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BDI/BDE/DIHK-CONFERENCE ON THE FUTURE OF PUBLIC SERVICES IN THE INTERNAL MARKET

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STATEMENT BY PHILIPPE DE BUCK, BUSINESSEUROPE SECRETARY GENERAL

Third panel: Three years to Lisbon – tasks for policy-makers to ensure completion of the internal market for public services

Question by Mr van Kampen (Moderator):

Mr de Buck, what is BUSINESSEUROPE's experience with the liberalised services sectors so far? And what does the private sector expect from the European institutions, concerning possible future developments in this area?

Answer:

Experience gained so far has shown that the gradual opening-up of certain public services of general economic interest (SGEIs) thanks to European legislation and application of internal market and competition rules has resulted in various advantages for European citizens in the form of wider choice, better quality and - in general - lower prices. Opening of these markets has also triggered innovation, improved productivity and helped optimise public spending in most cases.

It also plays an important role in the creation of a genuine well-functioning internal market and realisation of the Lisbon objectives for growth and jobs. Sector-specific policies combining the provision of services of general interest with the development of a European single market have been developed since the 90s for network industries such as telecommunications, energy, transport and postal services, which today represent more than 7% of GDP and 5% of total employment in the EU. According to the Commission in a report from 2003, liberalisation of the network industries providing SGEIs is estimated to have led to the creation of nearly one million jobs in the EU.

A exemplary case is the opening of the telecommunications market where productivity gains have outperformed those in the rest of economy by more than 80% since 1992 while prices have declined by about around 30%.



The opening of the electricity markets has already produced some results, with a decline in the relative price of electricity price compared with other energy sources in over the last 10 years. Divergences in price levels across Europe are however still high, averaging around 25% from one country to another, but we have seen a general tendency towards price convergence.

The opening of these service markets must be accompanied by the right framework that facilitates development of new and better services and boosts competitiveness at local, regional, national and EU levels. This framework must be built on three important pillars:

1. Full respect of the principles and rules of the internal market including the relevant ECJ jurisprudence and particularly those guaranteeing undistorted and free competition. In particular, compliance with the rules on public procurement is of paramount importance.

Let me give you an example: where public procurement rules are not applied properly and other bids are not allowed, the European Commission estimates that the price paid for a project may be around 40% higher for public authorities.¹

2. Appropriate regulatory framework for development of high quality public services

The European institutions must ensure that the benefits of market opening accomplished so far are not overturned. In particular, they should avoid changes in the European legislation that would distort competition in already opened markets.

The importance of public services and the basic principles governing them have just been enshrined in a special protocol in the Reform Treaty and we consider it sufficient and that there is no need for framework Community legislation on public services.

The role of the European Commission is to continue to ensure correct enforcement and application of the relevant legislation and jurisprudence applicable to public services. This is paramount to the smooth functioning of the single market, fair competition, and EU competitiveness.

We therefore support the recently adopted Communication on services of general interest including social services which aims at clarifying the existing legal framework and builds upon the principles contained in the above-mentioned protocol.

¹ DG Internal Market “A Report on the Functioning of Public Procurement Markets in the EU: Benefits from the Application of EU Directives and Challenges for the Future », 2004



3. Greater partnership between public authorities and the private sector

Various annual Commission evaluation reports on SGI provide good evidence of the considerable benefits that can arise from fostering competitive supply markets for the provision of SGI, such as value for money savings, a net positive impact on employment and no evidence of a negative impact from liberalisation.

It is essential to maintain and develop these competitive benefits, while also ensuring that models of public service delivery can continue to evolve.

Public procurement must factor as a priority issue within the Lisbon agenda and strategic debates about completing the internal market. Development of public-private partnerships (PPPs) to improve public services and infrastructure should be widely promoted;

The debate about how best to do this must recognise two things. First, PPPs are diverse and include different types of relationship between the public sector, the private sector and the citizen or service user. Secondly, they will and should evolve over time.

The case for PPPs needs to be more widely understood. They are vital because it is inherently beneficial to have a mix of public, private and voluntary-sector organisations providing public services. The mix brings diversity of approaches and achieves the healthy competitive pressure on all providers to innovate and improve over time.

Finally, I see a bright future for public services in Europe based on a greater partnership between the public and the private sector and I therefore encourage the European institutions and Member States to ensure full application and enforcement of internal market and competition rules in these sectors, and to deepen their reflections on sectoral initiatives for further market opening with the overall aim of advancing with completion of the European internal market for services and delivering more and better services for the benefit of the European citizens, employees and companies.
