Services of general interest in Europe

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This is the second horizontal evaluation report prepared by the Commission regarding the EU's network industries which provide services of general economic interest to EU consumers. The networks scrutinised are telecommunications (both mobile and fixed lines), energy, gas, air, rail, road transport and postal services. Given the wide spectrum of issues affecting these industries the Commission has chosen to focus on a few key points. They are: analysing recent legislative developments, examining the results of studies on the effect of market openings and comparing the network performance in the new EU Member States (EU 10) with that of the old EU Member States (EU 15). In presenting this report, the Commission hopes to stimulate an open and transparent debate on the performance of network services in the EU.

Concerning the EU's legislative framework, the report notes that the general debate on the future of services of general interest has intensified since the publication of the May 2004 White Paper on this subject. A decision has yet to be taken on whether or not to prepare a framework Directive. On the other hand there have been a number of important developments regarding competition provisions for the regulation of the gas, electricity and public transport services. The Commission notes that there are many outstanding issues on the transposition of new Directives and it therefore urges the Member States to take more stringent measures to ensure the appropriate transposition of EU legislation.

Concerning the matter of market structure, the Commission finds that the number of competitors in the telecommunications sector has increased. At the same time, however, the report makes note of the fact that the market share of incumbents remains high in many service industries including telecommunications and the energy sectors. Mergers and acquisitions in the energy sector have resulted in the creation of large pan-European players. The Commission urges the Member States' authorities to scrutinise this development carefully.

Concerning differences between the EU 10 and the EU 15, the report find that there are some difference in the market performance of network industries. The market structure in the ten new Member States appears more concentrated than in the EU 15. Although significant price differences exist between the new and old Member States in nominal terms, the difference is modest once expressed in terms of purchasing power parity – other than in the transport sector. As far as the quality of services is concerned what data there is indicates that both the old and the new Member States face similar challenges.

In the final Chapter the report assesses consumer satisfaction for the network services of general interest. The most recent surveys confirm the results of previous assessments. Overall, the satisfaction of consumers is relatively high but there are important differences depending on the country and sector studied. Postal services receive the best appraisal and inter-city rail transport the lowest. Finally, consumers in the new Member States express concern regarding possible price increases following accession.

To conclude, the report comments that significant milestones have been achieved in opening up the network industries of general economic interest. Nevertheless, the Commission urges the Member States to take a greater interest in removing any outstanding obstacles hindering the completion of the internal market and to introduce effective provisions that stimulate competition between the various market players. The Commission expresses some concern regarding the emergence of large pan-European market players, which, in future, will require closer scrutiny by the competition authorities. The Commission reminds the Member States that, under the principle of subsidiarity, it is they who are responsible for the effective implementation of provisions. At the same time the Commission suggests that the improvements are thanks to the introduction of competitive elements and market openings. According to the

Commission, lower prices and labour productivity can be statistically explained by market openings and that countries with a high level of market opening tend to perform better in terms of price and productivity.