



# EUROCITIES STATEMENT ON HIGH QUALITY LOCAL PUBLIC SERVICES



Cities play an essential role in providing public services and contribute to Europe's economic stability and to economic, social and territorial cohesion. They support social progress through local public services that strengthen the well-being of their citizens, as well as how secure citizens feel in terms of their social situation. They ensure the provision of high quality public services to their citizens.

Today's demographic, environmental, social and economic trends create new challenges for our society and city authorities are responding to these challenges by adapting and modernising their services. At the same time, an effective and efficient internal market is essential for economic prosperity, which in turn enables stronger financing of local public services.

To be effective at city level, in the places where the majority of people in Europe live and work, EU internal market rules must take into account the situation of local public service providers. The principles of universal access, reliability and continuity, transparency and affordability must be guaranteed as they are vital to maintaining good quality of life for people living in the EU

For this reason, any future EU legislation that has an impact on local public services should be prepared in a way that ensures meaningful involvement of and input from our major cities.

As Europe's major cities, in order to continue to provide high quality, efficient, sustainable and user-oriented public services, we stress the importance of the following points:

## 1. Freedom to choose the form of provision of local public services

It is essential that local authorities can choose for themselves the form of service provision, based on an objective and transparent evaluation of the needs of their citizens (for example, whether through direct in-house provision, their own enterprises, inter-communal cooperation or through third parties - for instance through concessions or public procurement). This principle should be taken into account when preparing any future legislation or policy with an impact on local public services.

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## 2. Service concessions

As city authorities, we consider the final text of the EU directive on concessions adopted in early 2014 to be a good compromise. The definition of concessions in the directive still leaves room for contracts to be negotiated in a way that can ensure good quality services.

We were in favour of the exemption of the water sector from the scope of the directive and are pleased that the final text does exempt this sector. However, the directive stipulates that the Commission should re-evaluate this exemption in three years. In our view, this exemption must be maintained for water and waste water, as these are very sensitive services of general economic interest. Local authorities should remain free to choose the form of provision of these services.

## 3. State aid

Taking into account the nature and role of local public services, derogations to competition law may be needed in some cases. In particular, EU state aid legislation should maintain the derogations that enable local authorities to choose the appropriate form of financing for their local public services. Revised state aid rules must not be detrimental to an efficient internal market with good quality local public services.

## 4. Publicly supported housing

Social housing or publicly-supported housing is an important resource for fighting poverty and social exclusion. It should not be limited to those most in need of affordable housing.

The exemption of 'social housing' from state aid notification contained in the 'Almunia package' is welcomed in principle. However, as cities, we do not agree with the restriction of access to social housing to 'disadvantaged citizens or socially less advantaged groups' as stipulated in the package. This is contradictory to the local right to define, organise and finance services of general economic interest, such as social housing. Focusing only on low-income groups limits social cohesion, as it can prevent social mix.

## 5. Public service obligations in public transport

The final 'Regulation on public passenger transport services by rail and road' should maintain the current regulation's description of 'competent local authority' as any authority whose geographical area of competence is not national. This provides the flexibility needed to take local circumstances into account.

We strongly support the use of sustainable transport plans in cities. However the detailed content of such plans should not be included in the Regulation. City authorities should be able to decide this for themselves, depending on local circumstances and on what plans

already exist. The obligation should be to establish a transport plan that defines broad objectives and the means of implementing them. Existing publicly available information, which may be in more than one document, may also fulfil this requirement. An obligation to develop a new transport plan could lead to duplication with other EU initiatives encouraging cities to develop Sustainable Urban Mobility Plans (SUMPs), for example the Action Plan on Urban Mobility and the Urban Mobility Package.

## 6. VAT refund for public services

Our position on VAT refund for public services is as follows:

- The current VAT rules applying to the public sector are sufficient, including articles 13 and 132-134 of the VAT directive 2006/112 EC.
- The Commission should not propose one single model of VAT rules for public services. The diversity of fiscal regimes reflects the diversity of member states' historic, political, social and economic specificities. Those specificities should be recognised and respected.
- Local government activities are predominantly local and therefore do not distort intra-EU trade. The European Commission has previously expressed the view that locally supplied services are, by their very nature, largely provided directly to final consumers and are therefore unlikely to distort competition in the internal market.<sup>1</sup>
- In case of modification of the legislation, we would prefer sector based reform. This would allow public authorities and stakeholders to come to a consensus, and allow reform measures to be fit for purpose. We would be happy to contribute to a full analysis of advantages and drawbacks of this approach.
- Many different VAT models exist across EU member states. Any proposals to change the VAT systems should be discussed with city representatives, since they would be seriously affected by any modification.

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<sup>1</sup> Consultation paper on the review of existing legislation on VAT reduced rates - TAXUD/D1 D/24232, 06/03/2008

## Context

The Lisbon Treaty offers a good framework for cities as providers of public services.

We welcome in particular:

- The recognition of territorial cohesion as one of the objectives of the European Union. Local authorities contribute greatly to territorial cohesion by giving access to high quality services, which also benefit the wider metropolitan area.
- The strengthening of the social dimension of the internal market thanks to Article 3(3) of the Treaty on European Union (TEU)
- The formal recognition of regional and local self-government in Article 4(2) of the TEU
- The stronger role of the regional and local levels of government under the principle of subsidiarity (Article 5(3) of the TEU)
- The recognition of the freedom of local authorities to organise, provide and finance services of general economic interest (Article 14 of the Treaty on the Functioning of the European Union (TFEU); Protocol 26 on services of general interest)
- The recognition of diversity and the geographical, social and cultural differences in each service of general economic interest (Protocol 26 on services of general interest)
- The inclusion of services of general economic interest into the Charter of Fundamental Rights of the European Union (Article 36).