



## What kind of Europe do we want?



### Editorial

The debate on services of general interest is going to be one of the major priorities for the AER in 2004. Regional economic development, the survival of our cultural, health and social systems, and the welfare of our citizens will all depend to a considerable extent on our ability to put the debate on liberalisation of services in clear and relevant terms.

This dossier, written by an independent journalist, is thought-provoking, I concede. But this is both a deliberate and a logical approach. This winter dossier is intended to rouse discussion of conflicting principles, stimulate ideas and promote a constructive debate on an issue which will engage our responsibilities vis à vis our citizens not just for the next five to ten years but for decades to come. Much is at stake, and the fears we express here are not merely theoretical as recent examples show. The European Parliament has recently woken up to the problem, and the majority of members support us in our fight to defend public services and promote cultural diversity. This is demonstrated by the support given by MEPs to the Prets and Herzog reports. Unesco is also on our side, shown by its call for an International Convention on Cultural Diversity.

But it is not enough to realise the political and economic implications of the situation facing us, we also need to develop a vision for the future and express the debate in clear rather than vague terms as has been the case so far. To this end the Swiss city of Zürich will be hosting a first conference on the future of services of general interest on 6 and 7 April. I invite all of you to join us, irrespective of your political views, in the hope that we will be able to work together towards a common position and take part in the legislative process for which the European Parliament has called. <

**Liese Prokop**  
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Vice-Minister-President  
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## It happened in a place near you

IF WE ARE TO BELIEVE THE ULTRA-LIBERALS, OPENING ALL SERVICES UP TO COMPETITION WOULD BE PROOF OF COMPETITION AND GROWTH FOR EUROPEAN CITIZENS. HOWEVER, LIBERALISATION HAS BEEN GOING ON FOR TEN YEARS WITHOUT ACHIEVING THE DESIRED EFFECT, AND THE LISBON STRATEGY IS NOT WORKING. WHAT IF WE LOOK AT THINGS FROM A DIFFERENT PERSPECTIVE...

**2025.** North Africa has become one of the major economic partners of the Union. Telecommunications centres, healthcare facilities and universities have flourished there over the past fifteen years. A trend which some associations had condemned as long ago as 2004. But in vain. Now, the Al Manar hospital in Tunisia has become a top destination for tour operators. A leader in medical research, it offers its patients top-quality medical services and the pleasure of relaxing on Tunisia's beaches. Needless to say, the format is attracting a growing number of Europeans who despair of waiting lists for treatment in Continental hospitals, whose staff and facilities are endlessly being cut in a drive for profits. "We can get treatment at home, in private hospitals" explained John Warwick, a 46-year-old accountant from London, "but it's so expensive". The success of Tunisian healthcare, now serving 39% of British and 28% of French citizens, is partly due to the unbeatable prices. "The liberalisation policy pursued by our European partners has been a major factor in our success" admits Mohand Ibrahim, the director of Al Manar. "Europeans can no longer afford major surgery, or have to resort to the state sector and wait for up to two years for their operation." From tourism to construction, the entire Tunisian economy is reaping the benefits and the country's economy is set to grow by 7.2% in 2026 compared to the European average of 0.8%.

choice since tuition fees in Continental establishments started to shoot up. "It costs between six and nine thousand euros to study at, say, Strasbourg or Cardiff universities. Elite establishments like the London School of Economics charge fifteen thousand euros. Only the richest families can now afford this" according to Ioann Bartok, director of Sarajevo University. "Our tuition fees have remained at



More and more Europeans cross the Mediterranean to seek treatment.

reasonable levels: foreign students pay between five hundred and one thousand five hundred euros depending on what subject they are studying. This intellectual and financial shot in the arm has been a real boost to our economy. There are now ten times as many flights between our country and the Union than there were twelve years ago. Some research centres have even moved to Bosnia. Who

Turning to education, Fez, Sarajevo and Istanbul have become the universities of

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A regional train in France

Photo: Phovoir

would have thought it thirty years ago", said a delighted Ioann Bartok.

But in Europe the wave of liberalisation which started in the mid-90s has not had the desired effect. The Lisbon strategy, which was supposed to make Europe the most competitive economy in the world and restore full employment in the Union, was shelved in 2010 as one of history's great failures. The gradual disappearance of postal services from rural areas and lightly-populated towns has not been free from consequences: "How am I supposed to do business in a town without a postal centre?" asks a furious Marc Vilmont, managing director of a small mail-order business. "The Internet's all very well, but you can't send a parcel down a modem." This anger does not surprise Manuel De Oliveira, mayor of a group of villages in the Toledo region of Spain. "Liberalisation has been very damaging for us. The gradual loss of public services sucked activity away from our businesses to towns with better services, and our population fell. Imagine the consequences: we now have no more than 60 children in primary school, com-

pared to 1,200 twenty years ago." Manuel De Oliveira doesn't even try to hide his dejection any more. "I almost wonder what use we local politicians are nowadays. We would like to subsidise public services to give our economy a kick-start, but Brussels won't let us because of competition rules."

Taxes were supposed to fall as a result of liberalisation, but that hasn't happened. On the contrary. Waves of relocation towards the southern and eastern fringes of the Union meant that unemployment soared, reaching the record figure of 19.6% in 2024. Speaking on condition of anonymity, a senior Commission official revealed that "pension obligations combined with spending to help people get back into work has proved a real headache. Ideally, the solution would be for the Union, the States and the regions to take back responsibility for some public services. But the coffers are empty." And any move to put up taxes again would undoubtedly produce more support for the extremist parties which are now the second-largest political grouping within the European Parliament. <

## What is the future for services of general interest in Europe?

WILL LIBERALISATION OF SERVICES ENABLE THE LISBON OBJECTIVES TO BE ACHIEVED? AND HOW FAR WILL IT HELP THE UNION REACH ITS AMBITIOUS OBJECTIVES, LAID DOWN IN THE CONSTITUTIONAL TREATY, PROMISING EUROPEAN CITIZENS FULL EMPLOYMENT, SOCIAL PROGRESS AND A HIGH LEVEL OF PROTECTION? THAT IS WHAT THE DEBATE IS ALL ABOUT.

**In march 2000**, the European Council meeting in Lisbon presented a ten-year strategy aimed at making the Union the most competitive and dynamic economy in the world. According to this strategy, "a stronger economy will drive job creation alongside social and environmental policies that ensure sustainable development and social inclusion". Four years down the line, the first results are disappointing. Europe is struggling to get back to growth and the unemployment rate in the twelve-country euro zone rose from 8.5% in October 2002 to 8.8% in October 2003.

Against this background the Commission presented its priorities for 2004 on 21 January. On the question of relaunching the Lisbon objectives it suggested **further integration of the market in services and rapid progress on the draft framework directive on services**. Several politicians and experts were puzzled by this approach, as although the "official" view is that liberalisation creates jobs and enhances competitiveness, recent moves to open some sectors up to competition are hardly an argument in favour of the strategy adopted (see box insert, page 3).

### Towards a gradual liberalisation of services

Strangely, the upper echelons do not seem at all worried. It is as if liberalism has now become an article of faith. The content of the Green Paper on services of general interest published in May 2003 is highly significant. In this, although the Commission stresses that "there is as yet insufficient evidence to assess the long-term impact of the opening to competition of services of general interest", it takes pains to add that "there is, based on the available information, no evidence supporting the thesis that liberalisation has had a negative impact on their overall performance, at least as far as affordability and the provision of universal service are concerned."

### What about the precautionary principle?

What the Commission would have us see as political wisdom looks more like neglect of the precautionary principle, one which is essential in issues as sensitive as pharmaceutical research or genetics. This may seem to be a strange analogy, but we must not forget that endangering the European healthcare system is no less dangerous than promoting

GMOs, which are subject to a moratorium on the grounds that not enough is known to prove that their sale would not harm people.

If we are to believe the content of the Commission's Green Paper, "the impact of market opening on net employment has also been broadly positive. Job losses, particularly amongst former monopolies, have been more than compensated for by the creation of new jobs thanks to market growth". At first sight this appears reassuring, but we must not forget two fundamental points. Europe is not in a situation of economic growth; at best, it is stagnating and is also suffering from the rise of the euro on the international markets. As for the results of previous waves of liberalisation: they seem to have benefited citizens in the telecommunications sector but the jury is still out on water, energy and transport.

### No real guarantees

The vagueness of the Commission's distinction between services of general economic interest and non-economic services is an even greater cause for concern. The only hard information is that "the reality of services of general interest which include services of both economic and non-economic interest, is

## Some less than persuasive examples of privatisation



### Your local postbox, soon to become a thing of the past?

The daily woes of the British rail commuter are well known. On 19 January the Secretary of State for Transport, Alistair Darling, admitted that *"The way in which it [the railway system] was privatised under the previous conservative government has led to fragmentation, excessive complication and dysfunctionality"*. And the final insult is that users, the prime victims of excessive fares and the inability of the private sector to maintain the network, will have to fund a partial takeover by the state through their taxes.

Swept along in the wave of liberalisation in 1995, the Deutsche Post had 25,000 local post offices in 1990 but only 14,000 in 1998. Leaving aside the direct effects of this policy on the company's employees as a result of the new focus on profitability following the opening up of the postal market to competition, the entire local distribution network has suffered from these changes, with some lightly-populated areas no longer having access to a nearby postal service. In a further turn of the screw, these same areas suffer a further economic hit as any business wanting to set up and create jobs will not be attracted to a site without full postal coverage.

Another fiasco - the liberalisation of the British rail system. Delays, breakdowns, safety problems, crashes, companies changing at the last

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management of their regulatory system passing from the local level to the Community level. The Commission's policy of opening up to competition denies that any of these risks exist and risks triggering a socio-economic earthquake throughout the Union.

### Emergency measures are vital

There is nothing inherently wrong with the profit motive. But it has to be well thought through and adapted to take account of the needs of citizens. By arguing for harmonisation of competition rules to cover all services, the Commission is undermining the interests of citizens, creating inequalities for the future and promoting a policy that contradicts the Lisbon objectives.

By supporting the Herzog and Prets reports (see *interviews*), MEPs have shown their support for the analysis that the long-term development of our societies should not be sacrificed on the altar of short-term financial concerns. Though it will not stop unrestrained liberalisation of services, Parliament's support is vital in that it recognises the rights of regions to self-production of services of general interest, cultural diversity and equal rights for citizens as enshrined in the Charter of Fundamental Rights. And, above all, it supports the efforts of the Assembly of European Regions (AER) to clarify the terms of a necessary and constructive debate.

The AER believes that reintroducing unanimous voting under article III-181 of the draft Constitutional Treaty and restoring shared powers subject to unanimity in article III-217 dealing with the common trade policy would provide a lasting guarantee of the principles of subsidiarity and cultural diversity. Failure to achieve this could threaten the essence or even the very existence of the European social model. <

## The European Parliament wants a legal framework for general-interest services

ON 14 JANUARY 2004 THE EP ADOPTED THE REPORT BY PHILIPPE HERZOG (PES) BY A MAJORITY VOTE. THE REPORT AIMS TO PRESERVE CERTAIN VITAL SECTORS SUCH AS EDUCATION, HEALTH, SOCIAL SERVICES, SOCIAL HOUSING, WATER AND WASTE, FROM LIBERALISATION. THE AER AND VARIOUS SOCIAL ORGANISATIONS WELCOME THIS OUTCOME. INTERVIEW WITH PHILIPPE HERZOG, RAPPORTEUR.

### How would you define services of general interest?

These are services considered essential for citizens and society. They are defined by the national, regional and local authorities in each country. They relate both to vital areas such as education or health and to services provided by networked industries (energy, trans-

port, telecommunications). Only the name used to describe them changes from one country to another: in France, services of general interest are called "service public", in Germany they would be referred to as "Daseinsvorsorge" while other countries know them as "public utilities".

### What does Parliament think about the idea of liberalising these services?

Views are mixed. Some people think that private providers would be perfectly capable of taking on these basic services, while others think that a

public-sector dimension is vital to determine what is done and how it is done. And this group is further divided into those who think that a local or regional approach is best and those who prefer a national system; France is in this camp but is in a minority. The resolution adopted in Strasbourg is a compromise between these different trends. We made the point that Europeans share a competitive market where private provision can be just as good as public provision, but at the same time we wanted to give the local and regional public authorities in particular more freedom to administer services.



Philippe Herzog

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### In your report you mention the importance of subsidiarity...

Yes, with the option of allowing services to be provided directly by local authorities, by private companies or by a combination of the two, subject to the control of local and regional authorities. We also stress the importance of diversity in the way these services are delegated. A straightforward handover to the private sector is only one option; there are other ways of delegating provision to private providers, particularly by introducing a strong measure of public control in the form of boards, licensing authorities, public-private partnerships and so on.

### But doesn't the distinction between general economic services and non-market services threaten this balance between the public and private sectors?

It is true that this distinction is problematical, as these two terms are not defined in any Treaty. It is in fact a subterfuge: as soon as a service of general interest appears to be economic, it should supposedly become subject to the rules of competition.

### Isn't there already a commercial market in education, where the public and private sectors already co-exist?

Certainly. Competition is already in place. But this is even more true in health or social hous-

ing, where housing association-type operators are to become subject to the rules of competition. We are now in a position where the distinction between general economic and non-economic services no longer protects this type of service.

### So how can the universal nature of services of general interest be guaranteed for the long term?

By reinforcing European law to exempt these areas from the general rules of competition. I want legislation on this aspect to protect areas where the market has already become active. What we need is a legislative instrument, a directive, adopted by the co-decision procedure involving the Parliament and the Council, establishing protection for public services, particularly those of a social nature, which are supplied locally and regionally. Such an outcome is all the more justified given that the interpretations and decisions of the Directorate-General for Competition have so far not been subject to any political control.

### Is this really feasible?

It all depends on whether or not the Commission decides to reject this request. If it does, we would have to call on the States for support. <

## "We need a binding legal instrument to protect cultural diversity"

AUSTRIAN MEP CHRISTA PREST (PES), AUTHOR OF THE REPORT ON THE PRESERVATION AND PROMOTION OF CULTURAL DIVERSITY, HAS CALLED FOR LEGAL PROTECTION FOR CULTURE, BROADCASTING AND EDUCATION.

### In your report you stress that each Member State should have the legal opportunity to take all necessary steps in cultural, broadcasting and educational policy to preserve and promote cultural diversity. Would this not be impeded by the policy of liberalising services of general interest?

Of course. The trend towards liberalisation which we see at the moment within the Commission could be a real threat to cultural diversity. That is why we have to be extremely vigilant and call for rules and statutory exemptions for cultural and broadcasting services.

### You say that cultural goods and services cannot be considered in the same way as ordinary consumer goods. But areas like education have already been opened up to competition...

Cultural, broadcasting and educational services must not be treated like ordinary consumer goods. If that were to happen we would undoubtedly face serious problems in safeguarding and promoting cultural diversity. Access to education has to be free and equal for all. That is an accepted principle. But it is true that education has already been opened up to competition in Austria. Unfortunately, there is a kind of horse-trading going on. Member States are opening up some areas to liberalisation so as to prevent this happening to others.

### In this context do we really have any alternative to this ongoing process of liberalisation?

Yes, we do. This alternative must take the legislative route. We need a binding legal instrument to protect cultural diversity. This need has been understood by the members of Unesco who have decided to create an International Convention on the matter. My report on this draft attracted broad support among MEPs, which I welcome. It is an important step forward since it means that MEPs now support this legislative option which will, if the WTO or GATS options prove unsuccessful, only be achieved through Unesco and its work.



Photo : European Parliament

Christa Prest

All readers are encouraged to view the AER website (<http://www.a-e-r.org>) for current information.



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