Position Paper

SGIs and the Future of the EU Single Market

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Introduction

The current shape and governance of the Single Market fail to recognise SGIs as the foundation of the European Way of Life and consequently **miss the opportunity to make all kinds of "citizens" (from people to economic and social actors) feel the benefits brought by the Single Market to their daily lives**.

This happens at a time where on the one hand the expectations of citizens are growing in terms of the protective function of EU policies in areas such as access to health services, energy and other essential products and services at reasonable prices and, on the other hand, there is a clear need to foster innovation and competitiveness through competition policy, but exploring new routes to modernise the approach of EU economic law, to reconcile better free competition and the freedom to operate a company with common EU public goods (in particular, high levels of health and environmental protection).

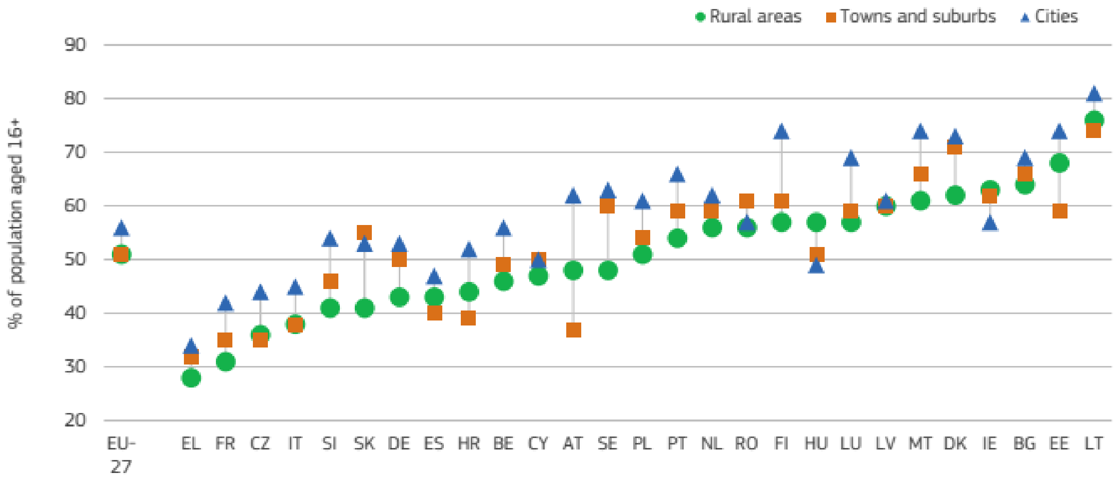
The disconnect between Single Market and Cohesion Policy

The Single Market was designed in the 80s and established in the 90s. In the same years, the cohesion policy was designed and established. However, Jaques Delors' original intention to make those two policies complementary and reinforcing each other partially failed. The two policies did not "run in parallel" and, therefore, failed to serve the ultimate purpose of improving citizens' lives.

Over the years, an artificial and misleading line was drawn between the Single Market and Cohesion policies: the first became the main tool for a certain type of economic development and the relatively wealthier part of EU citizens (those able to profit from the four freedom of movement genuinely), the second a "corrective" measure to come in support of companies and citizens that were not able or willing to move. That way, a growing separation was created between the "productive" and the "non-productive" parts of EU actors (companies or citizens).

This artificial separation also led to a growing divergence between EU Member States and Regions and citizens' discontent towards the EU institutions and policymakers. This divergence can be seen in many EU regions where citizens feel neglected by the EU. Within those regions, people felt that they are worse off than they were in the past and worse off than other Europeans. This divergence is striking when we compare rural and urban areas' thoughts on EU institutions:

Figure 6.20 People who tend to trust the EU by degree of urbanisation, 2019

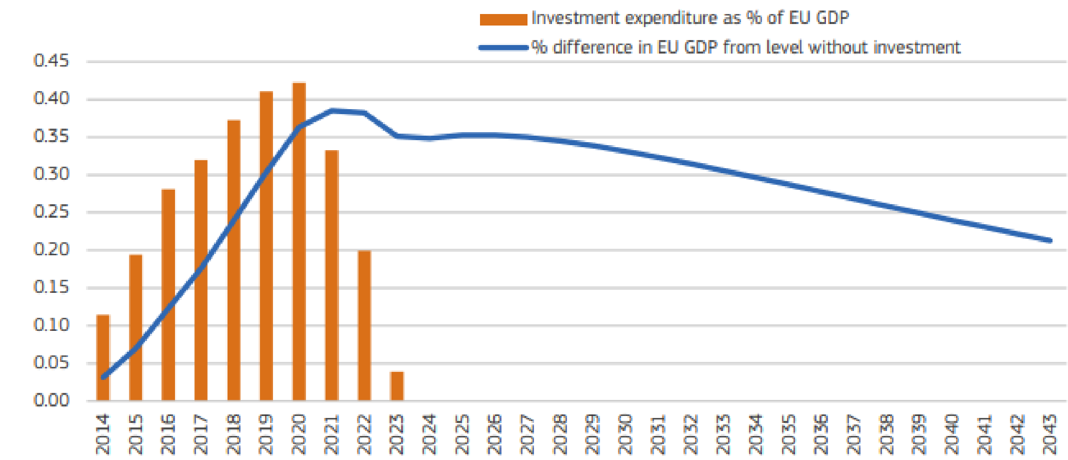


Source: Eurobarometer.

Source: *Cohesion in Europe towards 2025 – Eighth Report on Economic, Social and Territorial Cohesion – DG REGIO – 2022*

In addition to the "geography of discontent", the divergence also has a clear economic implication, ultimately impacting EU GDP:

Figure 9.6 Impact of cohesion policy investment, 2014-2020, on EU GDP, 2014-2043



Source: RHOMOLO.

Source: *Cohesion in Europe towards 2025 – Eighth Report on Economic, Social and Territorial Cohesion – DG REGIO – 2022*

SGIs to reconcile the competitiveness and cohesion agenda

General framework

The EU's response to the multiple crises Europe has faced lately, from the pandemic to energy dependence, tells us that a paradigm shift is possible in several EU policies, with a new focus on solidarity and going beyond GDP. This new setting makes rethinking the Single Market possible, too. Or, more correctly, it makes it possible to go back to the original values that inspired Jacques Delors, finally **reconciling Single Market and cohesion policies,** spelling out and **giving dignity** to one undervalued freedom: **the freedom to stay.**

Accessible, affordable, and high-quality services of general interest covering all EU Regions, from urban centres to rural areas, are the **key preconditions for citizens to exercise their freedom to stay.**

Only a structured approach and constant investment in services of general interest can guarantee that this freedom is fully exercised and that all territories are equipped with sound physical and social infrastructure, giving all – citizens, companies, and social actors – the possibility to exert genuine freedom of choice on where to live, work, and flourish in Europe.

The lack of a structural approach to SGIs results in turning to them only in case of market failure or when facing a crisis and suddenly realising that some territories or entire sectors cannot perform because of decades of underinvestment and consequent brain and infrastructure drain.

This can be exemplified through key sectors having been or soon to be at the centre of "a crisis":

1. Healthcare:
The pandemic and an accelerated demographic transition have exacerbated existing strains on the care system. While those services were thought to be "infinite", immediate shocks such as pandemics or structural trends such as ageing highlight that EU citizens could not be guaranteed continued access to healthcare and long-term care in a geographically even way.

A reflection must take place on the importance of the care sector, which must be seen as an investment and not an expenditure. Hospital and care structures are important employers, and their proper functioning is central to our social model. Investing in care must remain a priority, both for ensuring the continuation of existing activities and to prevent and anticipate future challenges. The challenges faced by the sector during the COVID-19 pandemic, as partially illustrated below in one of the many examples of the impact of COVID-19 on healthcare systems, are only the tip of the iceberg; the sector has suffered since decades of budgetary cuts.

Figure 5. Matrix of influencing factors and health impact for the IT-FR-AT-SI cluster

	RUR	DENS	H.BEDS	DOCTORS	COMORB	CARE.BEDS	AGED 70+	POVERTY	INDUS	CONNECT	CASES	DEATHS	FAT.RATE
AT Tirol	83	60	670	561	729	816	13	16	0,2	1,3	8276	90	1,1
AT Kärnten	79	60	819	481	977	1011	16	17	0,1	1,6	7136	146	2,0
SI Zahodna Slovenija	30	127	523	377	787		14	12		2,5	12139	224	1,8
IT Friuli-Venezia Giulia	0	160	333	403	1105	739	20	14	0,4	2,1	8873	314	3,5
IT Veneto	30	282	323	343	931	739	17	11	1,1	5,4	8678	237	2,7
IT Prov. Autonoma di Bolzano	100	72	388	323	763	755	15	12	0,6	1,2	13689	221	1,6
IT Prov. Autonoma di Trento	0	88	348	331	870	910	17	14	0,1	0,8	8335	249	3,0
IT Lombardia	10	436	346	368	911	693	17	16	1	5,7	8333	335	4,0
IT Valle d'Aosta	0	39	353	355	1034	110	18	8	0,3	1,1	9278	377	4,1
IT Piemonte	47	172	348	366	1118	762	20	17	0,8	3,2	8362	270	3,2
IT Liguria	0	284	337	451	1300	503	22	18	0,4	3,4	6740	284	4,2
IT Emilia-Romagna	0	202	370	419	1067	488	19	16	0,7	4,1	8602	295	3,4
FR Rhône-Alpes	40	151	571	346	724		14		0,3	3,2	8883	141	1,6
FR Provence-Alpes-Côte d'Azur	40	162	703	407	911		17		0,5	2,9	8883	155	1,7

Notes: data for Zahodna Slovenija are national averages. For French regions, national data for cases and NUTS1 level data for fatalities.

Source: *Regional differences in Covid-19 response: exposure and strategy – European Committee of the Regions – 2021*

To adapt and preserve the integrity of the EU Single Market, we believe there is room for more action to create pure and genuine EU Public Goods in the healthcare sector, especially on pandemic preparedness.

2. Water:

As highlighted in the first-ever [European Climate Risk Assessment (EUCRA)](#) published by the European Environmental Agency on 11 March 2024, **severe droughts have become increasingly common in Europe, and floods, heatwaves, and fires further reveal the impacts of climate change. At the same time, the economy and finance face multiple climate-related risks, with water scarcity being one of the major risks**. Risks to European solidarity mechanisms are already critical and require urgent action.

Table ES.5 Assessment of major risks

Climate risks for 'Economy and finance' cluster	Urgency to act	Risk severity			Policy characteristics		
		Current	Mid-century	Late century (low/high warming scenario)	Policy horizon	Policy readiness	Risk ownership
European solidarity mechanisms		+++	++	++	Short	Medium	Co-owned
Public finances		++	++	++	Medium	Medium	Co-owned
Property and insurance markets		++	++	++	Medium	Medium	Co-owned
Population/economy due to water scarcity (hotspot region: southern Europe)		++	++	++	Medium	Medium	Co-owned
Population/economy due to water scarcity		++	++	++	Medium	Medium	Co-owned
Pharmaceutical supply chains (*)		++	+	+	Short	Medium	EU
Supply chains for raw materials and components (*)		++	++	++	Short	Medium	EU
Financial markets		+	+	+	Short	Medium	Co-owned
Winter tourism		+++	+++	++	Medium	Advanced	National

Legends and notes

Urgency to act: Urgent action needed; More action needed; Further investigation; Sustain current action; Watching brief

Risk severity: Catastrophic; Critical; Substantial; Limited

Confidence: Low: +; Medium: ++; High: +++

(*) Wide range of evaluations by authors and risk reviewers.

Source: *European climate risk assessment – Executive summary – European Environment Agency – EEA Report O1/2024*

Water-related issues must now be addressed as a priority for the EU, focusing on access to quality water while ensuring that water providers have the means to fulfil their missions. SGIs are crucial to mitigation and adaptation to extreme events, which points to the need to develop the EU's foresight capacity to anticipate and prevent future crises by reinforcing SGIs providers' capacity to adapt.

We, therefore, call for a **European Water Resilience Initiative** to provide a framework that reduces the risks of competition over this strategic resource among European socio-economic actors and secures **enough water of the right quality at the right time.**

An Action Plan for High-quality SGIs in Europe

Services of general interest must be given the appropriate value and means to play a central role within the Single Market on a permanent level and not as the "necessary evil" or "last resort" face to a market failure or an unprecedented crisis requiring public (most often state) intervention.

For that organic and enabling role to be exploited at best, we need, on top of political will to develop SGIs, **an alignment on the SGI Acquis between primary – Article 14 and Protocol 26 TFEU - and secondary legislation.** Article 14 TFEU and Protocol 26 TFEU, as well as Article 36 of the EU Charter, provide a strong legal basis for the provision of affordable and high-quality SGIs. Therefore, we do not need new primary legislation; we rather need to improve the reflection of the latter through improved transposition at EU, national regional and local levels, in full respect to the principle of subsidiarity as per Article 14 TFEU and Protocol 26 TFEU, to prevent the unnecessary fragmentation of policies affecting SGIs.

If the EU continues to promote only fragmented approaches to SGIs through sectoral legislation, it will lack a coherent and holistic vision for SGIs. We witness the emergence of a growing body of ECJ case law related to SGIs, where courts are called to fill the gaps left by the legislator on several aspects at the core of the definition and activities of providers of services of general interest. This leads to further fragmentation, uncertainty, and a legal loophole: the ECJ must not replace the legislator.

Political will and a full understanding of the opportunities SGIs provide and the challenges they face need to be at the basis of that coherent approach. Therefore, **we recommend the next European Commission to appoint within the next College a Vice-President in charge of SGIs**. Only a Vice President could indeed ensure policy coherence between the political competences of SGIs currently scuttered between too many Commissioners within the College[1].

The future Vice President for SGIs shall be responsible for putting forward an **Action Plan for high-quality SGIs in Europe.** A starting point would be to develop Principles 16 to 20[2] of the European Pillar of Social Rights (EPSR), finally bringing back together services artificially separated by the EPSR, all being SGIs. The Action Plan would be a voluntary instrument that can prove its benefits when its principles are **operationalised via existing tools, such as the European Semester.** The Action Plan would, therefore, detail how to bring the principles of the EPSR to life.

[1] We could mention and highlight, for instance, the role that SGIs must play to address challenges related to "Democracy and Demography", their centrality in the "European Way of Life", their contribution to support "Jobs and Social Rights", how the "Internal Market" and "Competition" policy shape them or how they support "Cohesion" and the "Economy").

[2] Principle 16 on "Health care", Principle 17 on "Inclusion of people with disabilities", Principle 18 on "Long-term care", Principle 19 on "Housing and assistance for the homeless" and Principle 20 on "Access to essential services".

ANNEX: Input on services of general interest and the Single Market

This annexe is based on the main takeaways from the event organised by SGI Europe on 7 December 2023 in the presence of Mr Enrico Letta, rapporteur mandated by the European Council and the European Commission to deliver an independent High-Level Report on the Future of the Single Market.
The event featured the participation of the members of the SGI Network and several other stakeholders, including citizens from the conference on the future of Europe (CoFoE).

Agenda and list of speakers:

"Democracy in Action: Putting citizens and SGIs at the heart of the Single Market

10:00-10:15
Welcome and introductory remarks by:

- Pierre-Yves Dermagne, Vice-Prime Minister, Minister for Economy and Labour, Belgium

10:15-10:50
SGIs' commitment to a dynamic EU
Moderated by: Valeria Ronzitti, General Secretary, SGI Europe
Introduction by Pascal Bolo, President, SGI Europe
Discussion with:

- Milena Angelova, Vice-President, SGI Europe
- Filippo Brandolini, Vice-President, SGI Europe
- Ozgür Öner, Director of the EU Representation, GdW Federal Association of German Housing and Real Estate Companies

10:50-11:15
Coffee break

11:15-11:45
SGIs in the EU Single Market
Moderated by: Stéphane Rodrigues, Professor at Sorbonne Law School (University Paris I)
Discussion with:

- Marine Gaudron, Advisor Economic, Social and Territorial Cohesion, Local Finances, CEMR
- Botond Szebeny, General Secretary, PostEurop
- Alberto Mazzola, Executive Director, CER
- Leonie Martin, Advisor to the General Secretary, HOSPEEM

11:45-12:15
Exchange of views with citizens from the Conference on the Future of Europe *(panel organised with the European Movement International)*
Moderated by Petros Fassoulas, General Secretary, European Movement International

- Valentina Balzani
- Annemie De Clerk
- Huub Verhoeven

12:15-12:20
Concluding remarks, by Enrico Letta, rapporteur on the Future of the Single Market

Cross-sectoral perspective

Description of the problem

The current shape and governance of the Single Market fail to recognise SGIs as the foundation of the European Way of Life and a key enabling factor for Europe to lead in the global competition. It also fails to recognise SGIs as a direct actor of productivity and competitiveness.

The Single Market is a cornerstone of European integration. Over time, through collaborative efforts, even the most visionary expectations for the Single Market have been exceeded. As a result, it has been transformed from a mere area of free trade without tariffs or non-tariff barriers into the world's largest integrated market area, which is based on a robust legal framework and offers ample economic opportunities for companies, including SGI providers. Through the Single Market, the EU led by example the transition to a more rule-based, interconnected, and globalised world. After decades of progress along this trajectory, we now witness escalating geopolitical rivalries and increasing global competition that demands a future Single Market adapted and resilient to the new challenging environment while still capable of underpinning the competitiveness of the EU economy.

A strengthened Single Market is the basis for the EU's long-term competitiveness and resilience, offers protection against unwanted external influences (including strategic dependencies), and can underpin the implementation of the Green Deal as the new EU growth strategy.

SGIs are a core element of the EU social market economy. Accessible, high-quality, and affordable SGIs are indispensable to the lives of citizens and enterprises. They support EU autonomy by providing important services, managing critical infrastructures and contributing directly to the growth of the EU economy. Therefore, they should be acknowledged as drivers for innovation, uptake of new products and services, and facilitators of the twin transition.

However, increasing regulatory complexity is challenging for European companies, especially for SGI providers. To prevent administrative burdens from hampering their growth and development, we call for a targeted SGI-oriented impact assessment. Currently, there is a lack of impact assessment (IA) for legislative proposals or impact assessments of low quality. The 2023 annual report of the Regulatory Scrutiny Board (RSB) shows that 62% of all legislative proposals and three implementing measures (0,5%) were accompanied by an IA. The RSB scrutinised 70 impact assessments (compared to 83 in 2021) and eight major evaluations. 34% of the IA obtained the first negative opinion. RSB stresses that there is room for improvement in the Commission's Impact assessments.

Furthermore, there are driving forces pulling the European Union in a direction where fragmentation and marginalisation will increase. Among them are demographic and innovative/digital transitions. SGIs' providers are the backbone of European society; hence, SGIs can provide services to European society that will help fill this gap.

In the meantime, we must address the core question: What are services of general interest? Services of general interest are instrumental in reflecting the relationship, duties, and responsibilities between the state and its citizens. Economically speaking, the more taxpayers contribute to the state, the higher expectations they have regarding the services and securities provided by/on behalf of the state. The balance between provision and fulfilled expectation is the basis for social cohesion in Member States. Services of general interest are not simple commodities like other goods in the Single Market.

The difficulty here is to define the exact remit of what we call services of general interest. 92% of German public housing companies are limited liability companies (GmbH). 8% of the municipal housing companies in Germany are joint stock companies. Companies in the legal form of a capital company (Limited and corporation) act independently and are not bound by instructions. In addition, public and municipal housing companies are usually required by their statutes to have their annual accounts audited. Municipal housing companies are also treated as private housing companies under insolvency law. A transfer of liability for liabilities of the company by the shareholder is not automatically granted.
Thus, the spheres of the company and the shareholder are not mixed. The financial data of municipal housing companies can be determined.

Moreover, public and municipal housing companies are not granted any financial benefits by the shareholders, such as using municipal credit ratings and conditions. They can also not use the public sector's human resources despite its involvement.

Root causes of the problem

The Single Market was designed in the '80s and established in the '90s. In the same years, the cohesion policy was designed and established. However, Jacques Delors' original intention – to make those two policies complementary and reinforce each other – partially failed. The two policies did not "run in parallel" and served the ultimate purpose of improving citizens' lives. Over the years, an artificial and misleading line was drawn between the Single Market and Cohesion policies: the first became the main tool for a certain type of economic development and the relatively wealthier part of EU citizens (those able to profit from the four freedom of movement genuinely), the second a "corrective" measure to come in support of companies and citizens that were not able or willing to move. That way, a growing separation was created between the "productive" and the "non-productive" part of EU actors (being companies or citizens).

The above tension was favoured by the vision of some of the prominent politicians, such as Margeret Thatcher, Gerhard Schröder and Tony Blair, who supported what became over time the economic idea behind the Single Market we know today. They started deregulating their national markets systematically and, consequently, the European market. Today, an overwhelming majority of services of general interest are organised and provided by private companies with a public share. However, the mission of the Single Market has not changed over the past 30 years, and the European Union still considers public companies as a "necessary evil", as highlighted in the definition of market failure conception or the state aid policy. This resulted in several pieces of legislation that directly or indirectly penalise SGI companies of all sizes. To name only two of them:

SME Definition (2003):
SMEs with a participation of more than 25% of a municipality are not defined as SMEs in Europe.
In the European Commission's User Guide for the definition of SMEs, it is argued that even a very small company has access to substantial additional resources because it is owned, intertwined, or partnered with a larger company. It is also stated that it is often impossible to calculate the relevant personnel and financial data for public sector bodies or bodies governed by public law. However, this reasoning does not apply to municipal housing companies and a large number of public companies in Germany. The autonomy of public and municipal housing companies in Germany is determined by their legal form as private companies. Thus, they are subject to requirements that do not arise for comparable companies.

Public Procurement Package (2014)
The idea behind this law is to open the market for goods and services. But the theory clashes with reality. European public procurement procedures are time-consuming, cost-intensive, workforce-intensive, and less efficient. Public companies with local services, e.g., gardening services for the green area in housing districts,

must be tendered European-wide. But 99% of the bidders are local, and 1% are regional, rendering the procedure unnecessarily burdensome for no added value for neither of the actors involved.

Recommendations

The EU's response to the multiple crises Europe has faced lately, from the pandemic to energy dependence, tells us that a shift of paradigm is possible in several EU policies, with a new focus on solidarity and going beyond GDP. This new setting makes rethinking the Single Market possible, too. Or, at least, to go back to the original values that inspired Jacques Delors when setting the Single Market, finally reconciling it with cohesion policies and making the two mutually supportive.

In practice, this can translate into several actions, from long-term to mid- and short-term perspectives, such as:

Short term:

- **Anticipate SGIs in times of scarcity** – especially valid for areas where growing pressure is observed due to different reasons – e.g., the health and care sector, education, transportation (due to severe labour shortages), energy and water (due to climate change and geopolitical developments), etc. To that aim, EU Public Goods should be set up.
- **Make sure that future legislation is friendly also to SGI providers and gives clear instructions and guidance** to them to help them understand regulatory requirements, thereby making it easier for them to operate within the Single Market. Administrative burdens hamper growth for enterprises. Taking into account the exemptions in place for SMEs, SGI Europe has been calling for a long time for the SME Definition to be slightly changed and to stop discriminating against SMEs on the structure of ownership – currently, small and local SGI providers are currently left out of the SME definition in the case of state or municipal participation of 25% or more. Limitations of their size shall be better accounted for in future legislation that shall be better tailored to their needs, including by incorporating an end-user perspective through 'life events', for example, by mapping the administrative process step-by-step. In the meantime, public and municipal companies operating independently in a legal form of a capital company that is independent in terms of finances and personnel and that meet the SME size criteria, regardless of their ownership structure, shall be treated as SMEs.
- **Streamline the ecosystem behind the sustainability reporting obligation**. The upcoming requirement to report on sustainability matters imposed by the European Corporate Sustainability Reporting Directive (CSRD) is expected to significantly increase the demand and transfer of sustainability data not only for the obliged entities but also for those that are part of a value chain of a reporting company. To simplify the process, we should work to standardise sustainability data, including its collection and transfer. In doing so, we would not only enhance the trustworthiness of the data but also reduce SGIs' administrative burdens without undermining the related policy objectives.
- **Take into account the local dimension of SGI companies in the public procurement law.**
- **Ensure that SGIs have access to the necessary skills and safeguard the free movement of skills**. Their current biggest problem is the lack of access to a skilled workforce. To that extent, a better match between education, VET, and employers' needs is necessary, as is lifting all obstacles to the free movement of people, including through the complete integration into the Schengen area of all interested Member States.
- **Continue removing remaining barriers to trade and free movement across the Single Market**. An estimated EUR 713 billion could be added to the European economy by the end of 2029 if the remaining barriers to the Single Market for goods and services are eliminated. This underscores the importance of continued efforts to enhance the enforcement of Single Market rules at both the EU and

national levels and to continue the work on removing barriers to the free flow of goods and services. The Single Market Enforcement Taskforce (SMET) is a key tool in this regard.
- **Prevent new barriers from emerging**. Every year, around 700 national technical regulations are notified, fragmenting the Single Market and preventing trade. This especially impacts SGIs, which still struggle to overcome existing barriers. It is thus crucial to check that national technical regulations comply with the Single Market rulebook before being adopted into law and to ensure that gold plating is avoided.

Medium-term: Initiate a European Pillar of SGIs and its Action Plan

- Article 14 TFEU and Protocol 26 TFEU, as well as Article 36 of the EU Charter, provide a strong legal basis for providing affordable and high-quality SGIs, and need a better transposition and implementation at EU, national, regional, and local levels.
- In too many cases, the coherence between primary and secondary legislation that impacts SGIs is lacking. Two concurring factors can explain this:
  - SGIs are in the middle of the "tension" between the Single Market and Cohesion policies described above. Asked to concur in the market in several sectors (i.e. energy) they are also asked to guarantee territorial and social cohesion by serving territories that no one else would serve otherwise (i.e. very peripheric and rural regions, clearly not profitable), highlighting that market actors would gladly replace public intervention if they were in a position to fulfil the cohesion mission.
  - Because of the above, SGIs do not benefit from a coherent policy at the EU level: the necessary respect of the principle of subsidiarity as per Article 14 TFEU and Protocol 26 TFEU resulted in an unnecessary fragmentation of policies affecting SGIs. Left with exclusively sectoral approaches, SGIs lack a coherent and holistic vision and visibility within the EU institutions.

- To revert this trend, we recommend:
  - For the next European Commission to appoint a Vice-President in charge of SGIs.
  - The future SGI VP to propose an Action Plan for high-quality SGIs in Europe, starting with the operationalisation of principles 16 and 20 of the EPSR via existing instruments, such as the European Semester.

Long term:

There must be a complete rethinking of the Single Market to eliminate the tension between the Single Market and Cohesion policies. The two must serve both companies and citizens, putting the daily lives of people at their core.

The re-thinking can lead to:

- Accommodate the two policies to new realities and needs that emerged following the series of crises Europe underwent (from the pandemic to the energy crisis, etc.). This would mean accepting only as much change into the two policies as can be accommodated within the old structures.
- Replace the "old couple" with a brand-new policy based on today's geopolitical reality and the position of Europe within it. It is clear that recipes from the 80's cannot work today. The growing awareness that the "market alone" is not the panacea can facilitate the shaping of such a new policy, anchored into "beyond GDP" principles.

Sectoral input: Utilities (via UTILITALIA)

Description of the problem

Utilities:

Encompassing energy, water and waste services, utilities play a fundamental role in the ecological transition. Decarbonisation, energy transition and the circular economy are part of their core operations, together with social sustainability and inclusion policies. Future challenges require these services to be managed industrially even more than in the past. We need companies with a relevant minimum size to pursue efficiency and with a solid organisation of engineering and fit to innovate, as well as the financial capacity to invest.
In various member states, starting with Italy, these services are often still managed directly by municipalities or small companies and still suffer from extreme fragmentation which limits development and investments. In this context, it is important to create the conditions to encourage aggregations through incentives or special regimes, which must not be seen as obstacles to the market and competition, but rather tools enabling the market and competition to effectively develop after defining perimeters fit to an industrial management and after industrial entities of adequate size operating.

Local Distribution System Operator (DSO):

DSO (distribution system operator) companies will play an essential role in the diffusion of renewables, also at the level of distributed generation and energy communities, as local enablers, developing and sharing with the local authorities the plans for the locations of the renewable energy power plants and the consumption of the related energy. DSO will be called not only to make very substantial investments for the reinforcement and resilience of the networks but also to contribute to the shared and planned management of energy flows.

Waste management and recycling

The transition towards the circular economy, addressed by various directives and regulations, involves the achievement of important targets for all member states, in particular recycling. By 2035, 65% of municipal waste will have to be recycled or prepared for reuse, and by 2021, the recycling figure will still be below 50%. This means that if we take as a reference the production of municipal waste at the European level in 2021, which was over 225 million tons, approximately 150 million tons of secondary raw materials will be released into the market. Secondary raw materials must compete with raw materials on the market, and cases in which the latter cost less than secondary raw materials are not uncommon. This means that pursuing mandatory environmental objectives may conflict with competition in the commodity market. The proposed Regulation on packaging and packaging waste, although containing various critical aspects, introduces some interesting provisions, which constitute an initial partial support for the recycling industry, such as the recyclability of packaging and the minimum recycled content in new packaging.

Recommendations

Recommendation 1 on utilities:

- In the case of two small companies, one of which is entirely public, which manages the water service in neighbouring territories, and which decide to merge. The operation could be encouraged by using the duration of the concession as leverage. It is important to recognise the industrial value of this merger, which, at the end of the existing concessions, will deliver to the market and, therefore, to the competition a completely new entity which will have to demonstrate that it is able to stay on the market by itself.

Recommendation 2 on DSO:

- A need for adequate political and tariff support for investment plans in the networks, but also through dedicated tools to support the creation of local flexibility markets and promoting targeted technological innovations in conditions of equality and collaboration with the Transmission system operators (TSO).

Recommendation 3 on waste management and recycling:

- To better protect waste management consistent with the European waste hierarchy and compliance with recycling objectives, it would be necessary to introduce economic incentives to address the critical phases of the commodities market, guaranteeing an economic value less subject to volatility and a guarantee of an outlet in the production sector, for example through the valorisation of the contribution to decarbonisation given by secondary raw materials, which notoriously entail lower energy consumption compared to virgin raw materials.
- In general, it would be useful to level the playing field by having common rules for secondary raw materials in the commodities market, for example, in relation to the tenders for the secondary raw materials deriving from the separate collection of municipal waste and to the permitting processes of new and technologically advanced plants.

Sectoral input: Hospitals and Healthcare (via HOSPEEM)

Description of the problem

It is clear that the principles of the Single Market should not apply to hospitals and healthcare employers. Several times, concerns were raised about this. The last big reform of the Single Market (Bolkestein Directive of 2006) did not mention health. The reason was that health provisions are different from the classic economic model. Indeed, Member States are responsible for providing quality care for their residents and for finances. It is important to respect the principle of subsidiarity here.

The EU has a coordinating role in public health, even more so since the COVID-19 pandemic. Several agencies and instruments are meant for this: HERA, ECDC, the European Semester with health indicators, and soft instruments like the Joint Actions HEROES on health workforce planning.

However, the rights and benefits of the Single Market have been translated through different means. First, 2011/24/EU Application of Patients' Rights in cross-border healthcare gives the right to receive healthcare in another Member State and to be reimbursed provided it fulfils specific conditions.

Then, the 2005/36/EC Recognition of professional qualifications (modernised in 2013) supports freedom of movement by granting automatic and mutual recognition to five regulated health professions (physicians such as GPs and specialists, nurses, midwives, dental practitioners, and pharmacists). It is crucial to invest in human skills such as communication and language to lower the threshold for using freedom of movement.

Another example is the Working Time Directive. This directive assumes industrial standards for working time, but it does not reflect the reality of shift work in hospitals and the healthcare sector.

Healthcare, like any other SGI, is at the heart of the EU economy. The pandemic showed that without it, the economy is at risk of complete collapse. The hospital and healthcare sector are not just pots where money can be thrown; they must be seen as proper investments. But, in the meantime, we must avoid treating health like any other profit. It would be a threat to quality care and to the European way of life.

Recommendations

- **Recommendation 1**: Hospitals and the healthcare sector is asking for strengthening the Social Dialogue, which is bringing more positive things than if there was no social dialogue at all. The Council Recommendation to strengthen the social dialogue needs to be implemented properly by Member States.
- **Recommendation 2**: Hospitals and healthcare employers call for more flexibility in work. The so-called skills mix is, for example, a good basis for enhancing the flexibility of the hospital and healthcare sector workforce.
- **Recommendation 3**: When it comes to digitalisation and the use of Artificial Intelligence, the hospitals and healthcare sector is a sector where digital tools will not replace human labour. It would be worth making proper investments in human skills and the workforce, such as communication and language skills because the human factor will remain the main factor in this sector.
- **Recommendation 4**: The principle of ethical recruitment, within the EU and with countries outside the EU, should remain at the core of the recruitment process in the hospitals and healthcare sector.
- **Recommendation 5**: In line with the last reform of the EU Single Market (Bolkenstein – 2006), the EU should differentiate the healthcare economy model from the classic economic model. Doing so will prevent the creation of profit competition between non-profit entities.
- **Recommendation 6**: The money spent, and to be spent, in hospitals and healthcare should be seen as a proper investment and not as wasted money.

Sectoral input: Local governments (via CEMR)

Description of the problem

The EU is built on the fundamentals of cooperation and solidarity. If the EU Single Market is the backbone of the EU integration project, the Cohesion Policy can be associated with the very DNA of the EU. It is the essential counterpart to the EU Single Market.

Indeed, when it comes to services of general interest (healthcare, education, transport, environmental protection, etc.), if left to the market, they are at risk of market failure and inequitable allocation of resources, especially social and territorial inequalities, or at risk of underspending. We see very well that in the current difficult financial situation for local and regional governments, they will prioritise the daily running of activities over longer-term but necessary investments.

We need a European-level policy to reduce economic, social, and territorial inequalities. This is the raison d'être of the Cohesion Policy. The Single Market and EU Cohesion Policy are very different but have the same final objective: increasing overall growth and prosperity within the EU. They are part of our European acquis.

In view of the Future of the EU Single Market, it is essential to ensure that it works hand in hand with an effective European economic, social and territorial Cohesion Policy. If the Single Market is to be more than a framework for economic development and growth, it must be considered as an instrument for sustainable development, leaving no one and no place behind.

Root causes of the problem

Yet in recent years and even months, it seems that the EU is trending in the opposite direction, towards the renationalisation of common policies.

This has been particularly striking during the COVID-19 crisis and the impact of the Russian war on Ukraine. The Single Market made possible a joint EU response, the collective purchase of vaccines, and measures to support SMEs, companies, and households against economic difficulty and inflation. However, the first reflex during COVID-19 was to restrain freedom of movement again and – against the principles behind the Single Market – to relax state aid rules.

More recently, and as part of the EU's new industrial policy and attempt to boost the competitiveness of EU industries and strategic enterprises on the global market, we have seen an important change in the principles of Cohesion Policy: it is now possible to support with the regional development fund large enterprises that are of strategic importance. But what the 8th Cohesion Report has made very clear is that innovation and capital tend to concentrate in only a few places, mostly capital regions and cities. So we wonder whether such a move is not posing an additional risk to the objective of reducing territorial disparities and fostering convergence between EU regions.

Recommendations

- **Recommendation 1**: EU institutions and policies should ensure that European citizens, wherever they live, have access to quality and efficient SGIs. And this should go hand in hand with unlocking the investment capacities of local and regional governments.
- **Recommendation 2**: A true capital union could also mean additional possibilities for European municipalities and regions to pool resources with a European-level promotional bank dedicated to local and regional governments.

Sectoral input: Postal operators (via PostEurop)

Description of the problem

Postal services contribute to the preservation of the EU Single Market

- Territorial presence: Postal companies have the largest physical network in Europe and worldwide (branch offices, collection and pick-up points). They are able to deliver services across whole countries and cross-border to all types of customers (citizens and enterprises), especially vulnerable ones, thus reaching out to 450 million citizens on a daily basis.
- People-centred: Focus on vulnerable groups of citizens and local SMEs. Postal employees (2 million alone in Europe) are the key assets (postal companies are among the biggest employers).

Postal services contribute to the widening of the EU Single Market

- Through best-practice/knowledge-sharing, training and development projects (financed by EU, or Universal Postal Union), PostEurop helps not only its members from EU candidate and potential candidate countries to prepare for operating in the Single Market but also postal operators and concerned national authorities worldwide (e.g. implementation of ICS2 rules, standardisation of postal services).

Postal services contribute to the deepening of the EU Single Market

In response to continuous disruptions (digitalisation; changing consumer behaviour, continuing urbanisation, increasing demographic disbalances, climate change, global crisis) and continuous decline in letter volumes:

- The postal industry is moving from the traditional delivery of letters to the delivery of parcels/packets, benefitting thus from the booming e-commerce market. Nevertheless, the falling mail volumes put the financing of the universal postal network under enormous pressure, as the e-commerce volumes only partially compensate for the lost mail operations.

- The recent crisis also demonstrated the key role of posts in critical situations with nationwide impact when postal services were rediscovered as part of the critical public infrastructure. Postal service is an essential SGI, and its role as an instrument of social cohesion shall be further enhanced.

In case of Covid-19, postal operators i) remained operational during lockdown, even in the most affected areas; ii) were the key partner of the governments (delivering government information, testing sets, protective & health equipment, medicines, food & groceries, social security payments); iii) began to offer services beyond the “last mile” e.g. ‘checking-in’ on vulnerable along the delivery route; supporting local companies (going online; informing/staying in touch with customers).

In case of war in Ukraine, postal operators i) engaged in keeping the postal flows to/from Ukraine; and ii) organised numerous national actions for Ukrposhta and the citizens e.g. medium to large-scale humanitarian aid (collecting and donating vital supplies such as food, clothes, medical equipment); cooperation with humanitarian charities; postal items to Ukraine for free; money transfer services for free; calls from postal telecom companies for free; fundraising; issue of special stamps; accommodation for refugees; jobs).

Future evolution of the problem

- Postal operators further diversify postal activities into digital services with the need to be multi-channel (complementary physical and digital dimensions).
- Postal operators continuously innovate, i.e. develop innovative services (INTERCONNECT cross border e-commerce delivery network) and innovate in operation (especially in the last-mile delivery and sorting. e.g. parcel lockers).
- PostEurop members are committed to sustainability on its three dimensions – economic, social and governance. The postal industry is a front-runner regarding setting concrete sustainability targets and measuring their implementation (see PostEurop Sustainability Vision and the IPC’s Sustainability Measurement and Management System).

Recommendations

- **Recommendation 1**: Universal postal service obligation shall be maintained (to be further on in the centre of the postal regulation) but reviewed.
- **Recommendation 2**: EU postal regulation shall allow for subsidiarity and flexibility at the national level for national governments to adapt it to their domestic circumstances (e.g., in frequency or delivery time).
- **Recommendation 3**: EU postal regulation shall assure a level-playing field for all actors, i.e. shall not search for enhancing competition in declining markets (letter market) or sufficiently competitive markets (e-commerce). Introducing harmonised rules for network access in postal regulation will not lead to a “recovery” of physical mail volume from the digital world but will only put the sustainability of the universal postal service at risk.
- **Recommendation 4**: The universal postal service obligation has to be financially sustainable (service level, user costs, and state costs have to be considered, i.e., where the USO entails a net cost and revenues do not or cannot cover the net cost of the service). Public resources shall fully and on time refund the universal postal service provider to avoid jeopardising the existing universal postal network.
- **Recommendation 5**: Avoid overregulation. The postal sector has been facing increasing regulatory pressure. In the past, the EU Postal Services Directive was the only regulatory framework, while currently, postal operators have to deal with numerous horizontal/transversal legislation, e.g., VAT/customs, digital services (DSA, DMA), GDPR, and reporting obligations (CSR Due Diligence Directive, CSR Reporting Directive, Taxonomy Regulation).

Sectoral input: Railways (via CER)

Description of the problem

The European railways are the backbone of a decarbonised European Single Market, where the completion of the Trans European Network for Transport (TEN-T) will only enable a more seamless movement of people, goods and services deepening our Single Market.

The Single European Railway Area (SERA) is far from being completed. Major cross-border projects will be completed beyond 2030. In the last 30 years, the EU rail infrastructure decreased by 10% (in length), and we need to reverse this trend.

The European Green Deal and the Smart and Sustainable Mobility Strategy represent opportunities for the railway sector, where several policies are geared towards increasing sustainable traffic. Rail emits nine times less CO2 than road for freight or air travel for passengers and is six times more energy efficient than the road.

CER investigated what a High-Speed Rail Masterplan would look like across European Capitals and major cities. Considering the TEN-T Regulation discussion, an EP Amendment was tabled which would ask the Commission to provide such a plan. CER supports this approach and should be part of the final agreement on TEN-T.

High-speed rail is a measurable opportunity for the free movement of people: while the cost is about €550 billion, it would create €750 billion in socio-economic benefits. This would bring cities and regions of Europe closer together, increasing EU connectivity, providing a real alternative to other more polluting modes of transport, and saving 5 billion tons of CO2.

The share of rail in the transport of goods is diminishing. Further work is needed to incentivise the use of rail freight for long-distance and cross-border movement.

The sector sees the benefits of liberalisation. It diversifies the offers and focuses on passengers. However, public service obligation (PSO) contracts still represent most of the services railways offer and will remain the way forward in the future, providing a consistent SGI to all European citizens.

Recommendations

- **Recommendation 1**: It is important to improve connections between ports and rail to provide a seamless experience for rail freight and reflect on PSO contracts for economically disadvantaged regions.
- **Recommendation 2**: To improve international traffic, more interoperable infrastructure across borders is needed. This includes more tracks but a shorter-term investment in digital infrastructure through the ERTMS European Rail Traffic Management System, Digital Capacity Management (DCM), and Digital Automatic Coupling (DAC). The full deployment of ERTMS is estimated to cost over €100 billion, and the European Commission needs to treat it as a large-scale project through a specific programme managed by the European Commission.
- **Recommendation 3**: To achieve a successful modal shift and advance the goals of the European Green Deal, it is critical to ensure the proper investment in the infrastructure. Public investments are key, innovative financing mechanisms could be put in place to finance green sectors such as railways. As railways reduce externalities, they should be rewarded through an ETS-like crediting mechanism for the avoided CO2 emission by using trains.

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- **Recommendation 4**: To ensure European strategic autonomy in technologies that matter for the future of rail, the single railway market needs to allow European rail suppliers to prosper as they face increased challenges from competition from China.

Local input (via SEMITAN and Nantes Metropole)

Description of the problem

Positive example:

A few years ago, SEMITAN, the local public company that manages public transport for the Nantes metropolitan area, was looking for an innovative solution to improve the quality of service on one of its high-frequency bus routes. Highly popular with local residents, modernising this line would also contribute to our local authority's energy transition objectives.

As part of the European Horizon project with the cities of Hamburg and Helsinki, called "mySMARTLife", Nantes has been able to equip itself with an "e-Busway". This mode of public transport is more environmentally friendly because it is 100% electric and, and, at 24 metres long, can accommodate more passengers while offering new services.

In this case, SEMITAN decided to issue an open invitation to tender for the technology of the opportunity charging system. This choice left the manufacturers free to propose the best technical and economical solution for our project.

In concrete terms, the Single Market has enabled SEMITAN to obtain an innovative solution from a Swiss-Swedish company thanks to an opportunity charging system that limits charging times without disrupting the line's operation. The Single Market has enabled SEMITAN to acquire a tool that reduces energy consumption by 30% and CO_2 emissions by 38% while increasing passenger numbers by 35%.

Negative example:

In 2016, Nantes Metropole launched a public contract for printing work. It included a selection criterion for the company's "social responsibility performance." An unsuccessful candidate lodged an appeal, and the Conseil d'État, France's highest administrative court, ruled in his favour on the basis that the important element for the public purchaser was that the criterion must be linked to the subject of the contract (and not the overall policy of the company in question).

These two examples from Nantes highlight how operators of services of general interest are testing and implementing the European Single Market in practical terms on a daily basis. They are illustrations, if any were needed, of the need to involve SGIs in the ongoing reflection on the future of the Single Market.

Root causes of the problem

The notion of free competition, while essential, is set up as a cardinal value for the existence of the Single Market. The European public procurement law aims, above all, to limit all distortions of competition, even if this hinders the inclusion of an overall criterion of corporate social responsibility.

Recommendations

- **Recommendation**: Like any major project, the Single Market is a moving target that must adapt to changing circumstances without losing the spirit that founded it. It is essential to find the right balance between market competition, competitiveness and the preservation of public services.