



European Commission
BREY 7/342
B-1049 Brussels
SGI-Consultation@cec.eu.int

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EC Consultation on the Green Paper on Services of General Economic Interest (SGEI)

The Free and Fair Post Initiative (FFPI) welcomes the initiative of the Commission to promote the provision of high-quality public services by launching the debate on public services and appreciates the opportunity to submit its comments as regards the Commission's Green Paper on SGEI.

As an organisation representing the users of postal services as well as competitors of the public service providers, the FFPI is highly concerned with the future of SGEI in Europe.

SGEI perform a fundamental function and constitute a significant part of the economic and social fabric in the EU. The FFPI fully shares the concern raised by UNICE and by other key stakeholders in the SGEI debate. The current debate on public services is dangerously moving towards a protectionist approach that would endanger the achievements of the EU Internal Market and create obstacles to its completion, as per the mission set in Lisbon by the EU Heads of State and Government.

The advantages of open markets in public service sectors have been acknowledged by the Commission in a number of occasions, specifically through various studies. Many examples show that there is no incompatibility between the provision of public services and sound competition, on the contrary, liberalisation often entails better services.

The introduction of competition in the postal sector, for instance, has largely benefited users and consumers. In recent reports published by the Commission, it has been demonstrated¹ that market openings have led to improved standards in terms of choice and quality of services; they have increased employment² and contributed positively to the economy in general. Meanwhile, the universal service has been maintained and now, postal users are more satisfied³ with the services offered. Of course there is room for improvement, and this can only be achieved with

¹ Report from the Commission to the European Parliament and the Council on the application of the Postal Directive (97/67/EC) - November 2002

² Study on employment trends in the European Postal sector (PLS Rambøll - October 2002)

³ Eurobarometer survey on public services 2003: Overall satisfaction of consumer satisfaction of postal services is 74%, the highest ranking among the various sectors analysed.



the completion of the liberalisation process, as planned in the Postal Directives. However, it is crucial to note that progress has been made under the existing legislative framework, where sector-specific regulation has demonstrated to be solid and satisfactory.

The FFPI fears that defining and regulating SGEI with a framework Directive and within the constitutional Treaty entails many risks for free competition and, therefore, for the improvement of public services in the EU. The recognition of SGEI in article 16 of the EU Treaty constitutes already a proper legal basis for their protection. Additional legislation is unnecessary and would be inadequate to cover services areas that are often very different and require more punctual sector-specific handling.

The FFPI is convinced that improvements of public services can be achieved only through a stricter application of the existing competition rules, particularly as regards measures to prohibit cross-subsidisation and reduce public funding.

The FFPI believes that block exemptions from existing EU state aid rules, as advocated by some parties involved in the SGEI debate, would have severe effects on the functioning of markets and on fair competition. FFPI members reiterate their call on the European Commission to keep its pledge as regards better policing of markets and control of public aid. This is particularly important in the postal sector, where the incumbents often combine the provision of the public service obligation with commercial activities. The Commission recently restated the serious distortions caused by postal monopolies: *“Continuing regulatory asymmetry threatens to distort the market as further steps are taken towards the full accomplishment of the internal market, and there have already been a number of infringement cases on this issue. Further, the coexistence of reservation [monopolies], variable regulation and competitive market segments has produced perverse incentives for market players, and when combined with the corporatisation of the Universal Service Providers, clear issues of competition have emerged”*⁴.

The EU competition rules in place, such as the provisions of the “Postal Notice”⁵, provide for an appropriate regulatory framework to intervene when fair competition is at risk. A modification of the existing system would, in the FFPI’s view, take away the credibility of the competition authorities and diminish business’ and citizens’ trust in the institutions in charge for ensuring a correct functioning of the market. Granting an exemption of competition rules for certain public service providers would result in a decline of the EU’s Internal Market policy benefits and hamper the achievement of a level-playing field.

To conclude, the FFPI wishes that the Commission will take into account the strong benefits of liberalised markets in its review of the SGEI policy and is confident that the Commission will keep as ultimate goal the competitiveness of the EU and the citizens’ rights.

⁴ Report from the Commission to the European Parliament and the Council on the application of the Postal Directive (97/67/EC) - November 2002

⁵ Notice from the Commission on the application of the competition rules to the postal sector and the assessment of certain State measures relating to postal services. OJ 98/C 39/02