

CONSULTATION ON THE FUTURE "EU 2020" STRATEGY

SETTING THE COURSE FOR EU 2020

January 2010

It is clear now: the financial crisis has developed into a full-fledged economic crisis, with almost all sectors and Member States affected. In this situation, the EU needs to show the full potential that stems from cooperation between its Member States. The EU 2020 consultation comes out at the right time: it should give the opportunity to refocus the major strategies of the EU.

Public services are crucial to the functioning of economy and civil society. They give essential support to citizens and economy, and they also showed their stabilising function in times of economic crisis. Now it is time to prepare for the next decade, and as a first step, to prepare for a more sustainable, eco-efficient society than we know it today. The course shall be set, and the Commission proposal for a EU 2020 Strategy shall guide us. CEEP, representing the public employers in the EU and all enterprises providing services of general interest has clear expectations where this strategy shall result in.

GENERAL OBSERVATIONS

- **Services of general interest as infrastructure of civil society and economy**
The working paper contains no mention of the contribution that public services and services of general interest make to job creation, growth and welfare. They have played an important role during the crisis by maintaining activity and employment and they are apt to become one of the major job creation sectors in the future, especially as new needs linked to ageing population and the greening of the economy emerge. There is a constant need for investment in infrastructures and education services, so the economic exit strategy shall not impede the necessary services with disastrous possible outcomes like a throttled recovery process.
- **Services of general interest and network industries**
Efficient functioning of so-called network industries lies not only in their competitiveness but often in their provision of services of general (economic) interest to citizens. In many cases, the ability of network industries to provide universal, accessible, affordable, reliable and high quality services is a precondition for citizens to take part in the social and economic life of the Union. And it is a precondition to the economic process which to a high degree depends on the virtues

of those services. Further steps to increase competition in those network industries should only be taken when it is clearly assessed that social and economic progress would not be jeopardised.

- **Contribution to Climate Change**

To build the eco-efficient society and economy of tomorrow it is necessary to have certainty about investments. This means certainty about the legal framework and also the money obtainable for those investments. Therefore, the conditions under which enterprises, and particularly local public enterprises, can plan for their needs in terms of energy saving needs to be clarified in both dimensions.

In the end, a good concept is valuable if it can be used like a lighthouse is used by ships; the ships have guidance, and they can establish their position and determine their further course by referring to the location of the lighthouse. This kind of guidance implies also measurable units, giving information about the relative course of the ship. It is not so easy to use this analogy for the EU2020 consultation document: it points in many directions, and leaves a lot of questions open in terms of measurability. CEEP hopes that its contribution will help bring more focus on the final EU 2020 paper while making it more acceptable and increasing the legitimacy of the EU.

INTRODUCTION

CEEP, the social partner representing public employers and enterprises delivering services of general interest, warmly welcomes the Commission initiative to launch a public consultation on its working document outlining the “EU 2020” Strategy. It firmly believes that such a broad-based policy action needs to raise awareness in people it is made for, in order to secure wide support and active involvement from citizens, social partners and economic agents. Conveying a sense of common purpose proves essential to anchor the Strategy in shared values and objectives, a goal that can only be achieved if all stakeholders and citizens contribute to shape it.

CEEP believes that special attention should be paid to social partners’ views as they are the active players in creating economic activity and securing prosperity for Europe. It underlines its willingness and commitment to co-operate with the Commission in making the “EU 2020” Strategy a valuable tool, providing the necessary thrust to overcome shortcomings that hamper our economies from delivering their potential growth on a sustainable basis.

CEEP endorses the general outline of the Strategy sketched in the working document. Basing growth on knowledge and innovation, fostering skills and implementing the principle of flexicurity, combating social exclusion, and creating a competitive, connected and greener economy, are priorities that command wide support. These general goals need to be transformed into specific policy action to act as the backbone of the “EU 2020” Strategy. This demands a well-designed and balanced set of objectives and proposals as well as an overall Strategy that ensures coherence and added-value in pursuing those goals.

The present contribution does not deal exclusively with the ideas put forward in the working paper but also points to the general requirements of such a medium term Strategy, as well as to specific policy actions that might usefully be included in the proposal to be tabled by the Commission.

The deep downturn driven by the financial turmoil has shaken confidence in the economic outlook and in the capacity to prevent crises from emerging. But it has also shown the benefits of European integration (monetary union, stability and growth pact, common strategy on jobs and growth) to pave off the worse from happening. In the absence of a coordinated answer within the framework of strong common policies and commitments, the effects of the crisis would have been devastating. In particular, the Single Market has effectively prevented the temptation to implement national safeguard and restrictive measures that would have aggravated the effects of the crisis.

Lifting uncertainties and promoting confidence of citizens and economic agents therefore stands as a key requirement to secure success for any medium term strategy, like the “EU 2020”, aimed at raising competitiveness and ensuring a sustainable growth. The mere fact that the European Union agrees on a common approach of priorities to raise its competitiveness and social inclusion, will certainly deliver confidence to citizens and enterprises.

But confidence should be coupled with realism as setting too ambitious targets unlikely to be met, can only turn into frustration and a lack of credibility for the whole initiative. The experience of the Lisbon Strategy shows that over-optimism can backfire if delivery does not match too demanding expectations. Taking into account the current uncertainties surrounding the economic situation, avoiding any temptation to undertake a highly tentative and wishful-thinking exercise on growth delivery or job creation seems all the more important.

THE OVERALL POLICY APPROACH

Lessons from the crisis

Preventing future financial and economic crises requires to incorporate the lessons from the current one into the new concept. In the view of CEEP, there are essentially four crisis lessons:

- First, structural policies must pay sufficient attention to governance issues, in particular in areas of general economic significance. Regulatory failure in the financial sector, in particular, can trigger global financial and economic crises, with, as the document rightfully notes, “a heavy toll on public finances, businesses, employment and households”.
- Second, the EU certainly has the institutional capacity to react swiftly in cases of crisis, but it has not the instruments at hand to pull the economy out of recession or stagnation: Monetary policy has only limited effects, public budgets are quickly exhausted, income policy will not contribute and the impact of structural policies

shows only in the longer term. Shock prevention, whatever the source, is thus essential.

- Third, the inward looking tendency of the past has not served the EU well. The way burning global financial issues will now be handled will shape the world for decades to come. EU internal divisions must thus be put aside, and the euro zone should rapidly set up the long overdue common external representation.
- Fourth, in case of crisis, the state is the anchor of EU economies and societies, and the taxpayer the primary financier.

CEEP notes with disappointment that there is little in the EU 2020 consultation paper which would reflect the above-mentioned crisis lessons. The only clear reflection of a crisis lesson regards external involvement: The “promotion of international co-operation and multilateral governance, including efficient, fair and rules based international trade and finance systems”, is regarded as “an integral part of EU 2020”. It is also suggested to “act decisively in the G20 and international forums to promote the principles underlying the sustainable social market economy in the global context”. By contrast, the role of the state continues to be perceived from a narrow and mostly critical angle: in connection with the need for further administrative reform (p.11) and simplification (p.5), embracing the digital economy to make government services easier and more efficient to deliver (p.6) or in connection with state aid (p.8). As in the pre-crisis concepts, no reference is made to the fact that public investment and wide access to public services have contributed to building EU prosperity, opportunity and security, and that they continue to be essential for citizens and enterprises alike.

Strategy options and exit from the crisis

The macro-strategy makes it apparent that the Union has at present no sufficient response to the effects of the crisis. In view of the fact that implementing the current “exit strategy” will imply simultaneous pro-cyclical budget tightening in nearly all Member States as of 2011/12, it does not make sense to suggest that “full use” of the Stability and Growth Pact will “support growth”. After the definition of this strategy, it is also difficult to see what room for manoeuvre is left for the suggested differentiated fiscal response by Member States. No reference is made in the consultation document to aspects of burden sharing or equity issues, as hinted at in the conclusions of the December European Council. It is thus highly desirable that additional impulses come from the Special Summit convened by the new permanent President of the European Council for 11 February.

On strengthening the delivery mechanism

The document explains that delivery mechanisms need to be strengthened. No indication is provided at this stage why the Lisbon Strategy does not appear to have delivered the envisaged results. In view of the similarity between the two strategies and in the spirit of administrative reform, it is important to gain sufficient clarity about the reasons behind the implementation deficit before strengthening enforcement mechanisms. In a context of sharply reduced room for fiscal manoeuvre, such enforcement mechanisms could also impinge on the existing division of competences between central and national levels.

For all the long term benefits that a more balanced and sustainable economic performance might bring, a return to a strong growth path seems essential to increase job creation in a sizeable way thus redressing the current dismally high unemployment rates. Unless a strong recovery is swiftly secured, thus increasing public income and reducing the volume of unemployment benefits, social exclusion will be aggravated and pressure on strained budgets will leave little room to finance with the necessary resources the medium term policies and investment plans “EU 2020” Strategy has to implement.

Thus the success of the Strategy will to a great extent on bringing economic activity back to growth. But it would lead to considerable confusion should the Strategy as such deal with short term policy issues, entangling itself with matters like the right time to switch to serious efforts on budgetary consolidation or the phasing out of special and temporary support measures. The constraints imposed by the limited budgetary room for manoeuvre, likely to remain for years ahead, should be underlined as the working paper does. But the Strategy should also concentrate on ways to create a more competitive and sustainable environment in a medium and long time perspective, for all the pressing problems European economies face in the short term.

The most important issue is whether the Strategy should target a reduced set of activities (namely, the digital economy, greener technologies, better interconnected network services infrastructures...) or aim to foster the conditions for cross-sectoral recovery and growth. The experience of the Lisbon Strategy shows that putting too many objectives on board reduces the effectiveness of this policy action. But even if special emphasis is given to particular sectors, the acute need to ensure economic growth might usefully be taken into account to underline the importance of this objective within the Strategy. Measures to that effect are found in various paragraphs of the working document (the insistence on R&D, innovation and financing for innovative firms, the importance attached to renewed efforts on structural reform,...). But ensuring better conditions for a strong economic performance should be highlighted in a more articulate way. Doing away with market rigidities, ensuring that Europe as a whole works as a single market in practice, lifting barriers to new activities or new entrants, combating anti-competitive behaviour and abuses based on a privileged market position, are essential to increase competitiveness and raise investment confidence of enterprises and consumers. Growth is a must to anchor success for the “EU 2020” Strategy.

The working document contains no mention of the contribution public services and services of general interest make to job creation, growth and welfare. They have played a crucial role during the crisis by maintaining activity and employment and they are increasingly emerging as one of the major sources for job creation, especially as new needs linked to ageing population and the greening of the economy emerge. Contrary to an easy tendency to cut these services in order to relieve budgets, further short and long term investments in services of general interest will offer the basis for developing business and returning to growth.

PUBLIC SERVICES: THE PILLAR OF THE EUROPEAN SOCIAL MODEL

Now that the importance of services of general interest has been enhanced in fact through their role in the economic crisis and in law by the Lisbon Treaty, its protocol on SGIs, and the Charter of Fundamental Rights, it is necessary to secure these basic statements with appropriate European law.

The need for legal certainty

For instance, when on the one hand the Commission promotes the involvement of the private sector in the public services, like with its latest communication on public-private partnerships and in the consultation document EU 2020 itself, on the other hand the ECJ states that *„...it must be observed, first, that the relationship between a public authority which is a contracting authority and its own departments is governed by considerations and requirements proper to the pursuit of objectives in the public interest. Any private capital investment in an undertaking, on the other hand, follows considerations proper to private interests and pursues objectives of a different kind.“*

(Judgment in Case Stadt Halle – C-26/03 – 11 January 2005, also quoted in the Mödling case)

How can public authorities make sure that the public interest prevails in cases of diverging interests?

Non-economic services of general interest are excluded from the competence of the EU. How to make sure that the ECJ will not consider, contrary to a Member State, this or that particular service of an economic nature in the absence of a clarification of the definition of economic and non-economic services of general interest?

Whether entrusted to a private partner or directly provided “in-house” by their own enterprises, public authorities remain, in fact (not only in the eyes of the users, but as bailout entity as shown by the present economic crisis), if not in law, responsible for the provision of good quality services. How could a legislative act on service concessions take this peculiarity of services of general interest into account?

Legal security also means that, when new political measures are envisaged,

- a serious impact assessment study, taking into account all the stakeholders involved, should absolutely be carried out. Such a study can of course not result in the guarantee that adopted measures will produce their full expected results, but it should lead to providing for safeguards against negative impacts.
- a serious check on whether previous measures have already produced their full impact should also be carried out. It is a basic principle of legal certainty. Otherwise, investments might just result in wasted money.
- long-term investments required for infrastructures like in the energy and transport sectors should absolutely be taken into account. They indeed only bear fruit after many years. The period of time planned for new measures to come into force should be adapted accordingly.

Legal certainty should allow public authorities to make decisions with full knowledge of the facts.

Social Services of General Interest: a major tool for social inclusion

The concept of **solidarity** is often emphasised in the Lisbon Treaty. High quality social services of general interest accessible to all are a good barometer of the achievement of social solidarity.

The future policies to develop those services should not target the poor or other disadvantaged groups of population as it would result in a split of society between such groups and the better-off who would afford private, expensive and possibly better quality services.

Subsidiarity: the right service at the right place

Public services should be delivered there where they are needed. A bottom-up approach of the definition – and delivery – of those services is the most appropriate way to respond to the citizens' needs.

When “the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organising services of general economic interest as closely as possible to the needs of the users” is recognised in the new Treaty, sectoral policies and competition rules should not infringe that provision. In its consultation document, the Commission states that “... ensuring effective competition of network industries in the single market is key to improve competitiveness and at the same time deliver tangible benefits for consumers” (p.7); that statement is simplistic for public authorities who have to see to it that services linked to network industries have to be delivered also there where they are not profitable, and who have the right to decide on how those services are being organised. Social and territorial cohesion, or solidarity, is not an automatic result from well-functioning markets.

PUBLIC EMPLOYERS: THE ENGINE FOR FUTURE EMPLOYMENT GROWTH AND SOCIAL INCLUSION

Whatever the speed of the EU's exit from recession, there are a number of persistent trends which will continue and will need to be addressed: the challenges of globalisation, technological innovation, climate change and demographic change. This means that not only will there be an ongoing necessity to link the Union's economic growth and employment priorities, but closer linkages will be needed between research and innovation, energy, environment and employment policy.

In the face of ever increasing global competition and the need to fully exploit the potential of low carbon technologies, the further development of the knowledge economy will remain at the heart of EU strategy. A clear and strategic anticipation of skill needs is only possible in close dialogue with employers and can only be delivered by well functioning and resourced

education and training services. Energy providers are similarly at the heart of a low carbon strategy, ensuring that CEEP members are not only critical to the delivery of this part of the strategy, but also in ensuring social inclusion and working towards the more efficient and effective operation of labour markets. As CEEP has repeatedly emphasised, it is therefore critical that public sector spending does not bear the brunt of post-crisis measures as this could seriously undermine the delivery of the post-Lisbon strategy. This concern is also linked to another ongoing post-Lisbon challenge: ensuring equal opportunities. Women would likely suffer more from job cuts in public services while publicly funded investment to counteract the crisis has been shown to favour male employment in construction and infrastructure services. The impact of the crisis on gender trends in employment must therefore be measured and addressed in the medium and longer term.

It is inevitable that the first priority of post-Lisbon must be employment creation. In order to achieve this, it is important to pursue more vigorously the flexicurity model agreed by Member States and supported by social partners in their joint labour market analysis. Better measurement and the establishment of indicators, European benchmarks and national targets is as important in this regard as information sharing on best practice. The open method of co-ordination (OMC) has shown its value in achieving progress through target setting, evaluation and mutual learning, but in CEEP's view these processes must be strengthened in the following ways:

- A greater recognition of the role of social partners in implementing key policies which requires their greater involvement in national strategic policy formulation, evaluation and mutual learning;
- A greater emphasis on evaluation and evidence-based policy making. Although this has been boosted by the OMC, it is still insufficient and must be part of annual reporting processes and the formulation of recommendations to Member States;
- A greater emphasis on the demand side of labour market policy. So far, focus has been almost entirely on supply side measures, which are important, but must be supplemented by efforts to boost demand as it has been shown that the best way to avoid the damaging effects of unemployment is to maintain employment (for example through short- time and flexible working time measures during the crisis).

In summary, greater effort must be placed on creating an employment-friendly environment, combined with strong public services to underpin the delivery of a low-carbon knowledge economy. The governance structures of the European Employment Strategy must be strengthened to give greater attention to the important role played by the social partners. CEEP is ready to play its part in capitalising on the achievements of the Lisbon strategy and implementing the learning to create an even more effective approach for the coming decade.

WHERE AND HOW TO INVEST? – SECTOR-SPECIFIC ANSWERS

Education

Education is one of the largest employment sectors in the labour market. Its strategic importance is, in the context of the Lisbon strategy and now EU 2020, unparalleled. Europe's aspirations for global leadership in the knowledge economy rest ultimately on the quality of our education. We need every citizen to have sound basic skills. Vocational Education and Training systems (VET) must be tuned to the rapidly changing needs of the labour market. Higher education and research institutions, in partnership with business where appropriate, must give Europe the decisive competitive edge to generate sustainable high quality jobs and the economic platform to pay for advanced social provision and environmental protection.

However there are no thoughts given to the fact that not everybody will be able to adapt easily into the knowledge society of tomorrow. Certainly, specific programmes can decrease the number of those excluded from society and labour markets. But still there will remain a certain segment of people who need and look for low-skilled work and have to make a living from it.

General remarks on the consultation paper

We agree entirely with the overall vision of a smarter, greener social economy, underpinned by the key input of knowledge. We would add though that alongside knowledge, Europe also needs the right skills and attitudes. The key skills are "transversal" ones which apply to most types of activity and facilitate mobility, such as IT skills and mathematical and linguistic proficiency. The key attitudes required include the ability to work with others, willingness to take personal responsibility, understanding and acceptance of diversity and mutual interdependence and an enthusiasm for new learning. Such skills and attitudes are as important as knowledge, both in the development of the economy and socially. We are naturally pleased to see the consultation paper's emphasis on education and training. At the same time we recognise that since education is a national competence, the EU's powers in this field rest on some specific European programmes such as Erasmus and Leonardo, and on the co-ordination of national policy making by voluntary means. The European education and training benchmarks are a particularly powerful instrument in this respect.

Consequently, we welcome the statement near the beginning of the consultation paper that: *"EU 2020 should focus on key policy areas where collaboration between EU and Member States can deliver the best results, and on improved delivery through better use of the instruments at hand."* That appears to us to recognise that the objectives of 2020 will be better achieved through co-operation in national and sub-national policy making rather than through EU regulation.

Such co-operation should not of course be limited to the Commission and the Member States. Other interests, including the social partners, also need to be fully involved at European level and the Commission needs constantly to remind the Member States of the

advantages to their domestic reform programmes of buy-in from national social partners. Education is resource-intensive. There is a clear correlation between investment and quality, most obviously seen in the ratio between teachers and learners, at all levels of education. The consultation paper makes the point that *“as public sector deficits are brought back under control, public expenditure needs to be reshaped in such ways that enable us to reach the 2020 vision. Cutting spending in more forward-looking areas such as education and research would make this more difficult to achieve.”* The reality is that in most countries education will have to take a share of the pain of fiscal consolidation (indeed this is already happening in some Member States), but the point is well made that because of the strategic importance of education expenditure reductions should wherever possible avoid damaging Europe’s future economic and social prospects. As the consultation paper says later: *“new political priorities need to be reflected in budgetary policies.”* If taken at face value, that would lead to a very substantial shift in the Commission’s own budget allocations, one of the main areas to benefit being education and training. CEEP would very much welcome this.

Some more specific remarks

- We agree with the points made at the top of page 5 about the need to improve performance in relation to basic skills, particularly to reduce the numbers of early school leavers and of low achievers in reading, mathematics and science. Indeed the recent evidence of a worsening of performance in reading at the age of 15 is deeply worrying. It may be true that a similar trend is observable in the US and Japan, but that does not make it any less unacceptable. If it is not already happening, this could be a fruitful area for a European research programme, to investigate the reasons for that and to identify the techniques used by more successful countries.
- The proposed *European Research Area* is welcome if it co-ordinates national research programmes to reduce the amount of overlaps and to ensure that gaps are filled in. But it should not try to eliminate competition in research between Member States as competition drives innovation.
- The paragraph on page 6 about the so-called fifth freedom, the freedom of knowledge and technology to circulate, needs considerable expansion to be properly understood.

Conclusion

The vision set out in the consultation paper is a good start and a challenge at the same time. We support that vision provided that our proposals will add to the clarity and acceptance; We wish to contribute, in partnership with our sectoral member EFEE, to making that vision a reality.

Energy

Basic principles

Many CEEP members are involved in all activities related to the energy sector. As an organisation whose members' common goal is to serve the public, CEEP recommends that both entrepreneurial action as well as policy making should orientate on four very basic principles. Combined, these principles should be the foundation for a new deal on energy policy in Europe.

- Responsibility:

Economic and social progress is dependent on energy availability. A reliable energy supply is therefore vital for the economy as a whole. Enterprises involved in the energy business as well as policy decision-makers have to be aware of the great responsibility which arises from this fact.

- Security of supply:

Security of energy supply is a multi dimensional issue: not only geopolitics but also, for instance, market organisation or development of interconnections are involved. To ensure a reliable energy supply it is also important not to become too dependent on one single energy source. In order to avoid this, the exploitation of indigenous energy sources has to be enhanced as well as the imports from non EU-countries have to be diversified.

- Environment awareness:

Mitigation of climate change is one of the major challenges the European energy sector has to face nowadays. In order to make electricity production "greener", environmental policy should set long term incentives for low carbon and energy efficient energy production. Other environmental aspects – like biodiversity – must also be addressed.

- Affordability:

The energy sector needs efficient investments with fair prices (prices covering total costs); this can result in higher prices that are, at the same time, an incentive for energy efficient behaviour. To perform economy competitiveness and household welfare, these prices are expected to be not too high.

Energy enterprises can bring their contribution with several measures like offering advice to save energy or manage energy consumption, and financial agreements. Social issues like energy poverty should not only be addressed by energy policies but require also social policies.

Energy vulnerability of Europe

Europe is heavily dependent on energy imports. According to Eurostat¹, energy dependency (all products) is around 54% in 2006 (44% in 1996), while the dependency in oil reaches 84% and in natural gas, 61%. In order to reduce such a dependency, some measures need to be taken urgently. Intensified international relationships are a precondition for this. The last gas

¹ "Energy, transport and environment indicators", Eurostat Pocketbooks 2008 edition

crisis between Russia and the Ukraine has shown Europe's vulnerability in the case of supply shortages.

Within the framework of EU foreign policy on energy (with short and long term objectives), the EU should also acknowledge the possible contribution of entrepreneurial freedom.

Therefore it is vital to extend storage capacities, diversify supply connections and improve interconnections inside EU and with neighbouring countries and regions. Flexible sourcing from LNG (liquified natural gas) or neighbouring states could also help to secure gas supply in case of a multilateral crisis. Price signals are important incentives for setting up new infrastructures. The EU can improve market conditions, for example through the further development of the internal market, thereby preventing market foreclosure and inappropriate price regulations.

In CEEP's opinion solidarity between Member States are key to mitigate energy supply shortages. Common rules for crisis mechanisms could be helpful to prevent such shortages for Member States, especially in the gas sector. If introduced, these mechanisms should be developed in clear accordance with the well established principle of subsidiarity.

A new impetus on energy efficiency

Improved energy efficiency leads *ceteris paribus* to a reduction in energy demand and thereby helps to strengthen the security of supply. CEEP supports the target of increasing energy efficiency in the European Union by 20 percent by 2020.

Incentives on energy efficiency should be both cost effective and technologically neutral. The member enterprises of CEEP contribute to Europe's efficiency target in various ways, on the demand side (for instance, by heat insulation). CEEP proposes that in the coming years demand side tools as labelling, supported by customer awareness and education and information campaigns, should be consequently developed. On the supply side, CEEP members will progressively increase their efficiency in power generation through replacing older power plants by new and more efficient ones. Regularly updated "Best Available Techniques" standards could help to raise further efficiency potential.

Through increased Research & Development efforts new technologies like the metering and smart grid technologies could be introduced on a large scale during the next decade.

However, energy efficiency is not only a technological issue but also a social one. Major energy savings could be achieved through a change in customer behaviour. As a side effect such eco-efficient behaviour could help to reduce individual energy costs. Information campaigns as well as advising on efficient energy usage and efficient technology are suitable tools to increase both, awareness and know how.

Energy mix diversification

During the next decade the usage of indigenous energy sources will increasingly contribute to the European Energy mix, leading to more security of supply.

CEEP therefore welcomes the 20 per cent GHG (greenhouse gas) emission reduction and renewables targets set by the European Union for the year 2020. However, from an economic point of view it should not be forgotten that both enterprises and power consumers will incur higher costs due to these goals set by the EU Commission. Therefore it

is vital that support schemes are designed in a cost effective way. Support policies should stimulate a competitive environment. Promotion strategies should provide incentives for choosing cost effective technologies and promote the development of new technologies. But no support scheme should provide over-compensation or windfall profits.

Even with 20 percent renewables in the energy mix there remains a 80 per cent share of non renewable energy supply which has to be kept in mind. European energy policy has to find solutions how this remaining share can be organized in a sustainable and secure way. The composition of the energy mix in Europe and the origin of raw materials vary from Member State to Member State. In accordance with the principle of subsidiarity, the European energy policy should support the Member States to diversify their energy mix and to introduce new eco-efficient generation technologies.

Promoting an internal energy market

CEEP supports the target to establish a Europe-wide internal market for energy. Additional to the benefits a common market can bring to the customers, the development of a trans-European network is also essential for the transmission of solar and wind power from the place of production to high consumption urban regions all over Europe. EU-Policy therefore should intensify work on cross-border issues in grid regulation as well as cross-border trade. In respect of the principle of subsidiarity all requirements that have no cross-border reference should remain in the responsibility of national authorities. This is especially important for small and medium size enterprises which are not able to deal with a transnational regulation system.

Promoting essential infrastructure

Europe's energy sector needs major investments in its infrastructure if it is to reach the ambitious climate and efficiency targets set by the European Union. Replacing an old power plant with a new one increases the degree of primary energy efficiency from 30-40 per cent up to 50 and beyond. Together with more usage of low carbon or carbon neutral technologies such investments pay off threefold: they stimulate the economy, they reduce CO₂ emissions and they help to become more independent of foreign energy sources.

There are several measures how policy makers can foster infrastructure investments. Investments in new grid or power plant capacities are long term investments which are extremely cost intensive. A reliable political and economical framework is therefore vital. Political decision makers always should bear in mind that abrupt energy law changes could lead to a lack of confidence and therefore bring about fewer investments.

In our point of view it is also vital to improve the public acceptance of energy investments. In the past, various energy-related investments had been postponed or even cancelled because of resident protests. Different arguments are expressed against new energy projects. Places to store CO₂ according to the CCS technology are rejected everywhere. The construction of new coal fired plants was refused because of a feared increase in CO₂ emissions, even when the new power plants were supposed to replace older and therefore less efficient ones. In some Member States offshore-windparks had problems to get the required permission from

the authorities because they are visible from the shore. Even necessary grid enforcements have been delayed.

Additional incentives for investments could be given through a modified grid regulation system that fosters both cost-effective operation and new investments. The European and national regulation policy of the transmission and distribution grid systems intends to reduce costs and develop competitive structures. However, some measures are too severe and therefore are endangering grid reinforcement measures (e.g. major cuts in grid fees, discussed ownership unbundling of the grids). Grid reinforcements are also vital for the further expansion of power generation by renewable technology. Without the installation of new grid capacities, the risk of major power cuts could significantly increase in the next years, too.

However, investments into already existing technologies have to be accompanied by increased research & development measures on new and environment-friendly technologies. Both, political decision makers and investors need more information about potentials, costs and market maturity of new technologies. In CEEP's point of view the dialogue between policy makers, market players and academics on these issues has to be intensified.

Conclusions

European energy policy should be based on the principle of subsidiarity and take into account the four principles mentioned on the top of this position paper. Together, that could be the basis of a "new deal", real and viable, on energy policy in Europe.

CEEP supports the European vision to develop a sustainable and secure technology-based energy market in Europe. CEEP members are willing to contribute to this target through major investments in eco-efficient technology and infrastructure. EU-policy should support these efforts by creating investment friendly market conditions, increased research & development efforts and an intensified stakeholder dialogue.

Public Transport

The EU2020 consultation paper has included in the vision of the future all the relevant assets.

Public transport has not only been mentioned among them, but also considered as an important basis to reach the competitive position of Europe.

To be more concrete and add value to the effectiveness of this paper, it is important to outline the specific and peculiar role that public transport can play in the future of our cities, habits and life.

The current crisis has changed the perspective of public transport which is facing a total different situation with respect to other vital sector of the economy: Public Transport is a growing sector, able to collect more investments in terms both of human resources (employment) and innovation (greener Europe= greener transport= more public transport).

In the vision of the future, public transport must be considered as one of the solutions to the problems which arise from the current crisis and to the concerns of the environment and must attract the interest of politicians, administrations and citizens.

Public transport has a great role to play in terms of sustainable future in all the 4 areas of interest:

- economic: more employment if the sector develops, attractiveness for new investors (green economy)
- social: good quality of service delivered to citizens, strong solution to strengthen the social inclusion
- environmental: liveability (less cars, + public transport), quality of the air (CO₂ emissions' control), use of public space
- political: a stronger involvement of the administrations in doing the right choices (not always well accepted by citizens).

The choices of Europe should consider:

- a clear commitment in terms of climate change mitigation: CO₂ emissions' control, investments in new fuels, energy plans, mobility plans, freight transport control,
- a set of financial instruments specifically devoted to urban transport, in addition to the instruments already available (i.e. TEN T not limited but considering also urban context, more CIVITAS programmes, etc.)
- a clear choice about freight transport to reduce emissions from the current vehicles' fleet and congestions on the roads
- ITS (Intelligent Transport Systems): stronger commitment to producing agreed and balanced solutions to create an interface among different systems and different technologies.

So, take C.A.R.E.:

Courage: to do the right choices

Awareness: knowledge of the problems and of the possible solutions

Responsibility: common commitment to a sustainable future

Environment: to protect it as a common value.

Environment

Preliminary Note:

The EU 2020 consultation paper points out that its aim is *“to achieve a **sustainable social market economy, a smarter and greener economy**”* for the period up to 2020. This commitment shows a more than subtle political change compared to the Lisbon Strategy from March 2000 and should be considered as an outcome of the New EU Treaty. The change means, especially for the Environment sector, that the Commission has to tackle some important chapters in its Environment Policy which should be shortly mentioned here. Some examples can illustrate that statement:

Issues to be discussed:

Coordination of policies: Independent of the political question of the necessity of a framework for soil protection, the Commission has to sharpen the criteria for distinction between its policies for the soil, the waste and air protection sectors. CEEP mentioned in the last discussion rounds with the DG Environment that up to now there is no real **legal and therefore practical distinction** possible for contaminated soil: if it should be treated as waste, or soil, or possibly also as air pollution problem.

Approach to climate change: The climate change discussion does not reflect enough the influence of the greenhouse gas effect on the media "soil (and water)". Although there are some and welcome efforts of the Commission about scarcity and erosion in Europe there is no elaborated all-embracing approach to the **impact of climate change on the soil sector**.

Conclusion

Independent of the above-mentioned examples the Commission should be informed about the following general problems in CEEP's view:

- Legal work has still to be done to define the several regimes of the EU environment legislation
- There is still a certain lack of information about the implementation of the EU environmental legislation which should be fulfilled by the Commission
- The Commission should reflect more about its efforts for environmental compliance
- The Commission should enlarge its attention to the soil sector in connection with the climate change discussion.

- CEEP is very much concerned since many of its members are engaged in fields of activities which deal with the provision of services around environmental issues that are considered Services of General Interest.

Water

Although water is not mentioned as such in the consultation document of the Commission, attention should be paid to the specificity of water management as horizontal policies, if not recognising it, might have a dangerous impact on water.

Indeed, water is no product, but a unique good: it can neither be produced nor replaced by another commodity. The management of water should be determined by environmental and health considerations. Accidents (e. g. in industrial plants) and malfunction relating to the water cycle may have a direct impact on life and public health: No water, no life. As a quantitatively limited and non-producible resource, borrowed from the natural water cycle,

purified to be used as drinking water, and made available to the citizen, it must finally be returned as treated water to the natural cycle.

The management of water is becoming an ever more sensitive matter as water resources are much affected by climate change.

Water and its purification are usually based on systems that span over large areas. It is necessary to guarantee a high level of ecological and health standards in these extended systems. Water policy always has to be part of an integrated policy that takes into account the regional and local peculiarities.

Drinking water and waste water services are natural monopolies. Individual consumers cannot choose their service provider. Competition in the market is therefore not possible. The provision of water and the waste water services must not be subject to primarily economic objectives; Water supply and waste water services must not be subject to mandatory tendering procedures.

Whatever the legal status of the operator of drinking water and waste water services, their performance is a major public concern and the delivery a major public obligation. It is up to the public authorities to guarantee well-functioning services.

Those basic features of water management should be taken into account in whatever horizontal policy might be developed.

Information and Communications Technologies (ICT)

The economic and financial crisis has underlined the need for an economic policy stressing the development of industries and jobs, innovation, investments and services in Europe, while taking into account citizens' needs and price issues.

The transformation of the economic balance of power between regions of the world has also shown that besides avoiding protectionism, realistic industrial politics were needed, based on facts and figures more than on wishful thinking, and able to lean on their strengths in order to guarantee their future.

In that context, European economic policy regarding digital industries should focus on the conditions and criteria which have consolidated its past and current strengths. This will help set up a strategy in which the benefits brought by the digital economy are taken into account and which places "digital Europe" at the top of the new European Commission's agenda.

- Communications network operators among the world leaders are a strategic European asset for the future. It is critical that the European digital economic policy preserves chances of its major players in the world-wide competition, endowing them with the means to compete with all the other world-wide actors and also fostering their interests in the digital value chain where European positions are weaker. In that respect, the EU 2020 consultation paper stresses the development of small and medium-sized enterprises (SMEs). It is obviously vital to free the creative forces within digital SMEs, so that their number grows rapidly

and some of them would become large companies. At the same time, large enterprises operating in the digital economy offer assets:

- The economic future of Europe in a globalised world depends on the interests and development of large European enterprises operating in the digital economy, well ranked in the world economy in order to continue generating growth, employment and a satisfying quality of life for European citizens.
 - No one should believe that Europe may or should become America for “start-ups” when for better and for worse, all the cultural, institutional, social as well as economic ingredients which allow this model in the USA are not available in Europe. While strengthening the creativity of its universities, the network of its high-technology enterprises, the capacity of its financial system to support its digital industry and to consolidate the internal market, Europe should also keep its confidence in the models of technological development which made past and present world-wide European success and where the largest European enterprises have a critical role to play. Each economic region of the world has its own path to growth and innovation.
- Europe also possesses unmatched cultural assets, massively underutilised in the digital economy, due to the fragmentation of cultural legislation and management in Europe. The role of cultural attractiveness is undoubtedly a major stake in the economic competition between regions of the world in the years and decades to come. To make the maximum of its cultural strength, Europe should:
- target a unified European digital cultural space, first of all through law, in order to create a cultural space large enough and keep the European production of science, technology, arts and entertainment competitive at world-wide level.
 - invest in innovative creation models such as video games taken in the largest sense, with their impact on arts and entertainment. Those models will also contribute to improving universal access to information, skills and education and to strengthening cultural diversity. The European policy should take into consideration this field where the balance of power between cultural industries is not yet defined.
 - guarantee the sustainability of the European social model, in all its dimensions, social protection, health, education, public services, by investing massively in its digitalisation.
 - make the best of full potential of ICTs thanks to the dematerialisation allowing reductions of pollutions and carbon footprint associated with economic activities.

All these developments will not take place without the commitments of the major European players of the digital economy. Favouring their development should therefore be a

substantial element of the European digital policy. In order to concretise its potential to assume a leading role, Europe should not only rely on but also harness the resources of European networks and encourage further synergies at every stage of the value chain so as to stimulate the creation of innovative services and European digital contents. The involvement of all key players, in particular communications network operators, will be critical for reaching this ambitious goal.

Next to large operators and SMEs, there are also numerous local enterprises dealing with cabling and ICT technologies in general. Besides the advantage of combining their services with other network services like energy delivery or water (sharing the same diggings for the infrastructure), they can also immediately respond to political requirements made by authorities with voluntary policies. The example of a city equipping its whole territory with high performant broadband networks in order to keep, within the city, the art sector (including schools) that wanted to leave because of a lack of ICT facilities, is just one out of many.

On the other hand, when investments in infrastructure in broadband/fibre/wireless to enhance an access to internet for all are required, it is also absolutely necessary to look at the side of demand, i.e. users, citizens. A new and growing obstacle is “e-exclusion “. To achieve an overall access for vulnerable groups, poor, low skilled and often ageing people it is necessary to see to the urgent need to invest more in “human beings”. This appears very clearly from the recently published Eurostat study, presenting wide gaps in terms of skills and access to internet/broadband between Member States and ages and resources. Otherwise there could always be a risk for more or less “empty electronic motorways” on the one hand, while the afore-mentioned groups of people would not have access to services (administration requirements now mostly fulfilled via internet, smart metering of energy consumption, interactive broadcasting, banking, etc.).

There could be incentives to encourage these so far excluded groups to learn and train, to “empower people in inclusive societies” as put in the consultation document. There are often non government associations linked to social partners for adult learning, not at least to trade unions, which need support.

The “in-house” approach, i.e. at the workplace, in enterprises, has in other contexts been confirmed as a successful way, with mutual beneficial intergenerational excellent outcomes: When older workers can introduce and train new young colleagues, it also looks like the time has come to also speed up the other way around – in terms of ICT- skills. This could also mean a good answer to the foreseen demographic challenges while giving possibilities to employees to work longer and at the same time give a well prepared base for them to make use of the more and more necessary ICT skills once they retire.

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CONCLUSION

From big investments in large infrastructures to scattered investments and financial support on the spot, there are many political decisions to head towards a *knowledge-based, connected, greener and more inclusive economy*. The development of services of general interest - a shared value of the Union – will be the pillar for Europe to exit from the crisis and pave the way to an economy *growing fast and sustainably, creating high levels of employment and social progress*.

The success of such political measures will always depend on a good involvement first of all of the social partners and of other stakeholders in shaping them.



President
José Manuel Barroso
European Commission
Rue de la Loi, 200
1049 Brussels

Brussels, 22 January 2010
CEEP/2010-09

Dear President,

CEEP welcomes the consultation on the future EU Strategy and would like to shortly introduce its answer to it, pointing out some important ideas.

Strategy shall guide – Enterprises shall set the course

It is time to set the course for the next decade of development in the European Union. The Strategy proposed by the European Commission in its paper **CONSULTATION ON THE FUTURE "EU 2020" STRATEGY** is giving some guidance, but needs to be complemented. Therefore, the consultation process is very much welcomed.

The paper is a fresh start: it does not look back whether the Lisbon Strategy has been a success or, as some say, a failure. It is good to start from scratch, but on the other hand some reflexion about what went wrong with the Lisbon Strategy and what went well might have added some depth to the vision.

One of the elements missing is the role of the Public Services in the EU. It is one of the biggest sectors, both in terms of economic significance and in terms of employment. They functioned as a stabilising element, keeping employment high in times of crisis and committed to the extra burden brought by the negative employment effects of the crisis. Contrary to other sectors, public services were not given stimulus packages, there were no extra payments to incentivise their modernisation. The burden was carried without complaint and without the claim of any bonuses. Thus serving the public is worth mentioning, and this could also include some specific approaches on how public investment shall be carried out in view of the constant demands to consolidate public finances as a top priority.

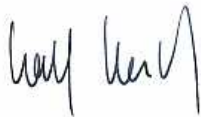
Another aspect concerns the provision of services of general interest. They are considered as hugely important to the well-being of the citizens in the future European society and their respective role in shaping the social market economy. Hence the preconditions for their provision – freedom of choice for local authorities of the mode to organise the provision, including the in-house option, legal certainty and sustainable resources to run the operation – need to be established. Article 14 of the TFEU is a good legal basis for that.

Finally the construction of the eco-efficient society means that big and small enterprises providing services to the public need to connect and form networks. The idea of a network is not, as it might be implied from the EU 2020 consultation paper, something which automatically implies inefficiency or misuse of a dominant position. As key industries have undergone structural changes in the last years, including liberalisation, the time has come to assess the effects on a sector by sector basis. This should be done in an open minded way, as there are some indications that not all objectives have been reached in some industries whereas in other industries results met the expectations.

If taken into consideration, the proposals made by CEEP should ascertain that the Strategy to be discussed in due time shall give the guidance needed, and that enterprises then can set the course for a sustainable social market economy, a smarter and greener economy and a society based on solidarity.

We look forward to the Commission's taking into account our remarks, and remain

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ralf Resch', written in a cursive style.

Ralf Resch
General Secretary



