



ETUC comments on the European Commission document "State Aid Action Plan. Less and better targeted state aid: a roadmap for state aid reform 2005-2009 (Consultation document)" (7.6.2005; COM(2005) 107 final)

1. The ETUC welcomes the opportunity to contribute to the European Commission consultation document regarding its roadmap for state aid reform. However, the absence of an EU legal framework directive on services of general interest (SGI) limits such a consultation process. It is also puzzling that some of the proposed measures in the action plan relating to services of general economic interest (SGEI) have already been adopted and are therefore no longer for consultation.¹

2. When developing proposals for the future role of state aid, the understanding of the purposes of state aid should be placed in the wider context of industrial, structural and human resources development policies, public spending in general and the future of quality public services in Europe. A debate is needed on the role of state aid, public spending and investments in the context of the Lisbon Strategy, in particular after the referenda on the European Constitution which put the question of social Europe and the social content of European policies and European objectives back on the agenda.

3. The ETUC does not see public spending and spending on state aid as bad in itself but identifies a clear "raison d'être" for it. It obviously depends on what the objectives are and how the money is spent. The main concern should not be to cut spending, but to use state aid efficiently to promote a modern industrial strategy and well-defined policy objectives like sustainable development, sustainable growth, more and better jobs, social justice and social and regional cohesion whilst trying to achieve a level playing field within the EU. The debate should also be linked - in the context of the Lisbon strategy - to the necessity of spending 3% of GDP on research and development.

4. The Commission document creates the general impression that the European Commission sees state aid as a dysfunction and a negative policy to be tolerated at times. Unfortunately this and other Commission documents only focus on the state aid policy as anchored in the treaties since 1957 and stress the aspect of spending less money on state aid which is looked at as "unduly distorting competition". For the Commission, competition policy rests upon the idea that a "market-based economy provides the best guarantees for raising living conditions in the EU to the benefit of citizens." This idea falls somewhat short when facing a reality in the European Union whose economies live with 18.7 million unemployed persons, excluded from the benefits "best guaranteed by the market".

¹ Legislative package regarding state aid as public service compensation including a Decision, a Directive and a Community Framework adopted by the Commission on 15 July 2005.

5. The ETUC believes that large sections of the European Commission consultation document are biased: Describing at length the problems with state aid before admitting, grudgingly, why state aid might sometimes be acceptable or even necessary shows a bias towards the opinion that state aid should be abolished altogether. Nobody wants taxpayers' money to be wasted, but different forms of public spending remain legitimate and necessary. State aid is not a relic of old state interventionism but a legitimate instrument of public spending in the view of overall policy objectives as long as a level playing field is maintained.

6. When accepting state aid, ETUC has to consider state aid control as necessary to create a level playing field. As with all cases of spending taxpayers' money, the ETUC is not in favour of spending more than is necessary, but believes that public spending in order to cover public service obligation costs and state aid are legitimate when targeted to well-defined policy objectives, such as a high employment rate, and objectives of common interest, like services of general interest, research and development, environmental protection, lifelong learning, social consequences of restructuring and industrial change. In this respect, reducing the amount of money spent on state aid should not be seen as an end in itself, but in the context of overall objectives like sustainable development, sustainable growth, more and better jobs, social justice, social and regional cohesion as anchored in the Treaties – and, last but not least, of public service obligations which are a pillar of the European Social Model. (The same goes for competition policy: Not being an end in itself it should be rather an instrument to promote the policy objectives of the EU.)

7. The consultation document describes the circumstances in which state aid is acceptable in accordance with article 87 of the EC Treaty thus: "State aid measures ... can correct market failures... They can also help promote e.g. social and regional cohesion, sustainable development and cultural diversity, irrespective of the correction of market failures." The ETUC agrees with these objectives, but would like to broaden the perspective.

8. The fact that aid is so often mentioned in tandem with discussion of its "potentially negative side effects", "distortions to competition" and "distorting competition and trade" makes it difficult to achieve a balanced understanding of the positive uses of state aid. This gives the impression that the European Commission is much more concerned about market distortions than about some of the positive aspirations and policy objectives, such as social and cultural cohesion, that state aid can help to achieve. The fact that the privatised energy and telecoms sector is recreating monopolies is a case which illustrates that the market left to its own does not produce fair competition which is a central objective of the Commission (level playing field etc...). The oligopolistic behaviour in the EU gas and electricity market highlights the loopholes in the EU internal market legislation.

9. Markets, even “perfect” markets, do not deliver all the needs of society and it is for this reason that policy makers have to step in. Markets often fail in relation to long-term societal objectives and strategies. Even the most advanced economies intervene in support of a company or industry considered to be strategic. It was for this reason that the ETUC submitted an amendment on the article on “The Union’s objectives” to substitute “a single market where competition is free and undistorted” with: “a single market with fair competition” to the European Convention on the European Constitution. These terms explain clearly the position of ETUC.

10. The ETUC believes a common understanding needs to be reached in Europe regarding the circumstances in which governments can use state aid in support of strategic industries. The liberty of Member States to define and develop quality SGI should not be affected. A shared understanding of SGI principles would strengthen this freedom, ensure a level playing field and reinforce the EC policy objectives relating to regional cohesion.

11. The ETUC strongly endorses the use of regional aid policy to support industry and employment. It is important to put into place modern infrastructure systems for transport, energy, information and communication. However, it is also necessary to maintain tight control to ensure that aid is in line with the overall policy objectives of the EU and that a level playing field and transparency is achieved. To give an example: The adoption of state aid guidelines for seaports (announced for 2005) should contribute to unambiguously clarify public funding to ports and port related investments and compensation for services of general interest provided by seaports. Greater legal certainty and control on state, regional and local subsidies to ports is necessary for investors and to promote transparency and fair competition between ports. The Commission should make clear what is planned for sectors like transport and fisheries where specific rules apply. It might be questionable from a sustainable development perspective if a country like Germany needs 400 airports –increasing mobility might not be an end in itself. The purely quantitative approach of the Commission should not be the last word: The ETUC believes that incentives to employers and industries should always be clearly linked with an employment objective. ETUC welcomes the intention of the Commission not to allow state aid to carriers which want to offer air connections when a high speed train connection already exists. In this context, the lack of taxation on kerosene should be addressed too.