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Dear Raymond

Social Services of General Interest

1 Thank you for sending me a copy of your questionnaire. Of course ABI completely agrees with the CEA response. However, I thought it might be helpful if I expanded on it with reference to the events at BUPA Ireland.

2 BUPA Ireland provided private medical insurance in the Republic of Ireland in competition with the former state-owned monopoly VHI. The scheme closed to new business late last year and renewals have been refused since 1st January 2007. Unless the Irish Government makes a radical change of policy, all customers will leave the business by 1st December 2007. The Irish PMI market is reverting to a monopoly month by month. Irish citizens are the losers, as there is effectively no competition in the market.

3 The reason for the closure of BUPA Ireland is that the Irish Government, concerned by the impact of competition on the VHI, invoked the SGEI doctrine to introduce a risk equalisation scheme. This would have involved the payment by BUPA to the VHI of sums much greater than the BUPA scheme's annual surplus. BUPA have called into question whether the Irish Government's invocation of the SGEI doctrine was justified under EU law. I do not wish to comment on this point. The point I wish to emphasise is a wider one.

4 In several EU member states, insurers act as supplementary financiers of social services such as health care, pensions, disability benefit, and so on. We believe this to be of considerable social benefit at a time when state resources are constrained. Many Governments now call on the private sector to provide and finance services once provided solely by Government.

5 In doing this, our members operate in markets dominated by state-owned former monopolists. If the state has the possibility to bend the competition rules to the benefit of state-owned companies, this can destroy the investment of private sector investors in individual cases such as this. If

this kind of state intervention becomes widespread, in due course public-private partnership in the provision of public services will be discouraged.

6 I am drawing this case to your attention precisely because it makes the opposite point to most of the commentaries I have read on SGEI. I have read many arguments by state providers, and by those who work for state providers, justifying the invocation of SGEI, on the grounds that these services need protection from the competition laws, or state subsidies, to cover the additional costs of public service requirements that they would not in the normal course of business provide. The fact that the SGEI doctrine, if extended widely, risks undermining public-private partnership, is less well known.

7 The ABI believes that the SGEI doctrine should be applied sparingly. Public services have grown up differently in each member state, with a wide variety of models of delivery, using both public and private sectors. If the SGEI doctrine is taken to its logical conclusion, and member state Governments are drawn into invoking the SGEI doctrine in an increasing number of fields, then public services in those member states which use a mixed public-private delivery model will be harmed.

8 There may even be dangers in the objective of your questionnaire. I recognise that the questionnaire is entirely compatible with the “monitoring” activities recommended by the Commission in your admirably accurate communication: *Implementing the Community Lisbon programme: Social Services of General Interest in the European Union*. However, there are risks in trying to add precision to our understanding of the characteristics of Social Services of General Economic Interest. You will be aware that not all SGEI share the traditional criteria of universality, transparency, continuity, accessibility, etc. Similarly, the organisational characteristics of SSGEI that you enumerate in your questionnaire are generally recognisable, but do not apply to all SSGEI. An attempt to massage all SSGEI to fit this mold is likely to do damage to the pattern of social services in one or more member states.

9 In conclusion, I return to the final paragraph of the CEA’s response. It is important that the Commission’s report provides a full stocktake of the delivery of social services, with no inherent bias towards public or private provision. It is equally important that work on SGEI does not have the unintended consequence of freezing the boundary between the public and the private sectors or of undermining the overarching principles of open competition. The boundary between the public and private sectors shifts over time in both directions, in the light of experience and political imperatives, and this is an important safety valve for the provision of essential public services.

Yours sincerely

Hugh Savill

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