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## EUROPEAN AUDIT : HOW EU LIBERALISATION DIRECTIVES



# ARE HARMING OUR PUBLIC SERVICES



### MARIE-PIERRE VIEU

Member of the European Parliament, member of the GUE/NGL, vice-president of the Public Services Intergroup and audit initiator..

« *Social distribution and equality, foundation of a cohesive society, are at the heart of public services. There can be no Europe of peoples without a Europe of public services* »



### PIERRE BAUBY

PhD of IEP of Paris, researcher in political science, specialist in public action and public services in France and Europe.

« *That the European Union becomes promote of the values of equality and solidarity of public services in order to meet the challenges of the 21st century.* »



### MARIE-CHRISTINE VERGIAT

Member of the European Parliament, member of the GUE/NGL, co-president and animator of the Social Economy Intergroup.

« *Public services are based on the general interest. They meet the essential needs of the population and must be at the heart of any rebuilding project.* »

**Fourth railway package, which gave rise to the reform of the SNCF, third postal directive, multiple "Energy" packages... European liberalisation initiatives have increase since the 1990s..**

What are we talking about? Everywhere in Europe, some services are not only subject to market, but also to specific rules whose aims are to meet three complementary goals to:

- ✦ **ensure the access** of each inhabitant to essential goods and services;
- ✦ develop economic, social, territorial and generational **solidarity relationships**;
- ✦ prepare the financial and **long-term** sustainability of necessary **infrastructures and investments**.

These services – called 'Public Services' in France, 'of General Economic Interest' in the European Treaties – are profoundly marked by the characteristics, histories and social relationships of the countries in which they operate.

# VERY DIFFERENT EUROPEAN HISTORIES

Attempts to adopt common rules at European level in this area have necessarily taken place in **different political, social and economic contexts.**

↪ When Spain joined the European Union in 1986, its public sector moved away from the Franco's regime approach of an internationally isolated and autarkic state in the economic sphere.

↪ In Slovakia, at the fall of the wall in 1989, users were accustomed to affordable prices but also to deficient services, suffering from a persistent shortage of resources and obsolete equipment.

↪ In France and (at least in the West) Germany, a large part of the population considers that the system worked and provided relatively general satisfaction at the time.

## THERE IS NO STRENGTH IN UNITY

**But European integration stagnated in the 1970s and 1980s**, the social compromise of Keynesianism is no longer adapted and neo-liberalism is developing. It is in this context that the Single European Act was adopted in 1986 and that the Europeanisation of public services is truly under way.

More than 30 years later, after the adoption of dozens of European directives and regulations, there is **no overall evaluative analysis of their effects.** Despite repeated requests from members of European Parliament who are committed to people first, the European Commission has never seen fit to follow up on them.

## WHY SUCH A STUDY ?

In order to start providing elements of knowledge and thinking, we have decided to initiate a European study, entrusted to university experts. At this stage, it concerns three sectors - rail transport, electricity and postal services - in four Member States - France, Germany, Spain and Slovakia.

Why these public services and not others? Because they have been the first to be affected, the necessary historical data are the most accessible - or rather sometimes the least inaccessible.

Why these countries? Because we found them to be representative of European diversity, due to their economic weight, geographical location and respective histories.

## PUBLIC SERVICES<sup>1</sup>, EUROPE'S MISSED RENDEZ-VOUS

Since the beginning of European construction history, there have been many debates, ideas and proposals: they have been aimed more at cooperation between States and their national operators than at seeking competition.

So many missed opportunities **to build an original and cohesive European reference framework for services of general interest!**

1. We use the term "public services" in its broadest sense, including sovereign, administrative, industrial and commercial services.

In the postal sector, during the 1960s and the 1970s, successive proposals, coming in particular from the Commission, looked for the development of certain postal harmonisation, for instance through tariff equalisation at the Community level, the creation of a European postal stamp or the setting up of a single tariff, but none had been retained at that time.

The 1980s saw a structural paradigm shift, marked by the calling into question of the state - described as bureaucratic and inefficient -, of the public - considered as wasteful or even corrupt -, of the social - presented as an obstacle to economic development and prosperity. This is how liberalisation policies will be conceived and developed.

## THE FAULT OF THE GOVERNMENTS

The study does not limit its analyses to sectoral or national approaches and characteristics, but seeks to cross them. Developments are very different and the current situation is very disparate, even after thirty years of "common rules". This leads to the questioning of certain 'received ideas':

- ✦ It is the EU Member States that decide both European rules and their national implementation;
- ✦ they are as much, if not more, bearers of their national interests than of the Community interest.

**If there has been liberalisation of public services, it is first and foremost because successive governments have been willing to do so...**

## THE REALITIES OF LIBERALISATION OF RAIL TRANSPORT, ELECTRICITY AND POSTAL SERVICES

Liberalisation had been presented as the miracle solution to instil competition in sectors considered sclerotic, competition that would be synonymous with accessible prices, better quality services, greater variety of choices and better innovation. What is it really like?

### 1 FROM MONOPOLY (NATIONAL PUBLIC OPERATOR) TO OLIGOPOLY (VERY FEW LARGE COMPANIES)

For rail transport, electricity and postal services, the situation has shifted from the domination of a monopoly (the national historical operator) to **the domination of a very small number of large companies** (oligopoly). Oligopolistic competition is neither free (one does not easily enter the market) nor not distorted, since the actors have the power to set themselves prices, the variety of services... We often end up with **the defaults of monopoly, without its advantages!**

**IN THE SPANISH ELECTRICITY MARKET, FOR EXAMPLE, THREE OPERATORS SHARE 70% OF THE TOTAL ENERGY SUPPLIED.**

These operators were generally national or local public companies 20 years ago. They now have the status of private companies whether they are publicly or privately owned: while there is no legal obligation in the European directives to privatise operators, the dynamics of liberalisation and the Europeanisation of large operators have gradually led national public authorities to embark on this path.

Incumbent operators have therefore become companies like any other. It is all well and good to promise that the change in the legal status of SNCF will not lead to its privatisation, history has raised doubts about this...

This small number of private companies has also diversified their activities and locations to compensate for their loss of market share in their home countries. **Therefore, oligopolisation tends** to become European; the European electricity sector, for example, is now dominated by four major groups (GDF-Suez – now, ENGIE, EDF, E.ON, RWE) which, through aggressive exportations, acquisitions, mergers, have conquered their smallest competitors. Are the beneficiaries of these capitalist power games the users... or their shareholders?

## 2 NEW MARKET APPROACHES

In this context of increasing competition, operators tend to develop three types of conduct:

- ✦ social and territorial segmentations, which call into question the previous principles of equal treatment or universality;
- ✦ financial returns, which may hinder long-term sustainability;
- ✦ increasing outsourcing with negative effects on society.

In the area of social relations, the trend is towards job precariousness within service provider companies: temporary employment, mini-jobs, self-employed or subcontracted work, reduced wages and/or internal training, more frequent professional conversion..., which have replaced the stable and properly paid jobs of former historical operators - even when the profitability conditions of companies have increased. The most famous case is certainly that of France Telecom renamed Orange (not covered in this study) but this trend is generally true.

**In all sectors, budgetary rules and the cost-oriented financing of services have led to constant increase in tariffs for users.**

IN SPAIN THERE HAS BEEN  
**AN 87 % INCREASE  
IN ENERGY PRICES  
OVER THE LAST 15 YEARS.**



14% to 26% of households are said to be in fuel poverty situation in Germany and in 2014,

**352 000** HOUSEHOLD WERE CUT OFF THE ELECTRICAL NETWORK

in this country, revealing the extent of the debate on energy poverty, which is obviously largely due to the rise in energy prices.

Precarious jobs, increasing prices... are the profits made at least transformed into **investments**? The answer is no: the former German federal railways, for example, urgently need investment of 500 billion euros.

Finally, social segmentations are coupled with **territorial segmentation**, with the presence of services tending to be less ensured in sensitive suburban or rural areas than in some large cities.

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WHILE THERE WERE STILL  
**29,000 POST OFFICES**  
ON THE TERRITORY OF THE FORMER  
GERMAN FEDERAL REPUBLIC IN 1983,  
**THERE ARE NOW  
ONLY 13,000 LEFT.**

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IN FRANCE,  
**RAIL TRANSPORT IS DETERIORATING  
BOTH QUANTITATIVELY AND QUALITATIVELY,**

freight having been more affected than passenger transport (but things could get worse once the Fourth Railway Package is fully implemented). The essential achievements of the electricity public service obligations have been maintained, even if we have seen an increase in fuel poverty. The public postal service is facing increasing profitability and disengagement, but the debate remains open about the future of its network.

# PATHS FOR PUBLIC SERVICES OVER 2020-2030

Building on the progressive experiences accumulated in the European Union and its Member States, the audit recommends overcoming the monopoly/competition opposition that has long structured the organisation and regulation of public services. For a new paradigm of values: the aim would be to give the European Union its place without leaving it in a situation of omnipotence that would accentuate the deregulation of public services.

## **Several objectives are proposed, including:**

- 1** Review and enrich policies and standards developed over the past 30 years to take into account both the needs of all users and their evolution, fundamental rights and common values that should be effectively guaranteed, and defined objectives in terms of the environment, climate change or long-term sustainability.
- 2** Internalise all the positive and negative externalities of each technological or economic solution, for example by combating waste.
- 3** Encourage the development of regulatory approaches and progressive dynamics of participatory evaluation at each territorial level.

## **For their part, and in a convergent manner with European initiatives, Member States should:**

- 1** Organise the expression of the needs of each user of the service and their evolution, in order to be able to clearly define the objectives and missions of each service, which justify its nature of public service or service of general interest, the specific rules and standards to which they are subject, the public service obligations (PSO) and/or universal service obligations (USO).
- 2** Determine the relevant territory and the most suitable mode of organisation of the activity and the sector concerned to meet the defined objectives; the mode of financing the activity, the access to the service and the compensation of PSO or USO imposed on operators.
- 3** Initiatives and responsibilities to be carried out successfully require a commitment to the complementarity of vertical and participatory approaches, of co-definition and co-organisation of public service or services of general interest.

## CONCLUSION

We started this audit in the spring of 2018, even as railway workers in France were getting into a battle with the government over their status. With them, we said that the rail liberalisation directive did not in itself imply the Macron reform and the planned wage cuts for the sector. In our mind, it was not a question of exempting the European Union from its liberal orientation but of placing the responsibility of each one, States, EU and designating the right level and the relevant scales to develop balance of powers.

This study now provides us with real feedback. It responds to the need for a rebuild of public services to respond to the social and democratic emergency of our country, as well as of Europe: 9 million poor people in France, and according to the latest figures available 87 million people in the EU, or 17% of Europeans.

**The audit was carried out by researchers; it is not a political manifesto. However, it reveals an emergency: that of removing public services from the logic of competition alone, in favour of democratic and citizen-based management. We are in favour of a moratorium on the directives on the liberalisation of public services and to work on other paths for the development of public services. We make this audit available to all to contribute to it!**