

# COMMENTS ON SERVICES OF GENERAL INTEREST AND TERRITORIAL AND SOCIAL COHESION<sup>1</sup>

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## INTRODUCTION

This short contribution covers two topics. The first one relates to the definition of the „services of general economic interest” based on a question for discussion in the paper of Begg, Iain (2004).

The second one is a comment on the general territorial (cohesion) interest of the European Union, focusing on three aspects of the European interest in the context of the „big network industry” especially that of the trans-European transport network.

## ABOUT THE DEFINITION OF THE SERVICES OF GENERAL INTEREST

First of all let’s quote here the third question for discussion from the paper of Iain Begg, where there are equally references for the *services of general economic interest* (SGEI), for the *service sectors* and for the *market-based services*.

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<sup>1</sup> Contribution in the international conference on „Services of General Interest in an Enlarged European Union”, organised in Budapest, by the TEPSA members Study Group for European Policies (of Belgium), Institute for World Economics (of Hungary) and the Initiative pour des services d’utilité publique en Europe (of Belgium) with the support of the European Commission on 21-22 October, 2004.

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„Third, where should the line be drawn in defining SGEI? Services such as telecommunications have become almost exclusively market-based, whereas postal services in most countries remain under the SGEI umbrella.”

### Local historical background

In the good old days of the *centrally planned economy* there was a sharp distinction taken between *productive infrastructure* and *non-productive infrastructure* branches. Transport and telecommunications, energy, and water management were considered as productive ones; while health, education, housing, administrative and personal services were belonging to the unproductive ones. Consequently the relating services, using the respective infrastructure were also considered as productive or non-productive. Productive and non-productive services were handled as sectors in the national economy.

SECTORS			
Agriculture			
Manufacturing			
Heavy industry			
Productive services			
Non-productive services			

Naturally, we can call a group of services anyhow; the problem only emerges, if we associate also a meaning with that grouping. This was exactly the case: for a while the productive services were considered as „more important”ones, as they served the *process of production* more directly.

Here already there was a small problem: in the reality the question if a service is used for production or for consumption can't be answered for a *sector as a whole*. It is not the feature of the provider's (or input) side but that of the user's (or output) side of the given service that is responsible for that kind of distinction. All we know, that on the same road, even in the same bus there may travel a person as a part of his/her work and another one just visiting a relative. The first trip is „productive” while the second one just „consumption”. We can't say that the problem was discussed in details in that time, but evidently the denomination of the groups of services were later changed, for *network* (or technical) services in the case of the first group, and for *human* (or social) services in the second one. Again there is no problem with any denomination, until we don't try to explain something with that name.

SECTORS	Production			Consumption	
Agriculture					
Manufacturing					
Heavy industry					
Network services					
Human services					

### White Paper approach

Arriving to the time of the European integration, we can open the Annex of the White Paper (2004) on services of general interest at „Definition of Terms” and read the following:

„The term „services of general interest” cannot be found in the Treaty itself. It is derived in Community practice from the term „services of general economic interest” which is used in the Treaty.” ...SGI is broader than SGEI... „and covers both market and non-market services...”

So there is no definition, but we see a reference as if ‘market services’ could explain that an interest should be considered to be an ‘economic’ interest.

„The term „services of general economic interest” is used in Article 16 and 86(2) of the Treaty. It is not defined in the Treaty or in secondary legislation. However, in Community practice there is a broad agreement that the term refers to *services of an economic nature* which the Member States or the Community subject to specific public obligations by virtue of the general interest criterion. *The concept of services of general economic interest thus covers in particular certain services provided by the big network industries such as transport, postal services, energy and communications.* However the term also extends to any other economic activity subject to public service obligations.” (Italicised by me T. F.)

As for the explication of SGEI still there is no definition, but there are two important references: it relates to “services of an economic nature” and relates to “in particular certain services provided by the big network industries”.

### „Services of an economic nature”

The term “services of an economic nature” clearly links the adjective *economic* to the noun ‘services’, so its meaning is equal to ‘economic services’. Thus the White

Paper refers to the sectors of *transport, postal services, energy, and communications* as *economic services*. Here we are again at the grouping of services, where there are certainly also non-economic services too; probably such as *social services* (education, health, housing) or perhaps *ecological services* (waste management, water issues).

SECTORS			
Agriculture			
Manufacturing			
Heavy industry			
Economic services			
Non-economic services			

This grouping can be very fruitful for some specific reason, but we doubt, if it really brought us closer to our task, namely to define the *services of general economic interest*. Introducing the term *economic services*, we should speak about *Economic Services of General Interest (ESGI)* rather than *Services of General Economic Interest*, because in the latter the adjective *economic* should relate rather to the *interest* than to the *services*. And so on, we could name also *Social Services of General Interest* or *Environmental Services of General Interest*.

*But still we couldn't get closer to the definition of either of the „General Interest” or of the „General Economic Interest”.*

### **Services of General Interest (SGI)**

At first it would be useful to define, what do we understand on ‘general’ in this context. In our opinion the term ‘general’ means here „relating to the whole Community” (or nation, region in cases of the respective frame).

Following from the above, the term ‘general interest’ means the interest of the EU as a whole, that is ‘common interest’ or ‘Community interest’ (or national interest, regional interest respectively in other cases).

Consequently the term *services of general interest* relates to those services, where besides the provider and the consumer there is also a *third party* interested in the output, namely, in Community level this is *the Community as a whole*.

Thus *services of general interest* can not be identified with sectors (‘transport’ or ‘postal services’) on the provider’s side, but it relates rather to different activities

from different sectors that dispose with enough *positive external contribution* towards the objectives of the Community that makes it worthy for the Community to listen to those benefits, and even occasionally influencing the co-ordination mechanisms (including the market) for maintaining these benefits.

### Services of General Economic Interest (SGEI)

The term *services of general economic interest* relates to those sub-group of the ‘services of general interest’, where the *external benefit*, that is the interest of the Community on the user’s side *is of economic nature*.

For example such case is if the existence of a given service offers a contribution *to the economic competitiveness of the Community*. The service itself can be an ‘economic’ one or a ‘social’ one – it is not decisive in the context of creating a ‘general economic interest’, because it is the *output side* that may form the interest to be ‘economic’.

*It would be an urgent and necessary task to define, which are those economic objectives of the Community that need such kind of support.*

Copying the case of the ‘economic interest’, it is not a problem any more to define similarly the *social*, the *territorial* or the *environmental* interest too. If the output of a given service activity offers an external contribution to the respective objectives of the Community, then a kind of assessment should be elaborated for assuming if the amount of the contribution is eligible for a special support or not. Following this kind of logic we could speak about Services of General *Social* Interest (SGSI), or Services of General *Territorial* Interest (SGTI) or Services of General *Environmental* Interest (SG?I) too. But in all cases the distinction between *economic*, *social*, *environmental* or *territorial* interests must relate to the *external benefit side* of the service provided, that is to the contribution of the respective objectives of the Community, and not to the sectoral divide of the provider.

Separating the economic, social, environmental, and spatial interests can be useful when we want to understand the situation, and want to solve the problem of metering the external benefits of different activities. Still, there are service activities, that parallelly offer positive effect for two or more types of Community objectives: i.e. offering economic *and* social benefits in the same time. The disintegration of the objectives can help us to understand the place of the different interests on the benefit side, but at the end it will certainly be necessary to integrate again the impacts and turn back to the concept of the ‘*services of general interest*’ that can unify the economic, the social, the territorial and the environmental interests, including those of the mixed nature.

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In the first part of the contribution we focused on possible definitions of SGI and SGEI and stated that the White Paper's approach of introducing the term "services of an economic nature" is not helpful at all in determining what the difference is between *general interest* and *general economic interest*. Instead of distinguishing between service sectors, we have found more promising rather to look for "benefits of an economic nature" and to use that basis for selecting service activities of general economic interest from any sectors.

Another selective expression the White Paper uses is "in particular certain services provided by the big network industries". In the next part we try to demonstrate from another side, that even in a concrete case it is not enough to name the type of the service, because the possible Community benefits depend to a greater extent on the fulfilment of well-defined Community objectives than just on selected service types.

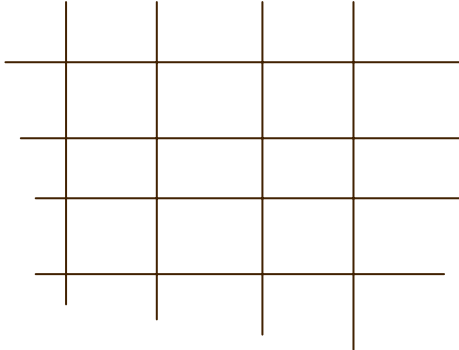
#### **ABOUT THE TERRITORIAL COHESION OF THE ENLARGED EUROPEAN UNION**

Even without performing a comprehensive research, it can be stated, that territorial cohesion of the European Union is one of those declared objectives that can be considered as a target of *general interest*. The following three points underline the importance of reserving the original objective as a basis for evaluation, instead of identifying it with a tool – here with the trans-European network, – and considering this latter as automatic warranty for converging toward the targets.

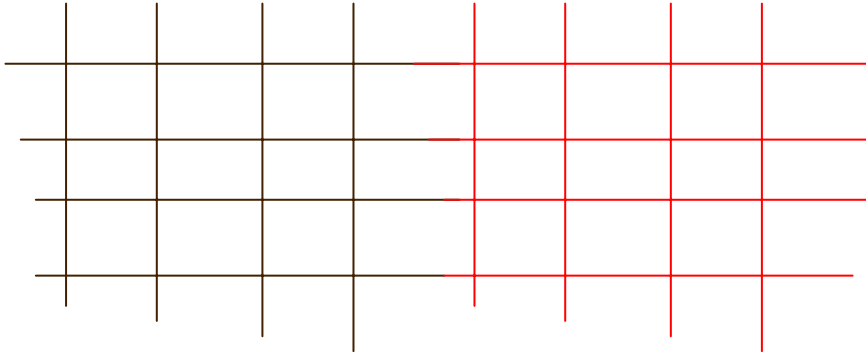
#### **Community Interest 1 – to help EU cohesion the extension of the TEN network toward the East must fit to the general interest of the EU twenty-fives**

White Paper 3.3 „...the Commission's policy in the area of trans-European networks is improving access to transport, energy and communications networks in the more remote area and will assist in *linking the new Member States with the infrastructure of the Fifteen...*” (Italicised by me T. F.)

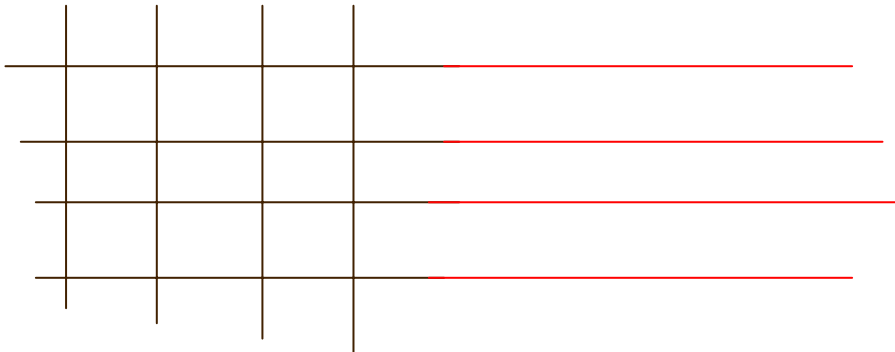
What does "linking the new Member States with the infrastructure of the Fifteen" mean? Whether it is necessarily identical to the extension of the grid of the trans-European network (TEN)?



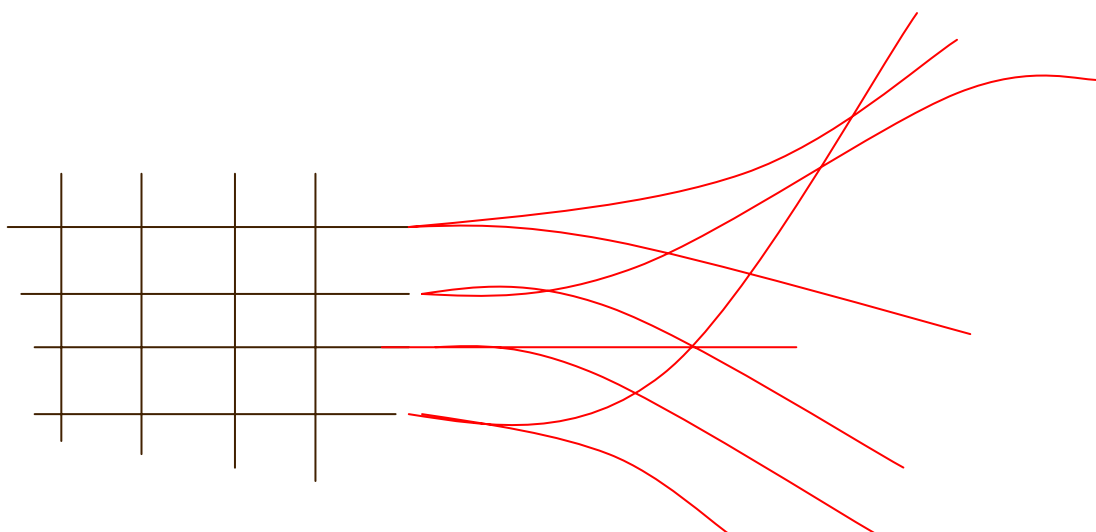
**Grid of TEN of the Fifteens**



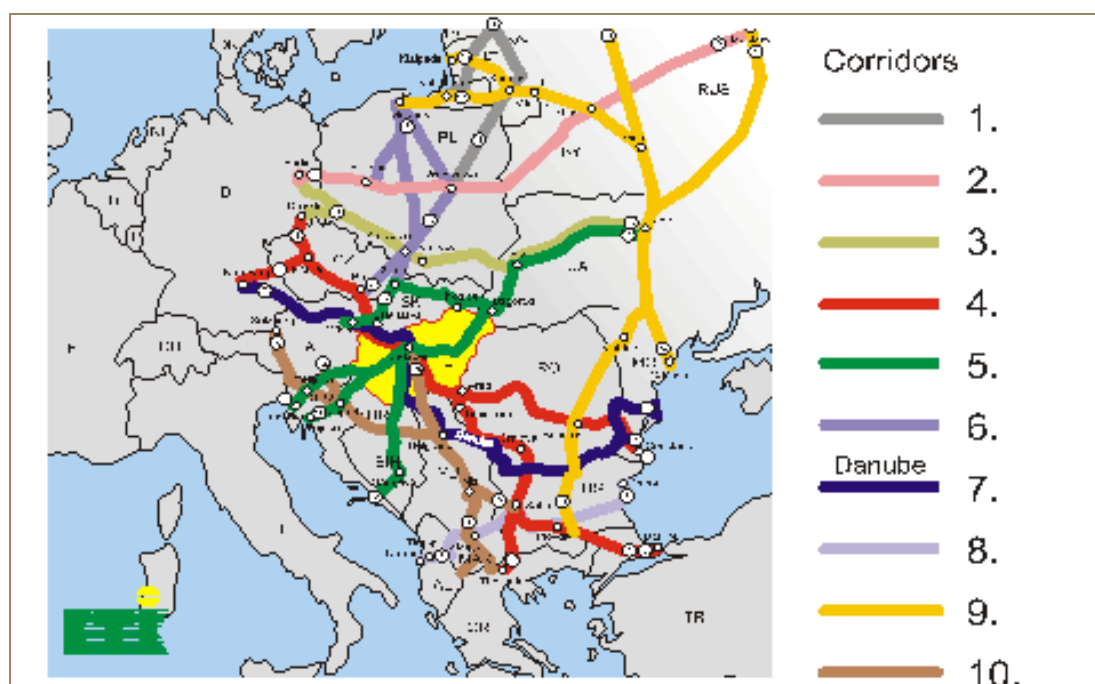
**Extension of the grid to the enlarged European Union  
(Evidently a Community interest of the enlarged European Union)**



**“Linking the new Member States with the infrastructure of the Fifteen” – 1**



“Linking the new Member States with the infrastructure of the Fifteen” – 2



Source: [http://www.khvm.hu/EU-integracio/A\\_magyarorszagi\\_TINA\\_halozat/Image11.gif](http://www.khvm.hu/EU-integracio/A_magyarorszagi_TINA_halozat/Image11.gif)

### The Helsinki-, or pan-European road transport corridors

The extension of the TEN by the pan-European corridors was rather the *extension of the east-west corridors of the TEN* than the extension of the grid itself. It reflected the *Fifteen's interest* rather than be the general interest of the enlarged Euro-



pean Union. Later the same pan-European network was also chosen as the backbone network in the TINA process, classifying all other suggested elements as of secondary priority. (TINA 1999)

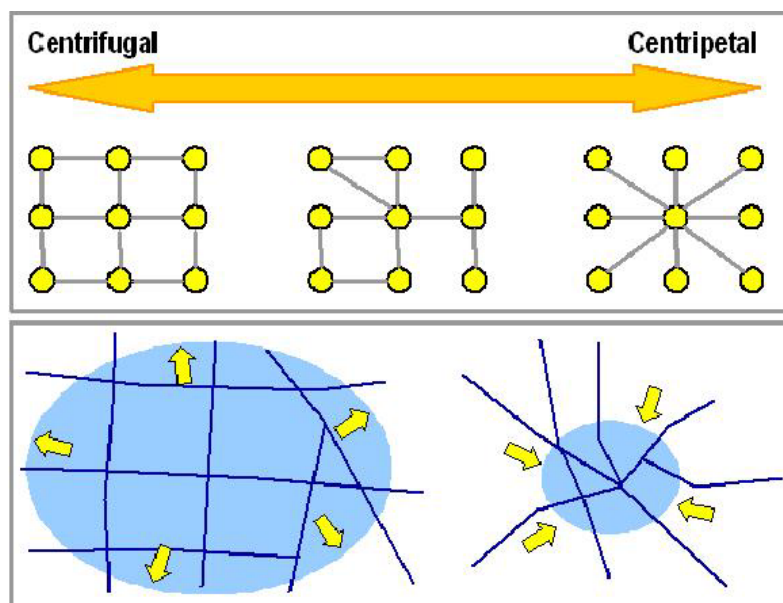
**Community Interest 2 – to achieve EU cohesion in new Member States equal priority must be given to the development of the absorbing capacity and of the external relations**

White Paper 3.1 „...the Commission intends, whenever required, to make proposals for sector-specific regulation only in areas that, like *the large network industries, have a clear Europe-wide dimension* and present a strong case for defining a European concept of general interest.” (Italicised by T.F.)

The “single network to the single market” EU objective was decided in the early 90s and targeted the inter-connection of otherwise developed national networks. Consequently the Common Transport Policy (CTP 1992) focused on the international level of the European networks. When the transition countries in their national transport policies copied the objectives of the CTP and attached similarly great priority and importance to the construction of the *inter-regional corridors*, as it was seen in the CTP, they *overestimated the significance of this supranational level* in territorial cohesion relative to the importance of the domestic main and local level networks. The development of the main corridors is necessary, but the proportionally good performance of the internal (national, local) level is similarly important. *Without good local networks the expected advantages can not penetrate into the local economy – to achieve cohesion.*

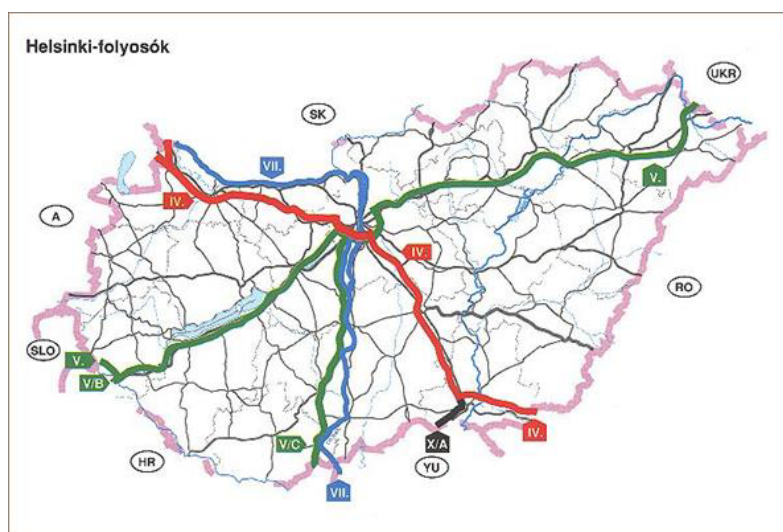
**Community Interest 3 – to achieve cohesion there is also a great importance of the good structure/pattern of the inter-regional networks within the country**

As a further problem, the otherwise over-prioritised inter-regional corridors are constructed in a mistaken over-centralised structure that also slow down the rise of the adaptive capacity of the Hungarian economy.



Source: Rodrigue, J-P (1998-2003),

### Distinguishing centripetal and centrifugal network patterns



Source: Útgazdálkodás 1994–1998. KHVM Közúti Főosztály

### The road interpretation of the planned pan-European corridors within Hungary follows the earlier over-centralised pattern

An alternative possibility would be to cross the country in a new grid structure with the corridors that are to be built newly. Such model could make possible bypassing the most sensible (ecologically endangered or overloaded) areas of the coun-

try. While there are such suggestions, it is not a task here to go in details. What is important to underline, it is the fact that while these suggestions are slowly involved into long-term official plans, they are absolutely not able to change the practice and all the constructions definitely contradict to the creation of a better future network.



Source: Web-page of the Hungarian Ministry of Economy and Transport Management

**The officially planned motorway development in Hungary still reinforces the centripetal system.** The 2003–2006 plans almost exclusively develop the Budapest-centred directions

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The second part of the contribution focused on three topics, showing, that it is not the big networks of the network industry generally that are able to support the Community interest, but especially those structures of them, that can make their services really coherent with the EU objectives.

*The extension of the TEN network toward the East was rather the extension of the east-west corridors of the TEN than the extension of the grid itself. It reflected the Fifteen's interest rather than the general interest of the enlarged European Union.*

In the adaptation of the EU (CTP) priorities the transition countries overestimated the significance of the TEN (supranational) level in territorial cohesion. *Without good local networks the expected advantages can not penetrate into the local economy to promote cohesion – so the existence of good local networks is a general interest.*

*The structure/pattern of the inter-regional networks within Hungary follows an over-centralised structure, which is also a barrier in the development of the adaptive capacity of the country.*

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*Budapest, 22. October 2004.*