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**European Commission/European Economic and Social Committee**

**Workshop on Evaluating the Performance of Network Industries  
Providing Services of General Economic Interest  
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**Discussant's Comments**

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## **The Overall Context of SGEI Policy in the EU**

### The Multi-Faceted Nature of SGEI

- Networks/ Infrastructures
- Essential Services/ Strategic Sectors
- Macroeconomically Important
- Monopolies/ Oligopolies
- Traditionally Close to Governments (even if Privately Owned)

### But the Regulatory Framework for SGEI has changed over time

- EU Policy has been an Important Catalyst
- Even if Some Incumbent States and Firms have been Cautious/Reluctant

### How far has this changed SGEI?

- New Incentive Structures? From Cost Plus to Cost Cutting?
- What are Implications for SGEI's Historic Commitments
- Just another Commodity/Service?
- Or do Important Cohesion (Social and Regional) - and other - Obligations Persist?

## **Developments in the Legislative Framework: Are the Rules in Place?**

### What is Being Analysed?

- The Progress of Reform (Liberalisation)
- The Consequences of Reform (Impact on General Economic Interest)

### The Reform Process

- Drawn Out Negotiations/Problematic Implementation
- Subsidiarity: EU Rules for Liberalisation but Greater MS Discretion for PS/USO

### A Wider Definition of EU Activities Required?

- Commission Actions (Competition Decisions, Cohesion/Structural Funds)
- European Parliament Activities (and ECSC/CoR)
- Court Judgements

### Member State Activities: Not Just Output Indicators?

- Analysis of Transposition/Infringement
- National Policy Developments (and Regulator Activities)
- Scope for Open Coordination: good (and bad?) practice

## Network Industries/SGEI Reform – the Pace of Change in the EU

	1980s		1990s		2000s
<b>Aviation</b>	"Second Memo" (84)		First Package (1987)	Second Package (1990)	Third Package (Full Liberalisation) (1993/97)
<b>Telecoms</b>	Green Paper (87)	Terminals & Services Directives (88) & (90)	"Open Network Provision" (90s)	Full Market Liberalisation (98)	New Regulatory Framework (03)
<b>Energy</b>	"Internal Energy Market" (88)	Transit & Transparency Directives (90)	First Phase Liberalisation Directives (96/98)	Second Phase Liberalisation Directives (03)	Full Market Liberalisation (07)
<b>Post</b>		Green Paper (92)	First Phase Liberalisation Directive (97)	Second Phase Liberalisation Directive (02)	Full Market Liberalisation (2009/11)
<b>"New" Regulatory Packages for Aviation, Energy &amp; Telecoms after "Full" Liberalisation!</b>					

## Industry performance and market integration: Is the Market Working?

EU Rules = Market Liberalisation? Why Not?

- Incumbent Market Power
- National Regulatory Weakness
- Close Government Relations

Market Structure

- A Missing Indicator? Industry Profitability
- Have Cost Cuts Been Passed On to Consumers?
- Is the SQ a "Happy Medium" (some competition but some "public obligation")
- ....or the Worst of all Worlds? (no public obligation and market power)

Airlines as the Exception

- Where are the Ryanairs of Electricity?
- ....And do we want them?

Will European Oligopolies be any Better than National (near) Monopolies?

## **Distributive Effects and Customer Satisfaction: Equity Effects**

What Would Full Liberalisation Mean for SGEI?

- Price Cuts All Round?
- ...or Cross Subsidies Fully Unravelled?
- Which Consumers Would Gain the Most
- What about "Losers": More or Less USO/PSO (or other Mechanisms)?

Measuring Customer Satisfaction

- SGEIs as good (or bad) as other Services
- Taking Advantage of Competition: Information Overload
- Are Opinion Polls/Focus Groups the Best Guide?

## **Policy Implications: Should the EU Approach be Revised?**

Will European Network Industries Need EU Regulators

- What are SGEI Implications?

The Need to Integrate Sustainability into SGEI Policy

- Are Low Prices Always a Good Thing? (the Aviation Experience)
- Making Markets out of Market Failures (ETS)

Does the Balance of Policy Need to Shift?

- Should SGEI Concerns be "Mainstreamed"?
- Is More Legislation Needed?
- Or a Stronger Treaty Base?

What Does this Evaluation Imply for Future Policy?

## **Process Implications: Evaluating Evaluation**

### The Political Economy of Evaluating SGEI

- A Contentious Issue
- Evaluation as Endorsement (for Advocates and Critics)....
- ...or Evaluation as Learning (for Policy Makers and Citizens)

### Evidence Based Policy Making with Limited Information?

- Markets Bring Transparency or Commercial Confidentiality
- A Casualty of Better Regulation?

### Who Evaluates What?

- Ex Ante/Impact Assessment: Generally Internal
- Ex Post (Especially Financial): Generally External
- Where does SGEI fit?
- Stakeholder Involvement - A Privileged Partnership?