observatory and the evaluations should not replace national evaluation and regulation of performance of operators in each sector.
- The various stakeholders must be closely associated with the supervision and appraisal of the observatory and the assessments, in a public and transparent process.

DG Regio conclusion- Evaluation (2)

- Need to address deficiencies in existing data:
 - ▶ Common methodology to generate standard comparable data
 - ▶ Possible necessity to make access to **operators' data** compulsory, **while** at the same time guaranteeing **confidentiality**
- Better, harmonised and regularly followed-up indicators to measure security, quality and continuity of service provision, with the aim of ensuring similar provisions all over Europe
(+ possible service quality indicators that cover more than one service, to measure how well consumer needs are being met)
- Need for more regional data to enable cross-regional comparisons, and more subregional data, specifically to enable comparisons between rural areas and cities
Important to know about “real” provision and accessibility of services and “effective” network capacities
- Problems of lack of transparency and secrecy with respect to data₄₂ collection (see future use of technological developments)