EU liberalisation of network industries set to accelerate despite mounting evidence of market failure in United States*

Subject: Joint response of European Energy/Post/Transport Workers Federations to European Commission report on the Evaluation of the Performance of Network Industries Providing Services of General Economic Interest 2006

Event: Joint EUROPEAN COMMISSION and EUROPEAN ECONOMIC AND SOCIAL COMMITTEE workshop on evaluating the Performance of Network Industries providing services of general economic interest, 10 September 2007, European Economic and Social Committee (EESC), Jacques Delors Building, Room 62, Rue Belliard 99, Bruxelles

(Brussels, 10 September 2007) The European Federation of Public Service Unions (EPSU), the European Transport Workers’ Federation (ETF) and UNI-Europa, (Private skills and services federation) express their joint disappointment and frustration at yet another Commission whitewash exercise.

EPSU, ETF and UNI-Europa dispute the Commission’s claim for the network industries that: “consumers benefit as market opening leads to better performing network industries.”

Ideological conviction that liberalisation must work has blinded the Commission to much of the evidence pointing to the contrary. And, when it cannot ignore the mounting evidence of growing problems, it blames lack of political will by governments, “regulatory capture”, and consumers for making the “wrong” choices, rather than its own policies. It’s not the medicine that is wrong – even more is needed!

The last 2006 report from the Commission is the fifth in a series of self-justifying accounts of the benefits of liberalisation.

Flawed methodology

Despite calls for the European Commission to examine data from outside the European Union to analyse existing models of network industry liberalization, no action has been taken to do so and no reference to global examples of network industry liberalization models are made. The fact that the model of electricity provision in the EU is now uniform means that, without analysis of non-EU systems, any comparative analysis; is by definition weakened. Because it is the same in all EU countries, what should be the main point of scrutiny – the liberalisation model itself – is not analysed in any meaningful way.

* Please see table attached; source Marilyn Showalter: Mapping Electricity Policy. Power in the public interest. 26 February 2007 www.ppinet.org
A paper submitted to the Commission/EESC workshop from the Public Service International Research Unit (www.psrn.org), shows clearly that in the electricity sector;

- There is a reluctance of consumers to switch suppliers even in a liberalised market, which undermines the Commission’s argument that liberalisation = retail competition.
- Based on negative impact of electricity liberalization in USA and Australia, each of the South Korean, Singaporean, and Japanese energy regulators have significantly cut back on their liberalisation programmes in the sector.
- From 1996-2006 the electricity price gap between regulated US states (low price) and deregulated (high price) has increased steadily.

1. 

Electricity price levels in regulated and deregulated states of USA 1996-2006 (Oct)

![Electricity Price Levels Chart](https://www.psinet.org)

The Commission report presents no data either on the views of stakeholder organisations, political parties, or other civil society groups; and it does not attempt to gather views of citizens in other roles, for example workers in each sector.

**The case of telecommunications**

While the Commission rightly draws attention to the price benefits experienced by consumers since the introduction of the European electronic communications regulatory framework, this evaluation report makes no reference to the systemic issues still dogging the industry.

Liberalisation has brought about considerable competition in areas such as mobile communications and in dense, urban locations. Yet little real competition exists in areas of the industry such as fixed line, which retain extensive public service obligations.

The report also makes no mention of the Commission's intention to impose functional separation upon incumbent telecom operators in its upcoming proposal on the regulatory framework. This costly and obtrusive ‘remedy’ is borne out of the failure of liberalisation to encourage equitable competition across the industry. At a time when the communications industry is in need of significant investment to create next generation access networks, functional separation runs the risk, as in other network industries, of removing yet more incentives to invest.
The failures of hastily planned liberalisation programmes (such as that witnessed in New Zealand) and of separation initiatives (in the USA and in other European network industries) appear to be ignored by European policymakers and regulators. This is a worrying development and one, which makes the call for greater stakeholder participation in the drafting of such reports all the more resonant.

The need for independent, transparent and participative evaluation of the Network industries

EPSU and ETF have consistently advocated an open and participatory process of evaluation, through the establishment of a ‘Network Industry Observatory’. This would guarantee an objective, and transparent approach. The Network would bring together national and European level experts and would:

- evaluate the impact of the liberalisation directives, internal market rules, State Aid rules on the ability of Member States to organise Network service according to policies and structures determined locally and reflecting national and local conditions and histories be accountable to the European parliament
- be accountable to the European Parliament
- assess the expected impact of liberalisation on a range of policy objectives, including cohesion, equality, sustainable development, and employment
- be open to all stakeholders and citizens, including public authorities, operators, consumers/users/citizens, trade union organisations, professional groupings, civil society, research centres, etc – who would be encouraged to provide inputs to and take feedback from the meetings and consultations
- provide technical assistance to groups representing vulnerable users of services of general interest so they can contribute to the evaluation
- provide sets of comparative information through reports and website which can assist Member States in improving their own services, and assist collaborative arrangements within and between Member States.

Attachments:
10 September Conference programme (workshop on evaluating the Performance of Network Industries providing services of general economic interest, 10 September 2007 Brussels)

Contact details:
For further information, please contact EPSU Policy Coordinator Penny Clarke or EPSU Press Officer Brian Synnott, at +32 2 2501080 or epsu@epsu.org

“EPSU is the European Federation of Public Service Unions. It is the largest federation of the ETUC. 8 million public service workers from over 200 trade unions are members. They organise workers in the energy, water and waste sectors, health and social services and local and national administration”. For more information on EPSU and our work: www.eupsu.org

UNI-Europa is the European Trade Union Federation for skills and services, representing some seven million European workers in sectors such as commerce, telecom, post, finance, media and graphical. For more information see www.uni-europe.org

The European Transport Workers’ Federation (ETF) is a new pan-European trade union organisation which embraces transport trade unions from the European Union, the European Economic Area and Central and Eastern European countries. For more information see www.itfglobal.org/etf