

Privatisation and Liberalisation of Public Services in the EU-25

Summary

By:
Dr. Andreas Höferl
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PREFACE

The present document represents a summary of the essential results of a series of studies on “Privatisation and Liberalisation of Public Services in the EU” which had been accomplished by the “Austrian Association of Political Consulting and Policy Development” (ÖGPP) during the years 2002 through 2004. This series comprises a grand total of 25 individual reports, 600 pages in total. It consists of 15 partial reports on 15 relevant public service fields in the EU-15 (i.e. the railways and public passenger transport, telecommunication, postal services, radio and television under public law, education, culture, drinking-water and sewage, waste industry, electricity, gas, health service, security, accommodation, pension schemes, undertakers' services) as well as of 10 additional partial reports on the fields as mentioned above in the EU member states-new, the EU-10.

This series of studies at hand, the interested reader receives, for the first time in Austria, a not only unparalleled but also largely complete survey on privatisation and liberalisation of all relevant fields of public services throughout all 25 EU member states, covering the development in its progress in every individual state during the last decades.

The “Austrian Association of Political Consulting and Policy Development” (ÖGPP) has been constituted as a non-profit organisation, founded 2001 with the objective to promote among the general public intellectual approaches to politics and political consciousness; further, to identify and analyse basic problems of political consulting and policy development; and, additionally, to research on future trends and prospects. The results of these activities are made public and deliberately intended to elicit open public discussion, a dialogue at its best.

We must not here miss the opportunity to express our thanks to anyone of our team who has contributed by his/her research work towards the drawing up of this series of studies or the summary thereof, respectively, i.e. Veronika Adensamer, Dr. Werner T. Bauer, Mag. Dagmar Hemmer, Dr. Andreas Höferl, Bela M. Hollos, Mag. Paul Pöchhacker, Iris Simsa.

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Liberalisation and privatisation of Public Services in the EU generally

Public discussion on liberalisation and privatisation of public services in Europe has got fresh impetus by both, the discussion following the “General Agreement on Trade and Services” (GATS) signed by the WTO in 2003 and the proposal for the EU Directive on services in the internal market as drawn up in 2004. In both cases it is the radical nature of a largely accomplished liberalisation that arouses alarm and anxiety especially among politicians, communities, representative bodies of workers and employees, consumers and also commercial businesses and industries.

Intensified discussion as of the late 80s

Beginning in the late 1980s, strong tendencies had prevailed in the EU on the abolishment of existing monopolies, state or public, within the public service sector and the admission to the sector of private competitors for the sake of promoting competition (liberalisation). The arguments brought forth in favour of this development had always been achievement of a better working result for the common internal market by pulling down obstacles to competition and admission to the market and increasing service supply in quantity to the best benefit of the consumers; it was commonly accepted that private suppliers would cost less and offer, at the same time, higher quality.

The early 90s were marked by sudden massive sales of public property stakes held in public service enterprises (privatisation), a measure, which had by no means been demanded by the EU, for the EU-Treaty does not infringe on property rules of her member states. This development was accelerated even more by the policy directives of the European Economic and Monetary Union (the Euro-region) on state budgets and the way they had to be drawn up, including the necessity of introducing upper limits on national debt handling within household balances. Both developments, the liberalisation as well as the privatisation of public sectors and enterprises, came in line with the interest of the private finance capital and its preference to treating public goods in the same way as any other good.

The wave of liberalisation and privatisation within the EU took as her starting-point similar developments going on in Margaret Thatcher’s Great Britain in the early 80s in the sectors railways, telecommunication and water supply. Starting from the late 80s the member states were provided with EU-directives, along which they were to reduce existing state monopolies in areas of public services and admit private competition. To date EU-directives are in force on radio and television under public law (1989), telecommunication (1988, 1990 and 1995), the railways (1991, 1995, 1996 and 2001), postal services (1997 and 2002), electricity (1997) and gas (1998).

The Lisbon European Council of June 2000 with its strategic objective to make the EU the most competitive and dynamic knowledge-based economy in the world by 2010 is carrying on liberalisation by sectors. Still that same year a proposal for a Directive on liberalisation of the public passenger transport was presented, which underwent, however, changes many times and is still being discussed. Since 2003 disputes have intensified on liberalizing the market for the supply of drinking-water and disposal of sewage. That same year the EU-transport ministers agreed on a revision of the then existing directives on the railways, so that its new form was to contain the liberalisation of the public railway passenger transport by 2008.

Resistance growing during last years

Based on experiences gained over the years, the initial enthusiasm on liberalisation and privatisation in Europe was gone by the turn of the millennium. The realisation of such

eminently political targets, as full employment, social security, equality of opportunities, regional support or environment protection receded into far off distance. Hundreds of thousands of jobs had gone in many businesses of the service sector and the working conditions there deteriorated. The market did not always function to the benefit of the consumers and price and quality of the services rendered did not always come up to the level as had been promised by either politicians or management-new or proprietor-new. New private oligopolies were formed and the markets distributed among them. Gradually more cases became known, in which neither the consumer had been really safeguarded nor the supply of service guaranteed as such. Already 2001 the EU-Commission stated in its Report on Public Service Supply that 2 % of the EU population (which amounted to no less than 8 million people) were, for financial reasons, by that time excluded from spoken telephone massaging.

All this experience accumulated and a number of vital problems, in spite of their intense discussion, unresolved, were the reasons for the non-achievement of an agreement on GATS – not 2003, and not to date. Unresolved, unfortunately, remained the question of how to classify public services as “of general interest for the people”, so that they might or might not be exposed to the competition of several providers. So far, the WTO is still without EU answer on the exact assignment of public services as possible subjects to liberalisation procedures.

Many politicians have meanwhile become aware of the fact that it was nothing but a political decision as to whether public services were organised on private or public bases, not at all a decision dictated by inevitable economic needs. As argumentation on the necessity of liberalisation got intensified, speed of legal implementation thereof slowed down.

2003 also the EU-Commission published the “Green Paper on Public Services of General Interest”, which meant a first step towards entering into consultation negotiations with interested parties. The supply of public services being considered an important part of the European social model has, meanwhile, found even entrance into the EU-Constitution. The Unions, communities and European Regions demanded assessment of the consequences of liberalisation for the sectors concerned, prior to further steps being taken. Especially the communities (at least those of the EU member states-old) argument on account of experiences made, that they had built up their public services over the decades which then had worked satisfactorily and, in addition, had meant to be an important economic factor for the local area. They now demand their right to local and regional self-determination and fight both, the compulsory tendering procedure for supply as well as the so called unbundling (i.e. the unpicking and smashing of integrated enterprises).

New advances elicited by the Directive on the Supply of Services and the WTO-Convention-2005

It appeared as if a new way of thinking had entered politics. This was, however, not the case with the EU-Commission, which in May 2003 announced its intention to check the situation of competitiveness within the water sector. In February 2004 it proposed a Directive on the Supply of Services which was no longer to be valid for single sectors only but for all service sectors together, combined with a largely unlimited freedom to their provision. It meant to be the starting-point for an ongoing tough discussion on the question of how far provision of public services (health and social services, supply of drinking-water, waste industry, education and culture) could be possibly extended and, especially, on the so called “origin country principle”, according to which providers of services will continue to remain chiefly answerable to the laws of their home countries even in cross-border provision of services. The representative bodies of employees and commercial businesses and industries have since feared drastic impacts on the local employment markets and industries. Communities fear for the equality of opportunities retained with their citizens for the admission to relevant services and structures, and also for the democratic control and responsibility of the public.

These points of criticism have been confirmed in an expert hearing in the European Parliament early in autumn 2004.

Additionally, it is to be expected from the next WTO-Convention, which is just now prepared by the EU and intended to meet by the end of 2005, that the WTO will again urge the EU to make a proposal on the service sector. That is why liberalisation and privatisation of public services in the EU are not yet off the political agenda.

Actual state of affairs

- **PUBLIC PASSENGER TRANSPORT:** In July 2000 the EU-Commission presented a first draft of a Directive on the liberalisation of the public passenger transport. When, however, many European cities as well as the Transport Committee of the European Parliament later expressed themselves strongly against the proposed Directive, the Commission presented a revised second draft in February 2002. According to this, underground and tramway transport was to be exempted from compulsory tendering procedures and, in addition, longer transition periods for the coming into force of new measures were to be provided for. When in May 2002 the European Cities unified in a resolution demanding from the EU their right to direct orders for integrated services, and when the European Court of Justice stated in the "Magdeburg decision" in July 2003 that, under certain circumstances, the EU could put up with payments for the provision of transport services from community households, a third proposal for a Directive was prepared which was expected to be ready for release earlier in 2005. It will, according to information having leaked through, mean rather a step back to draft number one and will, as it seems, hardly be drawn up to fit in with the interests of consumers and employees.
- **WATER:** In May 2003 the EU-Commission announced in its Report on the Strategy for the Internal Market a check on the situation of competitiveness for the water sector (the results were held out for end 2004); in its Green Paper on Public Services of the same year the EU-Commission characterized the supply of water as of general economic interest. The Austrian Federal Countries expressed themselves clearly against a liberalisation of water in a uniform resolution released in September 2003, respectively August 2004, similarly the European Parliament in January, respectively March 2004, and also the people of Europe in a Euro-opinion poll of June 2004.
- **PUBLIC SERVICES:** In May 2003 the EU-Commission discussed in its Green Paper on Public Services of General Interest the question, whether at all public services should remain the authority of the EU, which role countries and communities were to play and which of the public services should be exempted from liberalisation. The Austrian Federal Countries did not only express their opinion in a uniform resolution of September 2003 against the liberalisation of water, but also in favour of keeping the "principle of subsidiarity" and, once more, against compulsory tendering procedures. The European Parliament expressed itself in a resolution taken in January, respectively March 2004, against liberalisation of the sectors water and waste disposal. In spite of all this happening, the EU-Commission, nevertheless, presented its proposal for a Directive on the Supply of Services in the Internal Market February 2004. May 2004 it also announced a Report on Liberalisation of the Social and Health Sectors for 2005. The Austrian Federal Countries demanded, in a uniform resolution of June 2004, the exemption of Public Services of General Interest from the Directive taken in view and, moreover, expressed their will September 2004 against liberalisation of the sectors water, social and health services. October 2004 the European heads of states and governments signed the EU-Constitution, in which the peoples' right to Public Services of General Interest has been expressly recorded under Article III-122.

On working method and objectives of the ÖGPP series of studies

The objective of the ÖGPP series of studies was to ascertain, how far progressed the process of liberalisation and privatisation of public services actually was in the individual EU-countries. Concerned are not only the public service fields, on which the EU has already passed Directives - in these cases the EU herself will be summoned to perform the evaluation - but mainly those fields, on which the EU has not (yet) passed a Directive on liberalisation, such as public passenger transport or environment protection, waste disposal, water supply or sewage disposal, and the all important fields of education, culture, health care, accommodation, pensions and undertakers' services, as experiences gained clearly pointed out that tendencies to liberalisation and privatisation have, meanwhile, reached out to all fields of public services.

Our concern was not to highlight or simply exemplify, nor present, as seen from the EU point of view, individual public services, nor EU member states as singled out purposefully, but to perform our own research work independently and comprehensively in all 25 EU member states. This accounts for the difference between our review and others that have to date appeared.

In a first step (during the years 2002 and 2003) we had agreed on 15 fields of public services for research in the EU-15 (i.e. the railways and public passenger transport, telecommunication, postal services, radio and television under public law, education, culture, drinking-water and sewage, waste industry, electricity, gas, health service, security, accommodation, pensions and undertakers' services) and compiled 15 reports which were updated by us 2004. When the European Union was enlarged by 10 new members on May 1, 2004, the subsequent logic step for us was to add to the 15 existing 10 more reports on the EU-10, especially in view of the fact that far less information and data were available on the new countries and that the social and economic development these countries had taken, were to a great extent different from that of the others on account of the well known radical political changes of 1989. In the case of the new member states we have drawn up the reports by the country.

We have resorted to all published sources available, which meant for us to procure an enormous amount of information and data, to the effect that research work on these studies took us three years in total, but we tried, nevertheless, to get the results compact enough as to make it a transparent and easy to understand basis for public discussion.

This summary, now, may be considered as the ultimate result of an intensive research work, summarizing chronology and actual state of the European discussion on liberalisation and privatisation of public services in the EU.

Results in brief

1. We have established, that Directives by the European Union on liberalisation of Public Services have to date been issued only on certain fields of services, i.e. on radio and television under public law, telecommunication and postal services, the railways, electricity and gas. In the fields as mentioned, liberalisation and privatisation have made, however, progress to a different extent: the process comes close to accomplishment in the fields of television and telecommunication, is almost accomplished in the fields of electricity and gas, is only partially accomplished in the railway sector and has but just started in the postal service sector. Different reasons answer for different sector developments: the amount of time passed between the moment of coming into force of Directive and the moment to date; varying transition periods imposed; but also the fact

that enterprises that have long been dominant in the market, normally oppose, no matter whether public or private, to new competitors.

2. Liberalisation, as a rule, was followed by privatisation of the former state-, respectively public-, owned providers of Public Services, though this has never been a demand on the EU. The EU-Commission, on the contrary, stated expressly in its Report on Public Services of General Interest 2000, that the Directives did not contain passages as requesting privatisation of providers of Public Services of General Interest.
3. Only very few additional providers could establish themselves (like *Vodafone* in the telecommunication sector) within the already liberalised fields of Public Services, that today come up to the size or importance of former providers. As a rule, the former large enterprises, that dominated the market - no matter whether public or private - could hold their strong market positions, if not extend them thanks to market enlargement.
4. We have made the observation that within numerous fields of public services (this relates in special to telecommunication, still relates to gas and postal services, and has relevance, even after privatisation accomplished, for the supply of drinking-water and disposal of sewage and for the undertakers' services) competition had been consciously distorted by measures, sometimes on government level, apt to keep up monopolies even after the enterprises under public law had been privatized. These are the reasons, why the services rendered suffer in quality, and costs surge up for the consumers (e.g. costs for supply of drinking-water and disposal of sewage, health care and education, security and accommodation).
5. Consumers could only in those cases count on a significantly broader supply at lower costs for services, where competition had in fact been realised at least to some degree. This is the case with television, largely the case with telecommunication and partly with electricity. While the sector of telecommunication is still fighting for market shares (to the account of thousands of jobs getting lost), the EU electricity sector has become an oligopoly of several large providers, a development, by which price reductions of any significance are not to be expected any longer.
6. Through liberalisation and, especially, privatisation of Public Services, large international financial investors opened up new possibilities for their investment, which is the reason why enormous pressure is being exerted on EU and governments to agree on more fields of public services becoming privatized. This, however, is also the reason why the services come under increased pressure to make profits and pay dividends.
7. Evidence has been achieved that quite often a multitude of jobs got lost because of prior implementation of drastic cost saving programmes at public, and still more at private, service providers. The reduction of work costs remains the chief aim of liberalisation and privatisation. In the sectors telecommunication, railways and electricity-generation and supply alone, 850,000 jobs have got lost since liberalisation and privatisation processes first started in the EU. And, there are fields, like postal services and the Austrian-Post-Office-local-passenger-transport-services, where liberalisation and privatisation measures have only just set out, which means jobs are being lost now, day-by-day. As a rule, not only workplaces were cancelled, but apprenticeship training positions were also cut back. New providers (e.g. at telecommunication, at private transportation companies or security firms) were nowhere close to being able to compensate for the job losses. The EU-Commission's assumption of the creation of one million new jobs in the service sector, if only liberalized, remained a fake promise and could nowhere find a justification.
8. Liberalisation and privatisation of public services do not only affect jobs by quantity, they have negative effects on work conditions as well. Reduction of jobs normally leads to higher work load, longer working days and longer opening hours (usually also to more overtime, shorter breaks, less rest time), further, to more stress and therefore growing health problems including danger of accidents at work. Through outsourcing of certain fields of operation, employments at low-level-payment increase. This, on the other side, causes uncertainty and unsound competition among employees. Under these conditions

employers find it easy to realise shortages in salaries, social benefits and company pensions but also in in-service-trainings or on-the-job-trainings for existing job holders. New employees, as a rule, receive worse employment contracts. Nowadays, work time and payment get disconnected much more frequently (i.e. payment is done by items). Employers more frequently offer to employees atypical or precarious types of employment.

9. Liberalisation and privatisation movements have seized other fields of services, that to date have remained unregulated by EU-Directives. It is the sectors drinking-water supply and sewage disposal, waste industry, health care, pensions, accommodation, education, culture, public security and undertakers' services. In every of these sectors discussion has been opened on the necessities of costs and possibilities for privatisation. We notice similar developments going on in the new sectors as in the sectors already liberalised on EU request.

The overall aim of the EU, to admit to the service sector more providers, has been achieved, but due to the accompanying economies hundreds of thousands of employees' situations and their work conditions have deteriorated, service safety and service quality are often put at stake. There is only very little segments available where better quality of services is offered to consumers today.

State of affairs of public services sector-wise

In the following the individual service sectors are presented, starting with detailing the experiences and developments in the EU-15, followed by development essentials on Austria and completed by information on the Member States-new.

Radio/Television under public law

Radio is one of the rare sectors, where liberalisation has brought to the consumers clearly more advantages than disadvantages. Broadcasting has been a state monopoly in Europe up to the 80s. Starting from the mid 80s, the number of private radio stations increased enormously, thanks to national regulations by that time, though. As late as October 1989, the EU released a Directive, that propagated "television unlimited" and confirmed merely developments that had been accomplished earlier.

Thanks to the liberalisation of the radio market, we find today private and public radio stations side by side in the EU-15, which increased the variety of programmes offered remarkably. The radio stations under public law have meanwhile lost market shares of 10 % (in Greece) to 65 % (in Denmark).

Private and public radio stations heavily compete for shares, especially in the advertising sector. That is the crucial point, where public radio stations tend to come under considerable cost pressure, as they normally are obliged to observe stricter codes of conduct with television commercials. The situation naturally remained not without impact on work conditions and quality of programmes. Home-made productions today face considerably more financing problems than earlier. The funding of the broadcasting sector under public law takes, due to country specifics, quite different shapes in the individual EU-15 countries: while in Finland 94 % of the radio budget are drawn from licence fees plus subsidies and only 6 % from advertising, sponsoring and programme trading, it is quite the other way round in Spain, where 91 % are drawn from advertising. On a whole, the broadcasting companies face big financing problems in today's strained economic situation. Austria's public radio is in the European mid-field by drawing its income nearly fifty to fifty from licence fees and advertising.

Private radio stations sometimes become powerful political instruments: thus represent the three private radios that belong to the Italian media group “*Mediasat*”, and are owned by the present head of government *Silvio Berlusconi*, a market share of 43 %, and their share in the advertising market is even higher, accounting to 70 % of the total market.

Privatisation of broadcasting companies under public law has remained the exception in the EU-15 (1987 saw the privatisation of the oldest French television TF1). Privatisations are not on the agenda in the Member states-old.

The Austrian ORF held 55 % market share still in 2001, which then constituted the second highest market share for a broadcasting company under public law in the EU. This was probably the result of a rather late liberalisation of the home market; private transmission had been for a long time limited to cable or satellite transmission. Only 2002 Austrian law enacted private television transmission (on different frequency ranges) to become effective throughout the country.

The media were the first service sector in the Member states-new that was liberalized and privatized after the fall of the communist governments and formation of independent new states: with the help of big Western European media companies, independent media were founded and existed alongside with former state-owned radio stations and newspapers, or it might happen that former state-owned radio stations and newspapers saw a takeover by either their own former editors or other private owners. State-owned media without exception lost market shares, but continued to exist to date. During the following years of normalisation, the print media lost in variety and circulation figures; commercialised media and light reading increased, and this is also the case with private radio stations and television, tabloids and magazines.

Telecommunication

Today the telecommunication market in Europe is largely liberalized and privatized. Former state-owned telecommunication companies continue to dominate it to a large extent: in detail, they dominate the home markets as well as the East-European markets, and also the newly created mobile phone market, sometimes by getting public support. As a consequence of liberalisation, the consumer prices have dropped, but, unfortunately, 250,000 jobs have been lost to date and no compensation received in return from new providers.

1988 was the year, when the EU first summoned her member states to liberalize and privatize their telecommunication sectors, but as late as 1994 an EU Directive was released, that decreed the liberalisation of the telecommunication market to be accomplished by 1 January, 1998, which then indeed happened.

Liberalisation was a useful instrument especially for the former telecom-providers. It is true, admission to the market was now for the first time enabled to alternative telephone providers, but telecom-companies were also put in a position to extend their activities cross-border to other countries, offering their telecom-services there. Thanks to image and know-how, they could well use their pole positions for new operation areas (mobile phone and internet services) and for conquering the new East-European markets. Of those private providers that were established anew, only *Vodafone* could come up to the size of former providers. Former state-owned companies did not only buy shares of other countries' state-owned companies when those became “privatized”, but, came also in on deals with the newly established fast growing mobile phone companies of different countries. These companies do not only dominate the EU-15 telecom-market as before, but also the East-European telecom-companies; by having paid for the expensive UMTS-licences, they have already secured their future strong positions in the markets.

Little gain left for late-comers: Providers, that were quick enough to be on the spot immediately upon liberalisation decreed, secured themselves remarkable market shares. Those, who came late by one or two years only, found little but small market shares left and faced high debts and losses (like *Quam* in Germany and *BLU* in Italy in the mobile phone

sector) on account of enormous investments that were to be done into structures and advertising. We have, therefore, observed since 2002 companies being quitted, bankruptcies and market retreats and battles for market shares that have been going on and still do so by means of price cuts.

Unfair competition: Liberalisation often meant to new telecom providers unfair proceedings. Former national telecom monopolists could, sometimes for years after their partial or complete privatisation, retain their monopolies on certain aspects of services and in that way were nothing but obstacles to fair competition, or they arranged themselves with other competitors by means of price-fixing agreements, to the disadvantage of the consumers. The fines, that were imposed, were mostly small and non-efficient. As late as eight years after *British Telecom* had gone private (2001), her still existing monopoly on telephone directory assistance throughout Britain was finally abolished. *Telecom Italia* retained her right to local calls for two more years (till 1999) after having been privatized. The Spanish *Telefonica*, largely privatized since the 90s, retained her monopoly on local and long-distance calls until 1998. *Telia* in Sweden did not a moment hesitate to buy up her fiercest competitor *Netcom* and so has de facto become 80 % leader on the Swedish mobile phone market. The former telecom companies still hold their leading or dominating positions in their home countries, especially with regard to fixed networks, as they can dispose of the necessary infrastructure.

Prices dropped through liberalisation. Competition of telecom providers led to more economic productivity and had price reductions and more choice for the consumers in its wake. No doubt, telecommunication belongs to those services, where people indeed experience some advantages from liberalisation. The price reductions are, however, highly relative, for in fact households spend now more on telecommunication as before (due to new fields of application through mobile telephone and internet). In Austrian households the expenditure for communication went up 53 % from 1993 to 2000, for transmission of news 71 % from 1995 to 2002, according to data received from the Employers Association it is even 350 % at prices kept constant from 1988 to 2003.

250,000 jobs lost through liberalisation and privatisation. Liberalisation and privatisation procured high losses of work-places to national companies, unless new technologies - like mobile phone, internet or different participations - became the reason for the acquirement of new large market shares and creation of new jobs. The national telecom companies in the EU-15 together, saw a cut-back in staff of 250,000 from 1985 through 2002, as many as 150,000 at *British Telecom* only. These losses of work-places could not be compensated by the newly founded private telecom companies. Thus *Vodafone* had 2003 67,000 people employed, next to size new company, the Swedish *Tele 2*, only just 3,100.

No significant differences mark staff employment figures, whether the companies are major public or private, with *British Telecom* as an exception, where the new proprietors clearly enough expressed their priority to the shareholder-value and made profits of 5 to 6 billion Euro (!) a year. But there were other companies, like the Dutch *KPN Telecom* or *Tele Denmark*, which recorded increases in staff during the period referred to.

European producers of mobile phones or components thereof were also among those to profit from the growing mobile phone market (*Ericsson*, *Nokia*, *Siemens*, *Philips*, *Alcatel*, *Bosch* or *Sagem*), though the largest of them - *Ericsson* - went through a crisis and performed cut-backs from 103,000 (1999) to 47,000 (2004) people.

The big telecom-players accrued enormous debts through massive investment and participation activities, e.g. the *Deutsche Telekom*, the *France Telecom* or the *Telecom Italia*. The subsequent years of crisis 2001 and 2002 evoked massive job cut-backs. The battle for either to hold or to enlarge market shares till now costs thousands of work-places.

A majority of public-owned telecom companies was privatized. *British Telecom*, privatized 1984, remained for a long time the only company with new proprietors. Starting only from the mid 90s, after market liberalisation had been agreed upon, a privatisation boom began to seize the former state-owned telecom companies. This was then the trend in economic policy

and corresponded to most states' interest to secure to empty public purses considerable amounts of money. The sale of *British Telecom* alone had resulted in an income for the British Treasury of €20 billion. By March 2004 six former national telecommunication companies in the EU-15 were fully or almost fully privatized (with state shares below 10 %), in four more companies private shareholders held the majority. There were only four companies left, where the respective state held the majority, i.e. Belgium, France, Sweden/Finland (*Telia/Sonera*) and Luxembourg. The shares were sold both to small and large investors (mainly other telecom-providers).

Explicitly no success-story was the privatisation of *British Telecom*: the fully privatized enterprise looks back on a company history of 150,000 work-places destroyed, despite of this considerable market shares lost after the liberalisation and little gains acquired in international business. Privatisation brought advantages to the private shareholders of *BT* only, for the telephone has not become cheaper for the British because of the company privatized but the market liberalized.

Austria. *Max.mobil* (a daughter of *Deutsche Telekom*) marks the beginning of liberalisation to the telecom market in Austria in October 1996, which then was limited to the mobile phone sector only. Exactly two years later appeared *one* (a daughter of *British Telecom* originally, today of *E.ON*). Fourth provider to enter the Austrian mobile phone market in May 2000 was *tele.ring*. (*Vodafone* was her original proprietor, replaced later by the US-concern *Western Wireless*). The Swedish *Tele 2* followed February 2003.

At the beginning of 2004 Austria had 24 providers of fixed network telephone. Largest and market leaders were *Telekom Austria* with 3.5 million fixed network subscribers, *UTA* (the proprietor is a consortium of Austrian energy providers) and Swedish *Tele 2* with more than 500,000 fixed network subscribers each, Dutch *UPC/Priority*, *tele.ring* (*Western Wireless*) and *one* (*E.ON*) with approximately 150,000 fixed network subscribers each.

The privatisation of *Telekom Austria* started 1997 with *Telecom Italia* participating in her mobile phone daughter *Mobilkom Austria* (in total 25 % were held) and directly, 1998, in *Telekom Austria* (also 25 %). November 2000 almost 26 % of *Telekom*-shares were sold on the stock exchange and another 5 % sold to *Telecom Italia*. The state saved nearly € 3.75 billions from privatisations. By January 2004, *TI*, however, sold her former shares. The state share of *Telekom Austria* amounts now to a low of 44.4 % only. The heavy losses of work-places in the fixed network sector during late years (minus 5,500 from 1998 through 2200) could not be compensated by job gains in the mobile phone and internet sectors (plus 2,500).

Telecommunication was among the first sectors of public services since the mid 90s that were privatized in the Central and East European EU candidate countries. In all countries without exception, Western European telecom companies were the new mobile phone providers. Somewhat later they became also the new partial, sometimes full, proprietors of the former state-owned telecom companies and in that capacity imported to the new member states capital and know-how necessary for the modernisation of the services. The fixed network segment of these countries is, similarly to West-European countries, liberalized or not. Alternative providers in the new member states could not really stand up against the former state-owned fixed network providers.

Postal services

Contrary to telecommunication, which has been completely liberalized and in some cases privatized since 1998, the Post-Offices remain in most of the EU-15 states not only the properties of the states but, additionally, hold de-facto-monopolies on the supply of postal services till now. At the beginning of 2003, at least the weight limit for mailings was reduced, above which liberalized supply had to be admitted. Further steps have already been fixed (for 2006 and 2009, respectively). In preparing for the future liberalized situation, the state-owned post offices have meanwhile taken a number of different measures in order to secure their

competitiveness, but not all of them have been successful in the same way. This battle is mainly a battle on promptness of delivery, also on increase of productivity, less on price.

Losses of work-places - the extent of which is figured out in different ways dependant on the source - were not only caused by the increase of productivity, but also by additional application of automation in postal services through mail sorting devices. The employment losses could only partially be compensated by private providers. There is one exemption, *Deutsche Post*, having acquired so many providers that the total number of employed persons is now by 45,000 higher than before.

Statutory source for the liberalisation of postal services in the EU is a respective Directive of 1997, amended 2002. The already mentioned three-step-plan of the EU on the liberalisation of postal services provides that starting 1st January, 2003, free competition must be granted for letter mail, "direct mail" and incoming cross-border mail above 100g. Since 85 to 90 % of the mailings weigh less, the degree of opening up the market is now hardly more than 10 to 15 %. The weight limit will have to be reduced to 50g by 1st January, 2006 whereby liberalisation of mail service will acquire a degree of 20 to 30 %. From 1st January, 2009, the market for postal services shall be totally liberalized, though still one more act of approval by the EU-Parliament and the EU Council of Ministers has been provided for. The countries especially supporting liberalisation are the Netherlands and Finland, while opposing countries are France, Italy, Portugal, Great Britain, Greece and Luxembourg, which have the endangered work-places in mind.

At the time when we went into this subject during our study (August 2003), in all EU-15 countries, except for two, the states were the 100 % proprietors of the respective Post Offices. The exceptions were The Netherlands (35 %) and Germany (50 %). The situation is, however, different with the Post-Offices' financial service sectors: practically all national Post-Offices disposing of post banks, have meanwhile accomplished their privatisation.

By the time fully liberalized are the markets for postal services in Finland and Sweden. Here the state-owned Post-Office gets, however, subsidies in order to be able to guarantee a basic supply. The subsidies are derived from funds made up by contribution payment from private providers. (Such a model works in Sweden, Finland, Spain and Italy). Far going liberalisation exists also in The Netherlands, in Germany and Denmark. The rest of the countries keep to the EU time schedule.

The *Deutsche Post* has launched a successful start into the liberalized market by acquisition, for instance, of *Danzas*, one of the leading logistics companies in the world, or *Air Express*, the largest international USA-based airfreight provider, and finally *DHL*, the world's leading international messenger and express provider. The *Deutsche Post* was at late employing 240,000 people and made a successful launch at the stock exchange November 2000. The shares held by the state amount to no more than 50 %. The only Post-Office in the EU-15 that has a majority of private shares, is the Dutch *TPG Post* having no more than 35 % of the shares owned by the state; it has merged with the Australian *TNT (Thomas Nationwide Transport)*.

A remarkable development is to be recorded of the *British Post*. Of all public companies under the governments Thatcher and Major it was the only one to avoid privatisation by sending 1996 approximately 200,000 employers for months out on strike, and the governments, unable to organise alternative private service suppliers, were not in a position to break opposition. Just now the *Royal Mail* management is trying to bring the company into black by a reduction of jobs. Similarly the collaborators of the *Poste Italiane* are fighting against shortage plans that finally will lead to a reduction in staff. The answer of the Berlusconi Government is imposing disciplinary proceedings on thousands of Italian Post-Office officials.

The *Österreichische Post* (Austrian Post-Office) was turned into a shareholder company 2002 and divided up into five operation fields (distribution of letter post, newspapers, advertising material, parcel post and counter service). December 2002, the *ÖIAG* confirmed that sale or privatisation of the Post-Office were under consideration. The number of Post-

Office officials dropped by 6,300 persons or 18 % in the period 1996 through 2000 and halts now at somewhat less than 29,000 people. During the same period only some hundred additional work-places were created in private mail or message service companies.

As to the Member States-new it is to be noted that they are subject to EU rules like the rest of the countries, but as in many old states, also in the newly entered, the majority of postal services are provided by the universal state-owned Post-Offices. Very cautiously have the Member-States-new started the development from state-owned to private companies. Cost saving programmes and reductions of staff are the means by which the companies get prepared to increasing competition. So far it was only the post banks as former parts of the Post-Offices that have been privatized in the Member States-new.

The railways and public passenger transport

A separation of railway-infrastructure and operation, as demanded by the EU 1991 (a precondition for competition) has been performed in nearly all EU-15 states. Moreover, practically all railway companies have founded subsidiaries for the performance of single segments of operation (bus and freight services, travel agency tasks, communication, catering, building maintenance, etc.), in order to get streamlined for the expected competition in transport as a whole. However, only in about half the EU states fair competition has actually been realised in passenger and goods transport on rails.

Only few railway companies have, so far, been privatized. With only two exceptions (Great Britain and Estonia), the railway companies in the EU member states still remain either the major or exclusive state property of the respective state.

Practically all state-owned railway companies have during the last decade experienced increased pressure to rationalizing or cost saving. Following the structural changes, by outsourcing partly and privatisation of services or liberalisation of the railway sector, more and more jobs were getting lost in public transport in the EU. More than 500,000 work-places, approximately 40 %, have been lost in the EU-15 since 1990 (major losses occurred in Germany, Italy and Great Britain).

Railway companies with office-workers on the payroll, try to have them replaced by employees and workers that will get paid according to collective agreement contracts. In comparison to the work-conditions in state-owned companies, those in the private sectors are worse without exception.

There are only rare cases, where not the maximum of profits but the fulfilment of a social task had been the chief operation target for a long time. Thus for instance, privatisation of the Dutch Railways was 1999 postponed to a later date. The explanation given by the chairman was that the main target of the company was to safeguard, by social contract, the mobility of the country. The company target was, he said, to sustain continuance and not a maximum profit. The Dutch Railways' staff of workers and employees remained invariably nearly the same during the last 10 years.

After liberalisation of the transport sector and starting out from Great Britain and France, a few private transport concerns that operate on an international level were founded (*Connex*, *Stagecoach*, *Transdev*, *Arriva*), seeking entrance into national markets, especially into the segments passenger transport in congested urban areas and bus overland traffic. Local authorities, however, are more and more faced with the problem to deal with prior arrangements of these companies.

Newcomers to the market offered their services to the customers at a cheaper price, if at all, only for short. Necessary investments, at least into maintenance, are anyway expensive. Extension of the railway net is hardly performed by private providers. Fares are subsidized, where private providers operate as ordered by the public. In Sweden, for instance, public spending on railway services has quadrupled since the market liberalisation started and fares have surged up 125 % since liberalisation began (1988), which means double the inflation rate. In cases where privatisation failed to be successful (*Combus* in Denmark, *Railtrack* in

Great Britain), it was again the state or the state-owned Railways, that stepped in and helped to guarantee the provision of services. The economic failure of *Combus* 2001 in Denmark, founded 1996 after privatisation of public bus traffic, cost the state more than a hundred million Euro.

Best known negative example of privatized railways remains Great Britain (1983-1997), where maintenance and safety had been neglected to that extent, that crash figures went up sharp. More than 600 "dangerous signal trespasses" a year had been registered, performed by overtired and overtaxed drivers. The trains arrived no longer in time. The ticket prices were and are not transparent enough, significantly more expensive and dependant on the time of the day: during peak hours they are up to three times the normal price. *British Railways*, which are fully privatized, are in need of and do get considerable state subsidies, but pay, at the same time, dividends to their private proprietors. When *Railtrack* had one year spent higher amounts on dividend payment than on railway maintenance, it was sent to bankruptcy 2001 by the Blair government.

The conditions for the Public Passenger Transport have deteriorated drastically: wages paid to drivers dropped and work-conditions deteriorated to the extent that the City of London had to pay additional money out of the municipal funds to recruit drivers. When for the sake of competition several enterprises started to operate one and the same line, the risk of crash had, considering increased speed and prolongation of working hours, increased enormously.

Austria looks back on a long history of private railways, such as the *Graz-Köflacher-Eisenbahngesellschaft*, the *Raab-Ebenfurter Bahn* or the *Wiener Lokalbahnen*, which operate approximately 10 % of the total railway net in passenger as well as freight transport, but remain of local interest only.

The ÖBB (= the Austrian Federal Railways) were charged-off the state budget 1992, infrastructure and operation were then split and numerous subsidiaries founded subsequently. Explicitly for railway construction the *Schieneinfrastrukturgesellschaft SCHIG* was founded 1996. The ÖBB have lost during the decade following the year 1990 approximately 25 % of their then employed 67,000 people. Since 2000 (50,700 people employed) the staff cut-backs have been increasing still. Of the 47,000 people employed 2004, another 12,000 to 15,000 is estimated to lose their work-place till 2010, which will mean another 25 to 33 % of the total staff now. At the same time, longer working time, pressure to work harder and night shifts have considerably damaged peoples' health, so that problems become now evident.

The congested urban areas are still dominated - apart from the local express "S-Bahn" lines of the ÖBB and some private bus providers - by municipal passenger transport of towns and cities. This is, however, going to be changed - as already mentioned - by an EU Directive on Public Passenger Transport. Having for years expected liberalisation to take place, the passenger transport sector has for years felt the impact of business management by a constant reduction of personnel, though somewhat less as in other service sectors.

As to the Member States-new, we notice with regard to public transport, that the system of public providers (railways, busses for local passenger transport) as built up by the former respective communist governments, works satisfactorily, infrastructure remains the property of the state or large cities throughout. Private transport providers are rare till now. The same refers to the majority of airlines and airports. More frequently have been privatized former state-owned shipping companies. Also broadly known are the experiments of private construction and operation of motorways. The experiments failed, where undertaken, deplorably - especially so in Poland and Hungary. The Polish motorway construction programme was meant, when resolved 1995, to be one of the most ambitious: within a period of 20 years no less than 2,300 motorway-kilometres, liable to toll, were to be built by private investors. When six years later not a single kilometre had been built yet, a new programme, considering only 1,100 kilometres, was presented, which was then mainly financed by the Polish public and EU subsidies. The motorway Győr-Austrian border was the first pilot project of private motorway construction and operation in Hungary 1995; the

motorway has again become state-property, as the private provider failed to procure the necessary numbers of toll payers. The same happened to the motorway M5 from Budapest South.

Electricity

1997 was the year when the EU Directive on Electricity Supply for the Internal Market came into force. It had been promised by the EU that liberalisation of the electricity market would bring advantages to the consumers. Liberalisation and privatisation processes in the markets have been realised to different extents and are still going on.

The announcement of liberalisation in the mid 90s led to cross-border concentration processes in the electricity sector. In a situation comparable to telecommunication but aggravated, new providers of electricity did not emerge during or after the liberalisation procedures going or having gone on; former domestic market leaders held their positions or signed alliances for the enlargement of markets to work in.

It was not the private homes, it was the industrial clients that have so far been able to profit from liberalisation or privatisation, as partly realised, an observation that finds endorsement by a review of the Austrian Chamber of Labour. The European statistic institute *Eurostat* established price increases for electricity (up to 32 % in Sweden and Denmark) prevailing in private homes in a majority of the then EU-15 states for the years 2000 to 2003 and price reductions (between 2 and 9 %) only in a small minority.

It is true, development of the electricity price was similar for industrial clients also, but electricity in the EU-15 remains by far more expensive for private homes than for industrial buyers - by about 60 %. This tendency has even intensified in the 90s: while electricity was more expensive for private than for industrial consumers by 48 % in 1992, the difference reached already out to 63 % by 2001.

Generally speaking, the differences of electricity prices are remarkable in the EU-15. When comparing private homes, the difference between the cheapest electric-power-country (Greece) and the most expensive one (Italy) makes up 140 %; as to comparing industrial electricity consumers, the difference between the cheapest country Spain and the most expensive Italy amounts to just below 60 %. The cheap electric-power-countries of the EU are Sweden, Finland, Greece; the most expensive are Belgium, Germany and Portugal.

So far no clear connection has been established between EU market liberalisation and privatisation on one side and price for electricity on the other side. For there are a hundred per cent liberalized markets among the cheap electric-power-countries (like Sweden and Finland) as well as among the most expensive ones (like Germany).

In the long term, experts expect European prices for electricity still to go up, through formation of alliances among supplying enterprises and increased formation of oligopolies. After a phase of rationalisation and reduction of overcapacities, the financial margin has become small for many suppliers. Services that had earlier been free of charge are now being charged for. Strategic co-operations have already come into being. We notice the development to a single oligopoly of only very few suppliers. It is mainly five big electric-power suppliers, that dictate the European electricity market and have, meanwhile, secured their strategic property shares in Austria too (i.e. *EdF/EnBW, E-ON, RWE/VEW, ENEL and Vattenfall-VEAG-HEW*).

On the other side, demand for electricity is constantly increasing. It is a phenomenon prevailing in Europe - but also in other electric-power markets - that on account of saving programmes during the last 20 years, investments into additional power plant capacities have been neglected, but also electricity-saving campaigns ignored. This is why the safety-supply diminishes from a technical point of view and it will not take long before bottle-necks in supply will arise, leading necessarily to either construction activities or to the necessity of import and therefore, sooner or later, to inevitable price increases.

From the report on "Employment in Europe 1998" we derive that electricity and gas were the sectors affected most by the reduction of jobs. According to an estimate based on European and national statistic figures, more than 250,000 jobs have been lost from 1990 to 1998 in both sectors, most of them in the electricity sector and mainly in Great Britain and Germany. Employment losses were the highest there, where liberalisation was followed by privatisation. The Unions take it for granted that cutbacks in staffs will be going on. Mostly affected by reduction of jobs were the semi-skilled and skilled workers in technical professions but also the middle management and adjacent office jobs. New employments were mainly created in the fields marketing, customer service, IT and different services to enterprises.

Re-regulation instead of de-regulation: In Great Britain, "model country of de-regulation", regulation of the private electricity industry has meanwhile become more intensive than ever before and is sometimes encroaching far on decisions of company policy in order to have erroneous market trends avoided. OFFER, the British watchdog, sets down maximum prices, disposes of sales for power plant capacities, commands of austerity measures for current or use of renewable energy sources, all this because of non-functioning of the "market".

In Austria corporate clients have been allowed to freely choose their contractors from February 2000, and from October 2001 this privilege was granted to private households as well. Power generation is performed by a group of several regional and local companies, public owned to a major extent, that have tried to cooperate with partners within and outside the country in different ways during late years. Despite newcomers on the electricity market, no real price advantages have become effective for consumers. On the contrary: Basic rates have increased. Thus the regulatory authority "*e-control*" stated (last time in November 2004), that competition in Austria had actually diminished since 2003, that prices, it was to be assumed - after decreases effected in the initial phase of market liberalisation - would gradually go up again. In the Austrian electricity industry approximately 8,000 jobs, roughly a third, were lost between 1990 and 2001. At the *Verbundgesellschaft* (= the electricity syndicate) it was as many as 40 % (or 1,800 workplaces) of the jobs lost during the years 1996 to 2002. At the same time the number of apprenticeship positions was also diminished considerably.

Though liberalisation of the electricity and gas markets had been an EU demand for the new member states, the former state-owned suppliers there have maintained their market positions even after appropriations to different extents accomplished. Similar to developments in the telecommunication sector, it is mainly Western European electricity suppliers that have acquired market shares and continue to work on existing structures. The development of energy prices is, compared to EU-15, quite different, as prices surged up high from a former totally regulated basis.

2001 the EU had to admit with regard to the liberalisation of the electricity and gas markets, *that the assumed advantageous utilisation had not always been given. That price reductions, for instance, did not take place in all countries and that not all consumer groups did equally profit from them. That considerable loss of workplaces was the consequence.* In order to compensate for the loss of workplaces, *the necessary business environment should be provided for, in order to guard the electricity supply necessary for the compensation of positions lost in the electricity sector.*

When talking about the electricity industries, we can hardly talk about a "market" of the participants thereof competing with one another, nor do we see advantages for the consumers. The seven largest European electricity suppliers produce a turnover of € 300 billion a year and control 80 % of the European electricity and gas markets. 1996 these concerns have invested approximately one billion Euro in acquisitions, 2001 already 42 billion Euro. This brings out, how far concentration goes in this business and how much it is concentrated on a few players only in the enormous electricity and gas markets.

Gas

1998, one year after the EU liberalisation of the electricity market, the Directive on the Supply of Natural Gas to the Internal Market was put into force. In fact, the gas sector limps far behind the electricity sector as to liberalisation. Newcomers to the market still find all sorts of barriers for an easy admission to the market in different EU-15 states. The natural gas markets in the EU member states are dominated by a few concerns only. After a review of the Directive performed by the EU 2003, latest by 1st July, 2007 the EU demands the opening of the gas market for final customers, combined with a speed up to the realisation of the ruling of unbundling.

Experiences gained with the gas market point out that in the gas sector too no immediate connection between the opening degree of the market (liberalisation and privatisation) and the market prices for gas can be identified. It is, however, quite evident that the prices for corporate clients in the industry are - no other than in the electricity sector - significantly lower than those for private homes, and that within these categories big differences in price exist throughout the EU.

In addition, prices for petroleum and natural gas are closely coupled, the latter following the first normally within 3 to 6 months. Another reason, why no price reductions will be achieved on a fairly long-term basis, is the increasing utilisation of financial gas trading for hedging price risks. The example of Great Britain shows, physical gas trading is still dominating, but the importance of virtual gas trading by traders and brokers along with the increasing importance of "spot" and "futures" markets is rising.

Reductions in staff in the gas sector were not so frequent than in the electricity sector.

For Austrian homes too the hundred per cent opening up of the gas market 01.10.2002 was not followed by any significant price reduction. The "Austrian Association of Gas and District Heating Supply Companies" (= Österreichischer Fachverband Gas Wärme) expects the prices even to go up following the separation of trading and net activities within the suppliers' companies, which on EU demand will have to be performed in different companies. This would lead to significant additional costs, as synergy effects would get lost and additional personnel needed. Apart from additional administrative work loads, it would mean higher error-proneness and complexity of technical processing. The domestic gas industry has lost 20 % or 300 of the former approximately 1,400 employed persons from 1996 to 2002.

All former state-owned market leaders could, despite privatisation, hold their market positions in the gas sectors of the new EU-member states. Currently only in Hungary, Poland and Slovenia the operating gas suppliers are still under state influence, while countries like Latvia, Lithuania, the Czech Republic or Slovakia see their gas industry shares owned to a major extent by Western European "energy giants", corporations like *E-ON*, *RWE* or *Gaz de France* or the Russian *Gazprom*. For Estonia, Malta and Cyprus gas and the gas industry hardly play any role.

For the public services as described in the following, no EU Directives demanding liberalisation have been issued so far. Tendencies to liberalize and privatize did, however, seize the following sectors as well.

Drinking-water and sewage

Drinking-water and the disposal of sewage are becoming to be looked at as economic goods or services. So far, there are many suppliers and disposers active in these segments in the EU-15. About 30 % of the EU-15 water supply is provided on a private basis. In cases, where supply services have been privatized, a few global players (like *Suez Lyonnaise des Eaux* or *Générale des Eaux*), as a rule, divide the market among themselves.

Business concentration of water and sewage industries in the EU differs greatly. While in France and Great Britain the markets are dominated by a few big suppliers only, we find another situation in the Scandinavian countries, Germany and Austria, where a great variety

of municipal suppliers satisfy the needs of the markets. And, interesting to notice, consumer prices are lower in Sweden and Austria and the services of higher quality than in France and Britain. Similar is the situation in the Bavarian water industry, which has a small-scale structure, but delivers water generally cheaper than suppliers in the rest of Germany.

Hence, while there are no tendencies for privatisation prevailing in Finland, Denmark, Ireland, Luxembourg or the Netherlands, such tendencies do exist from time to time in Belgium, Germany, Greece, Italy, Portugal, Spain, and Austria. Sweden abstains, after bad experiences gained, from any further privatisations.

Great Britain's example demonstrates impressively the consequences of liberalisation and privatisation. British water supply and sewage disposal had been re-organised during the 70s and divided among ten regional suppliers, which later in the 80s were fully privatized.

During the first years alone 40,000 work places were lost, 10,000 more followed till today, therefore 60 % of the originally 80,000 employed in the sector lost their jobs. By a severe saving programme that had been implemented into the sector, investments were nearly impossible. By the lack of maintenance investment, the rate of low-quality drinking-water has topped the 11 % mark in Great Britain. The water losses due to leaking tubes and pipes make up to 25 %. The security of supply has diminished on account of suppliers unable to cope with the problems of hot or cold weather periods. The investments into the sewage system have reached such a low extent that it would take 490 years for a complete system renewal. Competition was not created as the suppliers had been granted territorial exclusiveness for 25 years (!). Therefore, during the last decade the prices for water surged up 36 %, for sewage disposal 42 %, while the company profits were, on an average, 142 % (from £ 922 million 1989 to £ 2.23 billion 1998). 40 % of the price paid by the consumer goes, in form of dividend payment, straight to the private proprietors. In approximately 20,000 family homes the water supply is cut every year, as the families did not (were unable to) pay the charges. More and more water prepayment metres are installed in housing areas by the suppliers: water starts flowing only upon the insertion into the automat of a prepaid chip card. Quite frequently price increases are reasoned with planned investments, which later are not going to be realised.

Negative experiences with privatisation have already been gained in Germany (Potsdam: increase of charges and re-communalisation 2001; Berlin: investment cuts), France (Grenoble: higher prices and re-communalisation 2000; Paris: excessively overtaxed water prices; in several cities lead content much too high) and Sweden (Vaxholm: price increase; Norrtälje: customer service deteriorated).

Austria is marked by the existence of large water-reserves of special high quality, and a small-scale business organisation of water supply (in communities, suppliers' associations and consumers' co-operatives). Sewage disposal too is organised on a small-scale basis (in sewage associations, sewage-treatment and waste disposal plants). In the summer 2001 the management-consultant Price Waterhouse & Cooper recommended in a study ordered by the Austrian government the formation of a union of all suppliers and disposers in order to save by this 20 % overheads and 35 % investment costs. First privatisation projects are currently being tested. Vienna was the first City in the world that put its drinking-water supply in December 2001 under protection of the City Constitution.

According to experiences gained, the usefulness of privatisation especially of the water sector is very doubtful. In its Framework Directive on Water, the EU stated 2000, that water was not a normal trading good but an inherited good, that had to be protected and handled with care; that the Member States had to consider the principle of cost coverage, including costs for environment protection; that the Member States had up to 2010 to warrant, by a scale of charges adopted, for generation of incentives necessary to the efficient use of water and achievement of cost coverage; that privatisation was not a target on EU side; that it was up to the Member States, how they organised their water supply and sewage disposal.

"GATS", however, elicited a new discussion on liberalisation for these segments. In May 2003 the EU Commission announced - as already mentioned in the Preface - in its Report on

the Strategy for the Internal Market that it was going to examine the competitiveness of the water sector (a result was held out for end 2004). In its Green Paper on the Services, the EU Commission assigned 2003 water as belonging to the services of general economic interest. February 2004 the EU Commission presented a proposal for a Directive on the Services which leaves open whether services of general public interest would be covered by it. The European Parliament, however, expressed itself against the liberalisation of water in resolutions taken in January, respectively March, 2004.

Rather of poor quality are the environment protection services in East and Central European countries. Little had been done for an ecologically desirable waste and sewage disposal during the last decades. Since, however, the individual treaties on joining the EU have been signed obliging the states to guarantee for high quality environment protection, more and more regional authorities take, with regard to waste industry, sewage disposal and also water supply, to privatisation and the sale of licences, in order to draw into the regions Western European capital and know-how necessary for the modernisation of plants and services. Thus, for instance, in Slovakia the Austrian service companies ASA and ARA are leading with regard to waste collection and recycling.

How very different, for lack of experience, the solutions for water supply were, demonstrate the capitals of Estonia and Lithuania: while Tallinn, Estonia's capital, had privatized its water supply to the result that the respective charges went up 50 % during the following four years, Vilna, the capital of the neighbour state Lithuania, had 1998 decided not to privatize its water supply. Vilna founded a Sustainable Cities Development Fund for the upgrading of water supply and sewage disposal, into which European and international banks, like the EBRD and the World Bank, but also national banks united for the provision of funds.

Waste industry

Basically, the waste industry in the EU-25 member states is organised in a similar way. Normally, collecting domestic refuse is the competency of the communities. They either themselves run companies for waste collection and disposal or authorize private companies for the task. The collection of recycling material is, however, mostly performed by private organisations. Most of the South and East European states will have to make all efforts to come up to the level of an ecology-friendly waste disposal. Apart from the municipal firms, many private companies work in the waste business, starting from small companies of local importance to concerns active throughout Europe.

1996 the EU released a "Common Strategy on Waste Industry" containing concrete targets on environment policy but none of them regarding the liberalisation or privatisation of the respective services. Further, no EU ruling exists now that is apt to enforce privatisation of domestic refuse disposal or insist on competition within this sector. At least, this is the state of affairs now, because it is not yet decided whether the waste industry might be subsumed under the Directive on the Supply of Services under discussion or under the GATS.

The European waste industry too has been influenced during last years by liberalisation tendencies noticeable in other sectors of public services, by the privatisation of municipal disposal firms, by opening up the markets in Central and East Europe and by business concentration in the form of mergers and participations on the global market.

During the last years most of the German communities did, for instance, authorize private disposers with the collection of domestic refuse. In Great Britain and the Netherlands private disposers acquire growing market shares. All larger cities, like Copenhagen, Bremen, Frankfurt or Stockholm, have of late privatized their task of refuse disposal. Charges remained mostly the same and intervals of refuse collection could be kept. Job losses could, by agreement with the private company owners, generally be avoided. Work conditions, however, do deteriorate permanently. In order to save costs, obsolete technologies (for instance in waste incineration) are used much longer, money investments are neglected.

Municipal disposal of waste is at a disadvantage compared to private disposal. Municipal disposing is mostly bound to the principle of territory (e.g. in Germany) prohibiting commercial activities beyond municipal borders. Municipalities are bound to EU tendering procedures and have sometimes for months, if not years, to wait for the necessary operating facilities, car fleet, and so on. Municipal firms are responsible for ecologically necessary aftercare, like the re-cultivation of sanitary landfill and de-construction of refuse incinerators. In addition, they are bound to public service pay and have, therefore, higher labour cost.

In view of forced saving for public budgets, the waste industry will in future even more come under pressure of price and competition, of business concentration and privatisation. Small-scaled businesses will find it difficult to exist in such market surrounding. Already today the importance of international concerns, like *Vivendi Environment* (“*Onyx*”), *Suez Lyonnaise des Eaux* (“*Sita*”), also *RWE* and *Rethmann* from Germany cannot be overlooked. After the segmentation of the liberalized markets *Sita* has already been sentenced several times on account of illicit price fixing.

When cost and price become the only relevant factors for the waste disposal services, environment protection and safety of disposal fall behind. Privately managed dumps normally use older technology for the purification of waste gases and waste incineration compared to high-level municipal incineration plants. Privatisation of domestic refuse disposal has led to increasing evasive reaction, like exporting waste to cheap East European dumps.

For the Austrian municipalities domestic refuse collection is obligatory, but only the organisation thereof is a sovereign task, the operation as such is mostly transferred to private refuse collectors. Only a few Austrian municipalities (mostly large cities) supply the citizens with the waste disposal service in their own municipal waste disposal companies. Best known Austrian example is the MA 48 in Vienna. For the majority of municipalities waste collection is performed by approximately 1,100 private companies. The collection of recycling material is performed by ARA (=Altstoff Recycling Austria), a union of 240 companies producing, importing or using packaging material. ARA has reached a state close to monopoly. EVA (=Erfassen und Verwerten von Altstoffen GmbH) has been trying for years to build up a rival system to ARA's and has lodged a complaint for unfair competition with the EU Commission in April 2000.

Most important target in the member states-new is to modernise the numerous local waste deposits by upgrading them to that technical standard as demanded by the EU. This is, by the way, not only necessary in the former communist countries, but refers to Malta and Cyprus as well. In most of the countries Western European waste specialists have been engaged for building up and running quality deposits, upon which outdated deposits are intended to get closed. Poland is the country, where privatisation in the waste industries has progressed most, reaching already 50 % of the total waste industry. Exceptional case is Slovenia, where waste disposal is almost the exclusive task of the municipalities and their own industries.

Health service

In Europe also medical welfare services are considered important public services. In this sector, like in some others, the EU has shown no efforts of intended harmonisation of the provisions and regulations as existing in single states. Nevertheless, it cannot be excluded that changes could occur, brought about by both, the “GATS” and the Directive on the Services, so that in the long run within the health sector too higher competition among providers might become the ruling regulation.

Discussions on health reforms in the EU countries have already reached the state of daily battle between caring society budgeting and cold market orientation. Agreement has been achieved on health care going to be more expensive on account of forthcoming demographic changes and technological progress. We notice a similar approach to health reform in many European countries, whereby federalisation and decentralisation in funding and providing

health benefits are the most common recipes, which means a transfer of what was former government tasks down to countries and communities. Highly competitive payment for in-patient equipment and hospital management lines becomes the rule and outsourcing of certain services in the field of hospital management and technical administration occur frequently. As a result of this development, health cost for private homes surged up considerably in quite many countries. Constantly increasing excess payments for medicaments, in-patient and dental treatment also account for this development.

Some countries try to ease the strain on public budgets by consciously creating certain competition between public and private health insurance bodies and their benefits (e.g. Great Britain, Ireland, The Netherlands). Private health insurance companies are not only admitted but even promoted and the solidarity principle of compulsory public health insurance gets partly undermined. Large European private insurance companies evidently profit from a constantly spinning on discussion on national health insurances and their financial problems, for apart from the attraction of state incentives being granted to private health insurances, it is evident that the patients' trust into their public national health system diminishes.

Experience shows that privatisation has yielded negative results already in Germany (especially when hospital kitchen and cleaning services were outsourced in cities like Kassel and Frankfurt), France (note: lower income for staff in private hospitals), Greece (note: development of black economy by payment of non-official fees to doctors, as private insurance companies do not cover hospital costs totally), and, once again, Great Britain, where the public hospital sector got just starved out. The consequences: long waiting time for patients for badly needed operations; patients being sent to other countries' hospitals; mixed male/female wards; hire of high price private hospital beds. The number of doctors per head of the population in Britain is only half the number in Germany and Austria. Hospitals nowadays hire securities in order to safeguard their hospital staff from attacks threatening from desperate patients' relatives. Increase in infections in private hospitals, as their orientation on profit induces them to neglect safety measures. The WHO (World Health Organisation) ranked British health care 24th in the world - behind Jamaica.

With 8 % of the GDP expended on health care, Austria roughly hit the EU-15-average 1998, whilst Germany was top with 10.3 % and Luxembourg ranked bottom with 6 %. The Austrians' health condition is among the best in the EU. Health insurance benefits in Austria are comprehensive and, at least up to day, the majority of the Austrians have either been highly or at least largely satisfied with the country's health care system.

When it comes to discussing privatisation in the Austrian health care system, it is not the sale of hospital complexes (75 % of hospital beds stay in hospitals belonging to regional authorities or insurance companies, the majority of private hospitals belong to religious orders or denominations) that is being discussed but how to privatize or single out the risk of being taken ill. The compulsory health insurance system existing in Austria and allowing persons subject to compulsory insurance no choice of the maintaining body is now strongly questioned; additional private insurance gets encouragement. As a matter of fact, personal health care expenditure in Austria has markedly increased during the last years (on account of private health and accident insurances, increased fees or cost sharing, reduction of sickness benefits or deletion of co-insurance exempt from contribution).

Central and Eastern European countries see themselves partially faced with enormous financing problems in the health sector. Following the soviet tradition, a relatively tight network of health service institutions still exists (from chemist's shops to local hospitals, from outpatients' clinics to clinics and hospital complexes), quite often also a high number of doctors and hospital beds. On account of former and still today prevailing largely poor remuneration for health personnel, a widespread system of extra payment coming from the patients has developed in all Central and Eastern European countries, which in some of them achieves percentages up to 25 to 30 and above of the total cost of health care. In order to be able to fund public health service, sort of solidarity health insurance systems have been developed sometimes in addition to the normal national health system, while other cures are seen in the outsourcing of hospitals and putting them up to economic independence. Such

experiment, however, as the installation of a completely decentralised public health service entrusted to communities and regional authorities, in combination with a free choice of the insurance body, which was tried out in Poland, failed clearly and had to be recalled.

Pension schemes

During last years, a clear EU trend - immensely supported by European Council and EU-Commission - can be noticed on the enforcement of cost limitations valid for public pension funds, co-financed by public means, and the complimentary of it, the financial support granted to company and private pension funds. The EU arguments with the growing numbers of retired persons against unchanged, if not lower, numbers of those at work. In practice this aim is frequently achieved by reducing pension benefits down to retirement pays of little more than basic public pensions (supplemented sometimes by optional public support), and also by raising the factual retirement age within public pension schemes and by generating pressure on the persons liable to contribution pay to have additional company or private retirement funding added. Studies, according to which measures, as a possibly higher ratio of people at work, or labour immigration into the EU, or extending the contribution basis, were apt to solve the existing financing problems but are hardly considered by anybody.

While all national pension funds in the EU are based on a pay-as-you-go- principle, which is financed from contributions paid by employers and employees and out of the budget, are company and private pension funds exclusively based on contributions paid by employers or private policy-holders, whereby the amounts aggravated are placed more or less riskily on the capital market. Public contributions into these schemes are limited to granting tax incentives and premium rewards.

Growing privatisation of retirement provision does not only diminish public subsidies to public pension funds but, in addition, causes a shift of financial loads and risks to private persons also. The same trend can be noticed becoming the norm for company pension funds, where the principle of performance-orientation (pension entitlement depends on the positioning on the payroll) is largely abandoned in favour of the principle of contribution pay, where nothing but factual contribution payment decides on the claim of a later entitlement.

Public pension schemes as regulated by law in the EU-15, contain, on a rule, clear elements of solidarity promotion, don't normally discriminate women due to their longer life-span, consider duly periods of child care and nursing, illness and unemployment. Their effect is redistributive in favour of low-income recipients. These schemes normally guarantee minimum pensions in order to beware the old-aged from becoming poverty-stricken, which is the reason why cutbacks on public pension schemes have brought pension holders in several EU countries, also in Austria, into danger of falling into poverty.

Pension schemes relying on the capital market for their financing (which is the case with company and private pension funds) show no financial advantage over public pension funds when it comes to the issue of bonds, or bear high risks for the policy-holders when the money is invested into shares. Schemes that are orientated on contributions effected, do not consider periods of little or no contribution payment, no matter for which reason. Policy-holders normally also bear the risk of inflation completely themselves. Guided by actuarial considerations, private pension funds distinguish between male and female policy-holders and pension entitlement differs accordingly. Private pension funds work for-profit, contrary to public funds. Private pension funds usually address their offers to normal and high-income recipients. The majority of atypically employed persons in the EU have no approach to private old-age provision. Entitlements on company pension funds are normally difficult to carry along to a new employer in case of change of job. Similarly difficult is the change from one to another private insurer.

All these conditions of contract plus the experiences gained with company and private pension provision (among others also the bankruptcy of several British pension funds and the crash of the American energy giant Enron which affected also the pension funds of the

Enron employees) led to increased regulatory measures in the EU and outline-conditions for company and private pension schemes, that will slightly raise security for policy-holders and shift some of the risk involved to the insurers.

Greatest progress in privatizing pension provision can be noticed in the Netherlands, Sweden and Denmark, where additional company provision has been largely realised, as well as in Great Britain, Ireland and Belgium, where private pension funds have reached a representative share.

Remarkable steps have been undertaken in Austria since 2000 leading, on a whole, to privatisation of pension provision: the pension reforms of the years 2001 and 2003 faced the Austrians with considerable cuts on the retirement-pays expected and, at the same time, to a raise of retirement-age. Simultaneously private retirement provision is being extremely campaigned for, though left with little public money support. The step into a final harmonisation of the different pension schemes, as set down 2004, will presumably also involve cutbacks in pension entitlements for the employees.

Meanwhile almost all Member-states-new have their public pension schemes enlarged by private pension funds. Until few years ago the pension schemes predominant in these countries had consisted on exclusively public pay-as-you-go-pension provisions, to which now were added a second company and a third private provision, based both on the capital market, and a measure of raising the retirement-age. Some of the countries, however, have gone too far, when they were binding per law on to the second column such enormous amounts that state revenues began to suffer extremely for lack of incoming money. In that way the states become unable to fulfil their tasks and consequently face new financial problems. In Slovakia, for instance, every person entering professional life has from the beginning of 2004 to put half of his/her contribution rate into a funds system based on the capital market, so that the pressure is increased on further privatisation. In Poland it is even 75 % that have to be paid into the second column.

Accommodation

A private home belongs to our primary and essential living prerequisites. In order to respond to people's minimum needs for accommodation, dwelling has become an area of public co-responsibility in many countries and cities in the course of last century, for instance by protection of tenants or rent control, by building or promoting building directly through public utility housing enterprises.

The EU does not take decisive action with regard to her member states' housing policy. Anyhow, a trend has been going on in many member states for several years, according to which states retreat, with rare exceptions, from the housing sector, exposing it more and more to privacy. In some of the European countries privatisation of public housing has been used as an instrument for budget consolidation. Dwelling place generally is being sold to tenants, as well as to public utility and private property enterprises. Liberalisation tendencies in the housing sector find their expression in a deregulation of rent pricing, aiming at increased investment being undertaken into rented flats and stimulating the residential market to increased supply. The essential tendencies of the housing market in the EU-15 countries that have been felt already in the 80s and 90s of last century are the following:

Financial retreat of the state: This retreat from supporting housing or renovation has partly to do with ideology, partly with budgetary problems, and leads to a reduction of housing credit lines, subsidies (exception here is subject aid) and public activities in housing projects. Only tax incentives have been increased for private property investment.

Decentralisation: Because of a general retreat of the states from the housing market, regions and areas have become important players when the tasks had been redistributed between different government levels. (Exceptions are Great Britain and Sweden). Realisation of housing policy largely takes place on regional and local areas.

Public utility property developers become big players at times: The states' retreat has been compensated for some time by public utility property developers getting more importance. It was these public utility housing enterprises that have snapped up part of the public tenements. At the same time public subsidies to public utility enterprises (long-term loans, subsidies, tax advantage, making available building property) were reduced if not cancelled. During late years the public utility principle is being abandoned and a transfer to commercialised structures becoming the rule.

Privatisation of council or public housing: Some European countries used privatisation of council housing as tools for budget consolidation. Dwelling places were sold to tenants, public utility housing enterprises and private property enterprises. A frequent argument of the communities was that the money drawn from rents was not sufficient for the operation or necessary refurbishment of the houses. One of the most spectacular measures was to sell the complete public housing stock in Great Britain (starting of 1980 1.7m dwelling units have been sold) and the Netherlands, frequently at prices below market level. In Germany the greater part of sold rented flats did not pass on to tenants but bank institutes, insurance companies and property enterprises. The consequence for tenants on the rule are increased rents (after the privatisation of the Berlin city housing enterprise GEHAG 2001 rent prices increased by 30 %). With the communities remain, however, the financial loads caused by low-income families (mostly in form of housing allowances), while the profit with the new affluent tenants is made by private housing enterprises. Moreover, the takings from trading are normally not sufficient to establish low-cost housing for socially underprivileged persons (re-procurement cost). In Ireland communities had to rent expensive private flats in order to accommodate homeless people, when the whole council housing stock had been sold.

Incentives for buying owned housing space. The share in rented space on the total dwelling stock is at 60 % highest in Germany, at 20 % lowest in Ireland. Austria is a middle-ranking country at 43 % rented and 57 % owned private homes in 2000. Promoting ownership of private homes has become a general target of most of the countries' housing policy. Assets in promoting housing ownership are premium payments for first-buy (Great Britain, the Netherlands) and interest subsidies. As the approach to housing ownership is extremely difficult for low-income persons unless substantially aided by the government, some countries started to foster mixed rent and ownership forms. The increased lack of flats for rent, mainly due to the promotion of owned flats, becomes a handicap for mobility, as removal expenses on a rule are much higher for flat owners than for tenants. When the supply of rented space is reduced, rents naturally surge up.

Rental liberalisation: Liberalisation of the housing market frequently, though not exclusively, has ideological roots. Expression of this is the deregulation of rent price inducing private investment into rented space including the promotion of revenues out of rentals, leading, however without exception, to much higher living cost. Liberalisation generally led to much higher rent prices, which only in a few cases was compensated by granting housing allowances to the tenants.

Expansion of subject-bound aid to underprivileged homes: In several countries people still take advantage of low-cost housing when their earnings have already gone up. When giving notice to these renting clients is difficult for social and political reasons, it turns out that object-bound aid does not always hit the target. In order to avoid this indiscriminate support, most countries have reduced object-bound aid in favour of subject-bound. In several countries this sort of expenses increased markedly. The problems involved in changing object for subject aid are well known: the supply of low-price housing is reduced by the lack of investment into dwelling in new housing development, a fact, which makes the prices surge up; additionally we notice a psychological barrier in people actively and personally applying for public support.

In Austria housing support out of dedicated budget means had been frozen already by the mid 90s and is from that time regularly questioned on federation level. The distribution of the housing support has been transferred to the competency of the federal countries already 1989. The retreat of the state found its expression in the fact also that 2004 former state-

owned residences were sold to private investors. Only a few communities have, so far, sold their community residences. In Austria like in other countries protection of tenants and rent control measures have been taken back step by step during last years, upper limits for rental have been abolished and temporary fixed-term rent contracts multiplied. Other measures, such as the abolishment of the public utility principle, are ahead and now being discussed.

Public or community residences were among the first public goods that were privatised and in most of the cases sold to the former tenants in the Central and Eastern European member states after the radical change of 1989. Therefore the share in privately owned flats is in the Central and Eastern European countries in many cases above (tends to 100 % in Estonia) that of Western European countries. Flats in Central and Eastern Europe are mostly well equipped (central heating, bath room and WC inside) on account of intensive building activity going on during the last decades prior to the collapse of the Communist system. Private ownership in flats that has been created since then had its positive effect on the maintenance of flats only, while the necessary public means for necessary technical renovation of the buildings are not available, though the quality of these “panel houses” is very poor. Unfortunately also not available are means for the development of new public housing projects, the demand for which is strongly rising up.

Education

Education in Europe too, as a rule, is a public service provided by the state to its citizens in form of its pre-, primary (elementary), secondary and higher school systems. The international basic rights catalogues have fixed basic principles, like the right of education for everybody, non-paid basic education for everybody and equal opportunities to the availability of higher education for everybody. In spite of this, education in the EU member states is increasingly not understood as an exclusively public good but a service provided either on public or on private terms. In that form educational institutions come under pressure of privatisation. Catch words, like “competitive education system” or “marketable human capital” determine discussions and developments and are intensified still by the discussion on “GATS”.

In most of the EU-15 countries the majority of schools are (still) public. A big (and growing) share of private schools exists, however, in Spain, Great Britain (where the public school system gets only poor support), Belgium (where many schools are owned by language communities) and the Netherlands (where as many as 75 % of the schools are owned by religious denominations and foundations).

To sum up, one can say that the compulsory school system in the EU-15 is largely free of charge but the majority of facilities for further education, however, are being charged for. Thanks to the increasing diversity of the education system, it is no longer important that a person has received higher education or visited university, but the very name of the educating institution becomes increasingly important. This means that schools that have little more to offer than the free “standard programme” (whereby shortages are sometimes caused by budget cutbacks) are considered unattractive for offering only limited possibilities to those taking their leaving there. Parents who can afford it enable their children additional courses. This may be anything: musical training courses, up-to-date computer equipment, private lessons or the school fees paid to a private school as this will open up more chances to their children than a public school subject to all sorts of economy measures. The question therefore is not only whether education will be free or will cost money, but it becomes also a question of different quality. The consequences of economizing on education were clearly proven by the OECD-test on education, PISA 2003.

Great Britain is the only example in the EU-15 availing itself of a strongly privatized education system, but like the British railways so the British privatized school system must be looked at as a warning to others. There are quite a number of negative consequences caused by things like shifting competency to decentralised authorities, co-operating with the economic sector or transferring cost to the private sector. The most important consequences are:

increased selection within school districts of pupils from poor or rich families and deterioration of work conditions for teachers in public schools. The latter led to an enormous deficit of teachers and, as a consequence of it, to increased numbers of pupils in class. We must not here ignore the fact that segregation tendencies also exist in other countries, especially in the Netherlands, where, like in Great Britain, the choice of school is free, which means, you don't go basically to the next school in your residential area. In 2001 a discussion was started in Great Britain on the re-installation of corporal punishment according to an initiative from a catholic private school in Liverpool.

University education in the EU is free of charge only in Denmark, Finland, Luxembourg and Sweden. There are strong tendencies to control the admittance to public universities by tuition fees or by a "numerus clauses"-ruling, in order to successfully compete with a growing number of private universities, universities of applied sciences and advanced technical colleges.

It may have dangerous consequences for the equality of opportunities for the young generation in Europe, if education is looked at as a service that has to be paid for, or, as the Austrian education minister Elisabeth Gehrler once put it: "Things that are free of charge don't have any value". The admittance to education for everybody should not be subordinated to the supposed requirements of an unrestricted exchange of services.

In Austria university reforms of last years and the PISA-study 2003 have elicited discussion on education in public, especially since 2001 when approximately 7,000 teachers and additional training courses had been cancelled - somewhere, as for instance in Vienna, despite increasing numbers of pupils - and Austrian pupils clearly fell behind in an international comparison of the students' achievements. Austrian university students react angry and disappointed on the fact that 2001 tuition fees had been introduced at universities but the conditions of studying clearly deteriorated. Moreover, 2004 students were deprived of the right of direct vote for their representative body, the "Österreichische Hochschülerschaft" (= "Austrian Association of University Students"). During late years the universities of applied sciences were the only ones to make progress. They are co-financed of federal and country budgets, train special skills on demand of the economy.

Private provision in the education sector has become quite the norm in the member states-new. The states have to a different extent approved of running primary and secondary schools on private terms or, in other cases (like Estonia) have granted freedom of choosing a school. Extensively accepted in many countries is the form of private tuition on university level, though, of course, in connection with high tuition fees in order to provide coverage of the expenses. In the countries Estonia, Latvia, Poland and Hungary already 50 % of the universities are non-government. Nearly half of the 34 existing Latvian universities are private institutions. Less than every second university place is being paid for by the state, while tuition fee of Euro 2,350 appears to be rather high for the country. In Poland we find already more than 2,500 non-government schools, where tuition has to be paid for, mainly in the prosperous conurbation and often in the orbit of the church. Poland's share of students is, in proportion, far above the EU-average. Polish universities have been autonomous since 1990 but charge differently high tuition fees. Advanced technical colleges have developed into a strong second column in Poland. More than 400,000 students study at non-government universities in Poland. Leading there are the economics, one of the reasons, why Poland has become an interesting site for the outsourcing of Western European companies.

Culture

In the cultural area too a number of public bodies and institutions offer quite a number of services, like sound or sight theatres, museums or libraries. EU Directives on the cultural area don't exist and harmonisation is not intended.

Nevertheless, the trend to privatisation is noticeable also in the culture sector. Economy measure programmes for national budgets all over Europe result in trying to also express in figures culture policy targets as well as services. All the more frequent, quantity must go for quality (that is numbers of visitors and spectators). Public cultural facilities are under consideration of being sold. Management structures are reorganised, services partially outsourced, the cultural centres transformed into commercial unities. This regards museums, exhibition halls, theatres, opera houses, culture buildings, monuments, publishers' houses, printers' shops, cinemas or film studios of public ownership.

Privatisations in the sense of direct sales to private providers have remained the exception in the EU-15, so far. What we, however, notice is the fact that also in the cultural area concerns were formed that act on a European level, buy up cultural facilities (as the Dutch *Stage Holding* or German *Stella Entertainment*). A striking example to illustrate this development may be seen in the installation of big musical halls all over Europe.

Striking privatisations during the last decade were the *municipal theatre Antwerpen*, the *Metropol* and the *Schlossparktheater* in Berlin, the *Philharmonic Orchestra of the City of Bremen*, the "*Circustheater*" in the Dutch town of *Scheveningen* and the "*Poliorama*" theatre in Barcelona. The Italian nation was thrown in a state of turmoil when the Berlusconi government revealed its intention to privatise museums and their treasures. In the summer of 2002 counting and valuing the pieces of art was started.

The "*Megaron of Music*" concert hall in Athens was erected in public-private partnership, the new opera house in Copenhagen was privately built.

Once more especially distinctive was the development in Great Britain, where cultural facilities can no longer count on public subsidies but have to look for private sponsors, which influences, of course, the cultural programmes offered: only programmes that guarantee spectators will be brought on to the stage. Heavily discussed in public was the introduction of paid for tickets for the national museums, the visit of which had been traditionally free.

In Austria the *Stages of the City of Vienna* had been transformed into a commercial company 1987 and got then charged-off the City budget. Similar proceedings followed 1999 regarding the *Federal Stages*, where "public service" (ticket control, cloakroom, toilets) is transferred to private companies. During last years, museums, libraries and similar cultural facilities have been increasingly transformed into commercial structures. A clear privatisation was performed in Carinthia when the "*Wörtherseebühne*" was privatised 2001. 2004 the stage was on the brink of bankruptcy.

Largely unsolved remain the financial problems of regions and communities in the member states-new. Cultural facilities ranked high especially in the countries of the earlier Soviet Bloc, were well grounded and therefore place a big burden on the national budgets today. Different measurements were taken, but neither steps of entrusting regions and communities with the management of culture institutions nor performing total privatisation (in Estonia and Latvia for instance) were really successful.

Security

A very special problem, though not in the focus of public attention, is the procedure of privatizing public security. Tolerated and uncommented by the EU-15 remained the manifold private security services that mushroomed in the countries of the Union during the late decade. Responsible for this development were not only the increasing demand for security in general on private persons and companies but also the economy measures imposed on public executive bodies for the sake of relieving national budgets, which in due course led to criminality surging up while the rates of crimes solved dropped. People in Europe derive their security model from America and do not any longer rely on police force with regard to real or made up threats but deploy private security service providers. They get employed on a large scale not only by private companies but increasingly also by public institutions. Some countries even went so far as to largely entrust former police force tasks to private security

guards. Largest private task force groups are the Swedish *Securitas AB*, the Danish *Group 4 Falck* and the British *Securicor*. Together the three companies employ worldwide a task force of above 550,000 people.

Additionally, we now notice more often citizens' action groups initiating volunteered safety projects. In Germany, for instance, were installed the volunteering police force Baden-Württemberg, the Bavarian and the Saxon security guards and in the Netherlands the "*Stadswachten*".

There is more than just one problem closely connected with this development:

Politics forgo their responsibility. We frequently hear people talking of the necessary withdrawal of the state from a multitude of security tasks down to the very core. Citizens and companies are nowadays made responsible for their own security. This holds the danger of weakening the final political responsibility for domestic security that still rests with the European ministries of the interior. Tendencies prevailing in governments cannot be overlooked to perform cut backs on the cost-intensive executive bodies of the police and transfer, at the same time, security tasks to cheaper private security guards. The lowest-bid-principle being the rule in nearly all countries in tendering public security projects has a negative impact on the quality standards and in-service training of the whole service industry. Those in favour of private security services tend to neglect the circumstance that private security companies, other than the police, will not always have the public interest in mind but that of their clients and companies. And, don't we forget, insecurity is good for the business

...

Insufficient in-service training and quality assurance: Some of the European countries still lack in adequate legal rulings to cover the activities of private security services. Closely connected hereto are shortcomings with public control of the service industry and existing training guidelines. The problem becomes even more difficult because of the complete absence of uniformity of legal requirements to single countries.

Competency transgression and Rambo-methods: Ever more cases are getting known where private security guards had been involved and regarded a threat to citizens. Security men are frequently connected with discrimination of foreigners, drug addicts and homeless people. Insufficient qualification bears the risk of misusing the "authority of uniform" for the enforcement of a personal sense of right and wrong.

Security unequally distributed: Privatized security brings it about that socially advantaged groups improve their sense of security on account of disadvantaged groups. Such development begins with the right to send away from parks, business streets or residential areas disliked persons. At the same time business men, who can afford it and private persons too, have their private properties guarded by private security people. Insecurity is suggested to those who cannot or will not want to afford private security guards or safety devices.

No special laws rule the conduct of private security services in Austria, except for the procedure of receiving the necessary licence to the industry of "guard service, agent service and the service of engineering and installing alarm devices", which is regulated by the Trade, Commerce and Industry Regulation Act. Economizing on city and country police and the consequence thereof, i.e. a clear increase in criminality during late years, stimulated the private security market also in Austria. Characteristic is the existence on the market of affiliated companies to foreign concerns. The highest market share of 30 % is held by *Group 4 Austria*, followed by *Securitas-group* holding 21 %. Only a single Austrian security service company, the *Österreichische Wachdienst* (ÖWD), holding also 21 %, is able to compete with these foreign providers. There was a good deal of excitement over the privately organised and paid for by the Austrian Freedom Party (FPÖ) so called *Grazer Bürgerwehr*, which, however, fulfilled its duty no longer than a year after heavy protests from parts of the citizens and after the disastrous election result of the FPÖ in Graz earlier 2003.

Even stronger as in the EU-15 are the endeavours to replenish public security service by private security provision in the member states-new. Main reasons for this are a clear increase in crimes on one side, and poor pay and equipment of police forces on the other side. In Estonia more people are already employed in private service companies than in public structures, in Cyprus it is fifty to fifty. In Poland security services are an especially prospering industry, about 200,000 people are already employed in security companies and the task force shall be grown by another 80,000 by 2010.

Undertakers

Last but not least - death can and will also be a profit. According to EU plans, the task of managing cemeteries shall continue to remain a public service area, mostly a domain of the communities. The undertakers' service provision shall, however, be subject to the process of liberalisation, for as a consequence of the EU citizens' "freedom of establishment", it must be similarly possible to have a burial place chosen in any of the EU countries. So far uniform rulings to the transfer of corpses into other countries are not yet available. A great number of private undertakers' businesses that have existed in the EU a long time have hardly ever extended their activities beyond country borders. A uniform ruling of burials in the EU is expected to be available by end 2005.

Generally speaking, the EU-15 funeral market as it appears today is less international than other (liberalised) public service areas. Larger European undertakers businesses are active predominantly in France and Great Britain. Much more small scaled are the markets of Germany and Austria. In Sweden the only authority responsible for burials and cemeteries is the church.

The funeral market developed quite differently in the individual EU countries, but generally now growing competition can be noticed among service providers as a forerunner of the gradual opening of the markets.

Germany registers about 4,000 undertakers businesses, the largest of which is *Ahorn-Grieneisen* disposing of 167 branches. In the federal country of *Nordrhein-Westfalen* we came across first examples of privatized cemeteries. A special new form of burial is a price-worthy "anonymous burial" on community grounds and, another, but rather expensive trend, is a "sea-burial" (when the ashes get dispersed into the sea).

In France burials had long been considered a public task of the communities. Hence, the majority of funerals are performed on order of the communities by the *Société des Pompes funèbres générales*. In order to overcome this quasi monopoly position, a number of independent undertakers founded 1986 the *Pompes Funèbres de la Liberté*, which lead to some competition at least.

A very mixed congregation of small, medium and large local authorities, partly co-operating with one another, charity foundations and churches and an intensely growing private sector - these are the owners of cemeteries and burial grounds in Great Britain. There is no ruling on private ownership and management of cemeteries in Great Britain and the complete funeral market is open to private companies. The largest undertakers are the *Co-operative Group CWS Ltd.* and the *Dignity Caring Funeral Services*. They have the right to perform burials, erect and run crematoriums but also to buy and manage cemeteries. Though mortality rates remained unchanged during last years, undertakers' turnovers did increase by about 25 % thanks to higher price levels achieved. The costs for an average funeral in London amount to nearly euro 4,000 today. Great Britain has a new trend of burials on the so called "Woodland Burial Grounds", that is funeral places in nature surroundings. More than 100 such plants exist already.

The Netherlands have very liberal rulings on cemeteries and burials. Cemeteries and crematoriums may be managed by communities but also privately. The shares of earth burials and cremations are almost alike. As regards the erection of monuments in cemeteries, there is hardly any regulation. The types of coffins on offer go far beyond the

norm. The burial of the ashes may take different forms: on meadows designed for disperse (no restraint to cemeteries), in urn fields, in columbariums or in form of a sea- or aircraft burial.

In Austria the cemeteries are owned mainly by the communities, some of them by churches. According to the rulings valid in Austria every deceased or the ashes of a deceased have to be buried in a cemetery. The form of burial may be either earth or fire burial, the decision lying with the family of the deceased unless he/she has declared his will hereto when still alive. The undertakers business had been a licensed industry since the end of the monarchy till 2002 and bound to a successful proof on requirement. Since 2003 only the qualification has to be proven. This makes competition possible. In Austria about 70 community and 500 private undertakers businesses are registered, but the majority of burials are performed by the community companies. Largest funeral institute is the *Bestattung Wien GmbH* in Vienna with 435 employed people. Liberalisation of the crematoriums and cemeteries is not topic just now in Austria.

New Member States

Unless we did point out under the respective chapters the development of individual service branches in the member states-new already above, we will now proceed to indicate special forms of liberalisation and privatisation processes of the public service sector in the new member states. Eight out of ten member-states-new had been part of the Communist Bloc for decades. Cyprus and Malta, on the other hand, both have their specific forms of development for their smallness and for being peninsulas.

15 years since radical political changes started and after a fundamental economic and social transformation process having taken place, the enthusiasm for privatisation has come to an end also in Eastern Europe. Total liberalisation and privatisation of the public service branch as a counter-model to state-controlled economy, has lost its appeal for being the only and unique form to success. High theoretical expectations have meanwhile been amplified by practical experience. And there are even some cases known where people learned from mistakes and took the consequences.

The developments in the EU member states-new from the 90s, when these states were expecting to enter the EU, while the EU experienced herself the peak of the public services on their way to liberalisation and privatisation, make it clear that they did but hurry to catch up with the processes of liberalisation and privatisation in the member states-old.

Nevertheless, the lines of development were not uniform. On one side, they were strongly dependent on the political orientation of government. On the other side, it is evident that states like Malta and Cyprus took another development than the states of the former Communist Bloc.

Malta and Cyprus

...represent, as already mentioned above, exceptions among the member states-new, because of the facts that they had not been members of the Communist Bloc, that they are peninsulas and that their markets are really small.

Malta's public service sector is characterized by model taking from Great Britain - as late as 1964 the peninsula became independent after several centuries of British government - further by strong church influence (e.g. as regards the education system) and finally, by a largely felt absence of resources, which made the provision of drinking water and electric energy basic government tasks accepted till today. Less than half of Malta's drinking water demand is satisfied by ground water while the major part of it is derived from the sea by way

of desalination. Not considered also in Malta is the privatisation of the energy monopoly *Enemalta*, largest employer of the country as well. The Maltese National Health is organised in a similar way as the British system, which means it is free of charge and budget-financed. There is, however, a tendency prevailing to resort to private paid for health service because of higher quality obtained, though the fees for the medical staff are controlled by the government. The privatized share within the pension system is very small, as old-age pensions paid by the state nearly reach the level of working wages. The state-owned shipyard and repair-docks represent prestige objects for Malta's image as a seafarer nation and remain to be property of the state. Only the waste industry will be privatized as the former waste disposal management is outdated and meets lots of problems. Thanks to public subsidizing both, clerical as well as public schools, are free of charge. Partially privatized are the postal and the telecommunication services. To a greater extent liberalized is the media market.

Cyprus is a divided country since Turkey invaded it 1974. On 1st May, 2004, therefore, only the South part of the peninsula entered the EU. Though Cyprus is far off European awareness, its development is quite interesting. Cyprus has the highest per-caput income of the 10 new EU member states. Responsible for this development are the tourism sector and the financial and company service sectors. This explains for the fact that the private security sector employs as many people as the Cypriot police. The Cypriot education system is one of the most advanced in Europe. Childcare is properly built up, also day-care for pupils of secondary-schools. Cyprus has one of the highest rates of university students in Europe. Power generation in Cyprus is strongly dependent on oil imports, which was the reason for Cyprus to become Europe's largest per-caput producer of solar energy. Public health care is free of charge for socially deprived persons, well-to-do persons have, however, high amounts retained on own accounts. National health care is just now transformed from tax to social insurance financing. Private pension systems are not really popular in Cyprus. Post Office and telecommunication in Cyprus are still monopolies. The Cypriots agree on the fact that the provision of drinking-water should for its sensitiveness remain a task of the public. Remarkable is a large public housing sector, caused, of course, by the necessity of providing accommodation for many refugees from the North of Cyprus that had to leave their homes after the Turks occupied the Northern part of the peninsula.

The Baltic States

However much regional uniformity the three Baltic countries assume in our minds, all the more different were their individual developments.

Estonia has a reputation for being the most progressive Baltic country regarding the introduction of market economy, change of economic structures, liberalisation and privatisation of her public services. During the privatisation process practically all public enterprises had been disposed of, new proprietors became mostly Scandinavian companies. As to the education system, there is a free choice of school. Subsidies to universities have been considerably cut down, students will partially have to pay for their studies themselves, 4 out of 10 existing universities have been privatized and ask higher tuition fees so that they can afford qualified teachers from outside the country. Contrary to other Eastern European countries, Estonia has also privatized many cultural institutions beginning of the 90s, but the new proprietors are lacking the necessary financial means. Many institutions - especially cinemas - had to close down. Interesting, because unusual for Europe, is the fact that the majority proprietors of the Estonian railways, the *Eesti Raudtee*, and of the Estonian airline are private.

In the neighbour country **Latvia**, however, privatisation of public services had a slow start after the foundation of the country 1991. Partially privatized were the gas provider *Latvijas Gaze* and the oil company *Ventspils Nafta*, not yet the electric energy provider *Latvenergo*. Great efforts to privatisation have been noticed going on in the sectors university education and health care during late years. Meanwhile Latvia ranks last in the EU with regard to

expenses on national health care. Especially out-patient services have been privatized and relevant equipment was given to doctors or public utility institutions. Private additional payments by patients for medical treatment have been limited by law to 20 %, but, nevertheless, do patients have to pay for dental treatment and for most of the medicaments themselves.

In **Lithuania** the private share was considerably increased in the sector university education, in the energy and gas sectors private shares have the majority. Compared with her neighbour countries, Lithuania still disposes of reasonable and well established health care and health insurance systems, so that financing problems will have to be expected in a few years. Lithuania too gained negative experiences from privatizing cultural institutions: privately managed institutions see themselves unable to fulfil their tasks without public subsidies. With regard to private old-age pensions, the second and third columns of pension provision are of little importance, as the contributions mainly come from employers and only to a small extent from employees.

Austria's neighbour countries and Poland

Liberalisation and privatisation took quite different forms also in Austria's neighbour countries.

Right before and after the foundation of the state **Slovakia** 1993, a first wave of privatisation swept the country, which was, however, stopped by the *Meciar* government by mid 1995. The intention was that the state should hold property stakes of 50 % and more in strategically important enterprises, as in the energy and gas industries, the postal and telecommunication services, the pharmaceutical production, forestry and water industry, and so on. The EU answered by putting an end to financial aid and cutting prospective future EU membership. When the financial problems of these companies increased during the subsequent years, a political change was brought about autumn 1998: The *Dzurinda* government started its term of office with intensive privatisation activities and increased drastically up to then controlled prices for public services. Today the state-owned banks are privatized and so are telecommunication and the big energy providers. Meanwhile even within the government opinions are voiced, regretting the sale of the large bank institutes to private owners and, therefore, the loss of influence to control investment according to the best knowledge of the government; or regretting the influence to control pricing. Despite this, the government keeps to its privatisation concept, for the state badly needs money to carry on its reforms of the pension and health care systems. A range of measures shall cure the financial problems of the national health care: introduction of private additional health insurances, higher amounts retained for patients' accounts, transfer of nursing homes and small hospitals into the communities' authority, conversion of large hospitals into share capital companies and economy measures with regard to benefits and staff.

Quite contrary was the political development in the **Czech Republic**: Up to the year 1998 the country had been dominated by centre-right governments strongly enforcing on the country privatisation which then, after some scandals happening right in connection with privatizing, were replaced by the Social Democrats. During the initial period, the provision of drinking-water and sewage disposal had been privatized and transferred to private investors plus communities. In later years, in special 2003, a reform of the education system was performed underlining the responsibility of the public once more, but, in the meantime, 20 % of the secondary schools had already been privatized. Of interest is also the fact that a majority of the Czech power providers (excepting the gas industry) are still to a major part owned by the state.

Hungary had been exposed to several changes of political direction during post-communist years. Today not a single power plant - except for the only Hungarian atomic power plant - is left in the country that does not belong to either Hungarian or foreign investment companies. As a consequence, the price for electricity went up enormously, it was 2001 three times as much as 1990. The unsuccessful attempts to privatize motorway construction have already

found mention above. A radical reform of administrative structures 1990 transferred control over many public services to the communities. For lack of money, however, 25 % of the communities transferred the supply of drinking-water and disposal of sewage by way of selling licences on to private providers. Similarly, most of the Hungarian communities see themselves faced with big problems as concerns the transfer of many cultural and education centres.

Slovenia has achieved among the successor states of former Yugoslavia the highest level of development and one of the highest among the EU member states. The share of state-owned companies in that small and economically successful country is 50 %, the highest share of all East-European countries, but Slovenia, though, is the only one of these countries that can be expected to achieve the EU-average GDP within the following decade. Many tourism establishments are state-owned, waste industry together with supply of drinking-water and street-cleaning are controlled by the communities or by public community-enterprises. Joint ventures guarantee for a know-how-transfer especially in the waste industry. 99 % of all Slovenian pupils go to public, with no exception state-financed, schools. Universities are unexceptionally public, first private organisations appear only with regard to advanced technical colleges. The Slovenian energy market has been liberalized, but energy-generation and supply are state-managed. Health service in Slovenia is strongly centralised and is provided by a network of public health centres. Until few years ago, foreign investors were unknown to the Slovenian media market, the market has, however, been liberalised. The Slovenian Post Office continues to remain the only universal service provider. The mobile phone market is divided between two providers only. With regard to transport services, Slovenia considers it a national task to have old and decayed traffic routes become efficient to cope with modern traffic, therefore Slovenia invests large amounts in railway- and motorway further construction. The Slovenian railways are state-owned, enterprises controlling local passenger transport are either community- or state-owned. Private securities are less popular in Slovenia than in other East-European countries. Also with regard to the accommodation sector, Slovenia did less of privatisation than other East-European countries.

Poland has long been regarded a “model pupil” concerning market liberalisation and transformation of state property into private enterprises. Waste disposal is to 50 % performed by private companies, as the communities cannot cope with the necessity to dispose of the growing amounts of waste in an ecologically desirable way. Following the year 1989, private education made, as mentioned above, an enormous step forward. When 1989 health service was transferred to local and regional authorities, this, however, turned out to be a failure. Another mistake, as it turned out later, was the competition created among 16 health insurance institutions by granting the patients the possibility to choose among them. A better service package offered at equal contributions paid for was honoured by the patients in that way that more policy-holders were attracted to the insurance institution which then had to bear the higher financial burden. Polish health service was centralised again 2003. The energy market was liberalised at a high speed, surprisingly slow, however, was the privatisation of the state-owned enterprises. The majority of approximately 70 generating and distributing energy companies are still owned by the public. Still higher is the public share in the gas sector. Long-distance heating is mainly provided for by the communities.

In order to sum up, we may establish that the transformation process in the former Communist Bloc countries has been going on for 15 years now and, after initially enthusiastic feelings on liberalisation and privatisation, all sorts of experiences have been gained by the time being. Especially the experiences on privatizing public services have not always been positive. While liberalisation of the media sector proved to be good as it led to a rich variety of information and entertainment, other sectors, for instance health service or motorway construction, were bound to become a failure as expectations had been unrealistically high. The transformation of public service structures (esp. in the energy sector, postal services and telecommunication) to market-orientated businesses was accompanied for all people by price increases, for many working people by loss of work-place. What we notice is, that similar to developments in the member states-old, also in the member states-new people

begin to learn from own experiences and from others' and assume a more careful approach to transformation processes regarding their national economies and public services.

The ÖGPP ...

The “Austrian Association of Policy Consulting and Development” (= Die “Österreichische Gesellschaft für Politikberatung und Politikentwicklung”) has been constituted as a non-profit organisation, founded 2001 with the objective to promote among the general public intellectual approaches to politics and political consciousness; further to identify and analyse basic problems of political consulting and policy development; and, additionally, to research on future trends and prospects.

What does this mean? That we think about the past and anticipate the future with regard to politics, trends and developments, and that we intend to contribute to a public political dialogue scientifically sound material.

The ÖGPP gained first recognition when it reviewed the chapter on ‘privatisation and liberalisation of public services in the EU-25’ and made it a compact survey, and also on ‘Electoral systems in the EU-25’. 2004 the “Report on poverty and wealth in Austria’ received attention.

The ÖGPP publishes her complete work on her internet-homepage www.politikberatung.or.at