Basic information

2004/2186(INI) INI - Own-initiative procedure	Procedure completed
State aid in the form of public service compensation **Subject** 2.60.03 State aids and interventions	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	IN 'T VELD Sophia (ALDE)	13/09/2004

Committee for opinion	Rapporteur for opinion	Appointed
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
TRAN Transport and Tourism	The committee decided not to give an opinion.	
REGI Regional Development	The committee decided not to give an opinion.	
JURI Legal Affairs	The committee decided not to give an opinion.	

Key events

Date	Event	Reference	Summary
18/11/2004	Committee referral announced in Parliament		
02/02/2005	Vote in committee		
09/02/2005	Committee report tabled for plenary	A6-0034/2005	
21/02/2005	Debate in Parliament		
22/02/2005	Decision by Parliament	T6-0033/2005	Summary
22/02/2005	Results of vote in Parliament		
22/02/2005	End of procedure in Parliament		

Technical information	
Procedure reference	2004/2186(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/23528

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A6-0034/2005	09/02/2005	
Text adopted by Parliament, single reading		T6-0033/2005 OJ C 304 01.12.2005, p. 0019-0117 E	22/02/2005	Summary

State aid in the form of public service compensation

2004/2186(INI) - 22/02/2005 - Text adopted by Parliament, single reading

By 478 votes in favour to 155 against with 10 abstentions, MEPs adopted an own-initiative report from Sophia IN'T VELD (ALDE, NL) which says small service providers should be excluded altogether from the requirement to notify the Commission of public funding, as should relatively small-scale sea and air transport links to islands and remote areas. Parliament has welcomed plans to clarify the rules on how EU competition law applies to state aid in the form of compensation for public services.

In the July 2003 'Altmark' case, the Court of Justice ruled that certain forms of government support for public services did not constitute 'state aid' as defined in the Treaties, and thus did not require approval from the Commission under the competition rules. The judgement left some legal uncertainty as to exactly which cases would meet the criteria. The Commission has put forward proposals on how it intends to interpret the ruling, and on a clearer framework for its future approach to the whole area of compensation for public services.

The Commission proposes to exclude small scale public service compensation altogether from the notification requirements, but has not precisely defined 'small' leaving this question open for discussion during the consultation. MEPs say that the exclusion should apply to undertakings with turnover under EUR 50 million receiving annual compensation of under EUR 15 million. The Commission also planned to exclude sea transport to islands carrying fewer than 100,000 passengers per year. Parliament says services to remote communities whether by land, sea or air should be excluded, providing there are fewer than 300,000 passengers per year.

The Commission, subject to certain criteria, plans also to exclude public compensation to hospitals and social housing undertakings, but MEPs warn that extensive state aid may lead to distortions of competition in these areas. Since the organisation of these sectors varies widely between Member States, they say exclusion should be introduced only when a Member State has provided a detailed report to the Commission on their health and social housing sectors

The Altmark ruling said that where open tendering was not used, 'compensation' (as opposed to 'state aid') was limited to that needed for a typical well run undertaking to provide the service and make a reasonable profit. Parliament is now asking the Commission to use a benchmarking exercise to clarify what this would mean in practice.

While the Commission proposed that its new Framework should run until the end of 2007, MEPs say they should be valid for four years. They stress the importance of consulting widely, in particular with the users of public services, in putting the plans into action, and call for an extensive impact assessment before the rules are renewed. Parliament also asks the Commission to clarify the legal status of its planned framework.