

Services of General Economic Interest (SGEIs):

- **Interactions Between the Public Service Obligations, Internal Market, Subsidiarity and Cohesion**



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Table of Content

- **Outline of the Project**
- **Introduction**
- **Services of General Economic Interest (SGEIs)**
- **Magic Square**
- **Findings in Leipzig**
- **Findings in Bucharest**
- **Conclusion**
- **Questions**

1. Outline of the Project

- Introduction of the team
- Capstone leaders :
Dr. Pierre Bauby, Dr. Mihaela M. Similie
- Clients: COESIONET composed by CERI and DATAR - interested in EU cohesion
- Scope: definition of SGEI, bottom-up approach, a variety of interviewees (appr. 50 people)
- Fieldtrip to Brussels, Leipzig and Bucharest



2. Introduction

2.1. Raison d'être of SGEI

- SGEI gave the EU a common language on public services.
'Chapeau concept'

2.2. EU: Unity and Diversity

- Out of 27 member states, we picked two countries
'Germany' (Leipzig) and 'Romania' (Bucharest).
- We see the variability.
- One is Federal State and the other is unitary state.
- One is a founding member of EU and the other newly joined the EU.
- One is developed and the other is developing.



2. Introduction

2.3. Why two sectors? (Electricity and water)

- Both are essential services for our daily life.
- Both are SGEIs.
- One is liberalized and the other is not. (transferability)
- It shows how different the nature of services are and how they are delivered in a different way.

2.4. Good comparison between two sectors and two cities



3. Services of General Economic Interest (SGEIs)

3.1. A Term and its History

1) TFEU Treaty in Article 106(2)

Undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly shall be subject to the rules contained in this Treaty, in particular to the rules on competition, insofar as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them. The development of trade must not be affected to such an extent as would be contrary to the interests of the Community.



2) Article 14 of the TFEU Treaty (initially introduced by the Treaty of Amsterdam)

*Without prejudice to Article 4 of the Treaty on European Union or to Articles 93, 106 and 107 of this Treaty, 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 Union and the Member States, each within their respective powers and within the scope of application of the Treaties, shall take care that such services operate on the basis of principles and conditions, particularly economic and financial conditions, which enable them to fulfill their missions.*

...The European Parliament and the Council, acting by means of regulations in accordance with the ordinary legislative procedure, shall establish these principles and set these conditions without prejudice to the competence of Member States, in compliance with the Treaties, to provide, to commission and to fund such services.



3) Protocol 26 to the Lisbon Treaty

- *Article 1: The shared values of the Union in respect of **services of general economic interest** within the meaning of Article 14 of the Treaty on the Functioning of the European Union include in particular:*

the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organizing services of general economic interest as closely as possible to the needs of the users;

the diversity between various services of general economic interest and the differences in the needs and preferences of users that may result from different geographical, social or cultural situations;

a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights.

- *Article 2 : The provisions of the Treaties do not affect in any way the competence of Member States to provide, commission and organize **non-economic services of general interest**.*



3.2. An On-going Debate

1) COM (2011) 900 by the European Commission

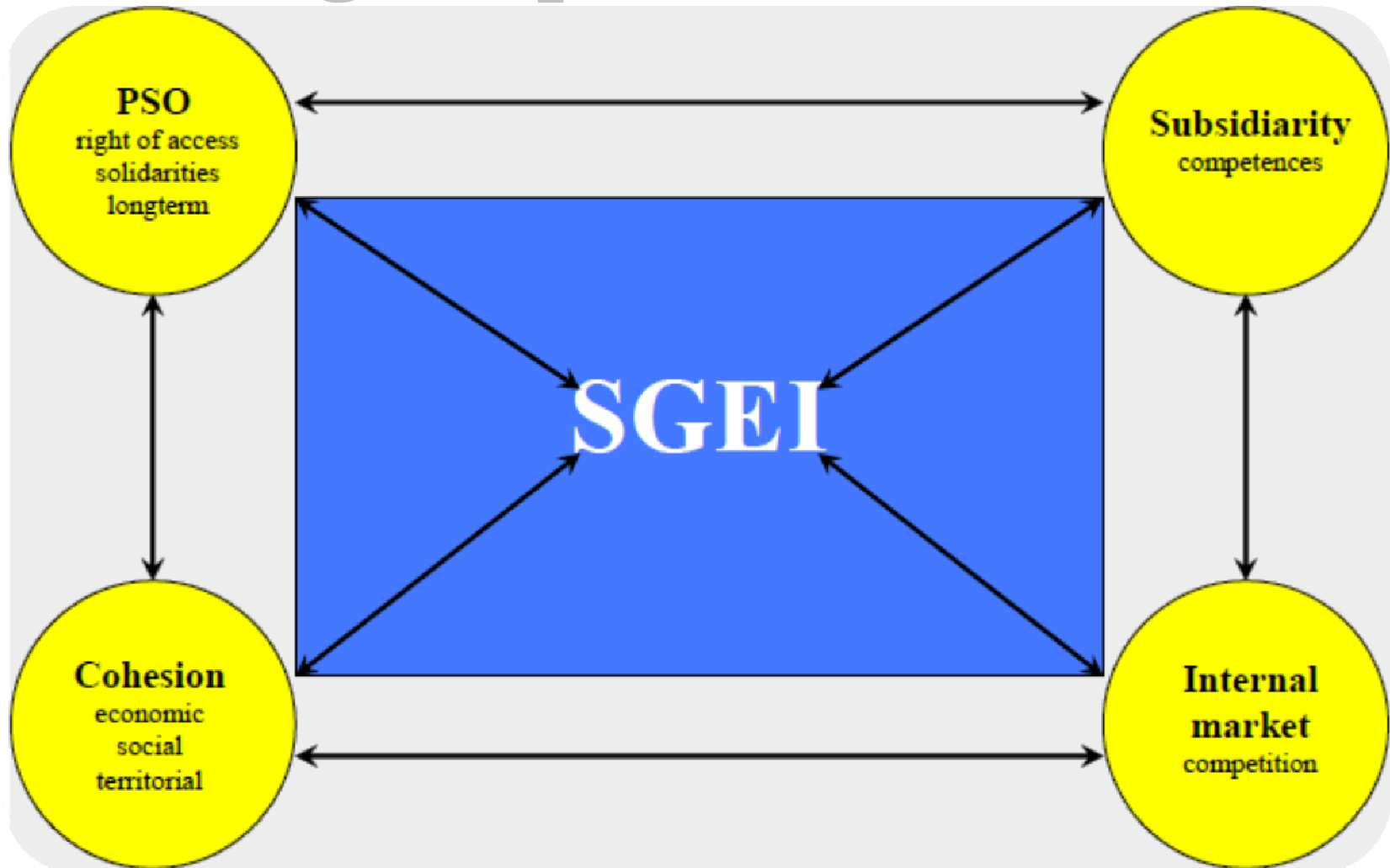
SGEIs are economic activities which deliver outcomes in the overall public good that would not be supplied (or would be supplied under different conditions in terms of quality, safety, affordability, equal treatment or universal access) by the market without public intervention. The PSO is imposed on the provider by way of an entrustment and on the basis of a general interest criterion which ensures that the service is provided under conditions allowing it to fulfill its mission.

2) Public Services Intergroup Meeting held on December 2011

- ‘Christmas gift’, disappointment
- Still lack of clarity and certainty



4. Magic Square



5. Findings in Leipzig

- SGEI in Germany
 - *Gewährleistungsstaat* and *Daseinsvorsorge*
- Electricity: “electricity cuts for 10 min a year”
 - Publicly/municipally owned services
 - Was sustained via the financial aid from the Western Germany.
 - Highly competitive market and retail prices are among the highest in the EU.
 - Subsidizes the public transportation with the revenues from this sector.
 - Municipal electricity utility have investments abroad
 - Citizens’ expectations: public, green and affordable



5. Findings in Leipzig

- Water: “love to drink tap water”
- Public/municipal utilities in charge of water services
- Believe in that high quality of water they want can be provided by the municipality since it is so attached to the people’s needs.
- Most believe that tap water is better than the bottled one
- Liberalization was completely denied by the people. (the referendum)
- Affordable (price, continuity)



5. Findings in Leipzig

- Reflections on the magic square
 - Subsidiarity: German Basic Law takes into serious consideration EU primary law
 - Internal Market: differences between electricity and water
 - Competition: cross-subsidies from water and electricity to the transport system
 - PSO: high standards achieve adequate reliability, quality, environmental standards and providing proper customer service



6. Findings in Bucharest

- SGEI in Romania
 - No one term nor a univocal understanding of the public services, which have been defined by sectoral legislation
 - Adopt much more easily the EU language
 - A recent project on the establishment of the Administrative Code, with a Chapter on Public Services (definition, principles, etc.)
- Electricity: “lights were off for a week”
 - Market liberalized since 2007, but ‘third package’ still not yet transposed
 - Prices are regulated by ANRE → same price for the households
 - A national concern, less heard at the municipal level
 - Negative image of the private electricity supplier in Bucharest
 - People’s expectations: price/affordability and continuity of the services



6. Findings in Bucharest

- Water: “never dare to drink tap water”
 - Municipality gave the control to APA Nova and created Municipal Regulatory Agency
 - Profitable business
 - Coverage of 85% in the inner city
 - They have an old pipe system
 - People do not drink from the tap
 - Funds for poor consumer
 - Cohesion Funds for sewage system
 - Peoples expectation: low price and minimum standards



6. Findings in Bucharest

- Reflections on the magic square
 - Cohesion: wide discrepancy between cities and rural areas/ a lack of capacities in local authorities to use Cohesion Funds
 - Market (competition): both services are delegated to private entities / competition was introduced between local and foreign companies in the water concession
 - PSO: likely to be undermined by the privatization
 - Tension internal market and PSO: social tariff in electricity



7. Conclusion

Different 'general interests'

1) Two countries out of 27 members

-Federal state, developed, joined EU in the beginning, abundant traditional history of Public services

-Unitary state, developing, joined EU in 2007, "easy" to adopt EU terms

2) From sector to sector, huge variety among services

-technical issues like transportability

3) From time to time

-impact of economic crisis, Fukushima accident

So, it is difficult to have a single definition, given all those uniqueness in terms of country and sector / antonym of general is unique.



7. Conclusion



- Recommendation One: Power

- To better reflect the reality on the ground, SGEI should be under the shared competence of the member state and subnational authorities. EU needs to guarantee the strict respect for the subsidiarity principle, particularly for the municipality's competence.

- In order to reduce the uncertainty, each member state needs to give EC an annual list of what each considers SGEI, based on the feedbacks from the social dialogue of each country.

7. Conclusion

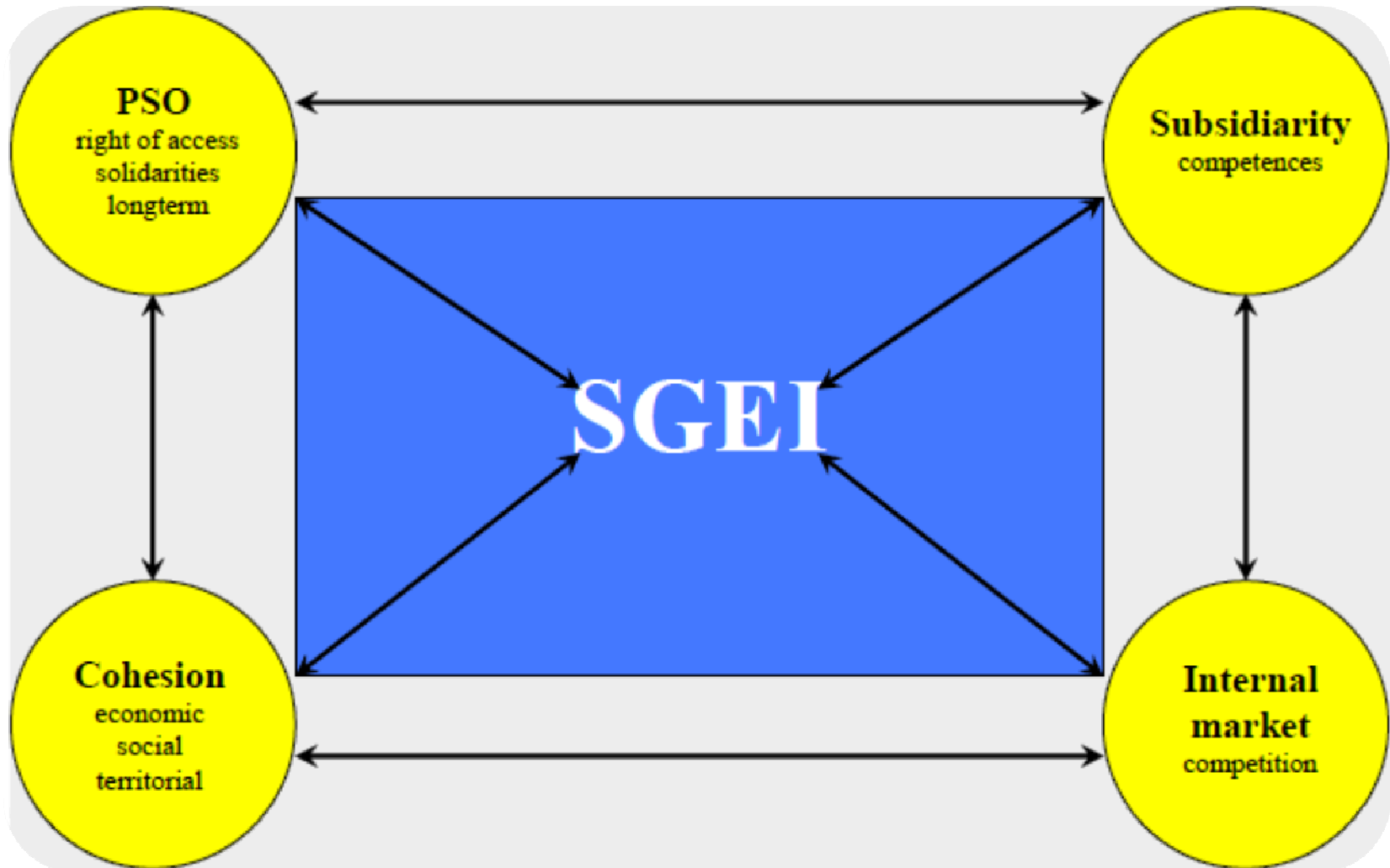


- Recommendation Two: Information

- Top down: EU needs support for the SGEI policies, and it should sell SGEI framework to the Member States, including the local authorities, by making SGEI definition and policies much easier and more understandable.
- Bottom up: EU needs to get feedback from the grassroots level SGEIs
- i.e. EUROSTAT, surveys, studies on impact of crisis




7. Conclusion



Questions





Thank you!