



Commissioner Neelie KROES
DG Competition
European Commission
Rue Joseph II, 70
B – 1000 BRUSSELS

REF.: CFP/NS/ea
Contact person: Nadja Salson

21 June 2006

Subject: French trade union delegation 22 June re: MFP case

Dear Commissioner,

On behalf of EPSU, representing 8 million public services workers and civil servants in Europe, I would like to express our support to the concerns raised by our French affiliates regarding the opening to competition of public sector employees and civil servants' supplementary social protection.

As we understand your services will meet a delegation of French trade unions, the majority of whom are EPSU members, to discuss this issue on 22 June we thought it would be appropriate to reiterate our views on this matter. In the main, we think this is yet another example of the growing tensions between the EU Internal Market and competitiveness objective of increasing cross border trade and national systems of regulation, control, and social policy¹.

Acting under the EC state aid rules, on 20 July 2005 the Commission sent France a recommendation to amend three state measures that provide support for the mutual societies of French civil servants, federated within the Mutualité Fonction Publique (MFP). The Commission takes the view that the measures constitute state aid and that they impede the development of the market for complementary sickness insurance. It recommends that other supplementary social protection bodies benefit from this financial support.

Further to this recommendation, supported by the Conseil d'Etat and a minority trade union organisation, the French government has repealed the "Chazelle" decree which defined the role of the state in civil service's mutual societies.

Since then, following opposition led by a majority of public sector trade unions to the above decision, the President of France announced, on 8 June 2006, his intention to discuss this issue with all parties concerned in the framework of the social dialogue. Mr Jacques Chirac also underlined the role of the State-Employer who should continue to guarantee the supplementary protection of all civil servants on the basis of the solidarity principle. This is a step in the right direction.

¹ Please see our response to the public consultation on the future of the Internal market sent on 14 June to Mr Friess

EPSU would like to raise the following points

- 1) As underlined by the ETUC, of which EPSU is the largest member federation, in its response to the Commission's Consultation on the state aids action plan 2005-2009, we strongly believe that public spending and state aid are legitimate when targeted to well-defined policy objectives, such as quality services of general interest and services of general economic interest, employment, research and development, regional cohesion, environmental protection, lifelong learning, restructuring and industrial change as well as social protection. Reducing the amount of money spent on state aid and promoting competition cannot be an end in itself. Instead the debate should be set against the overall objective to preserve and promote the European Social Model. Further, a differentiated approach towards state aids is of prime importance (please point 3 below)
- 2) Mutual societies constitute a central element of the social protection regime of a number of EU member states. They should not be solely seen as Services of General Economic interest as they are non-profit making organisations and fulfil a social role based on the non-selection of risks, solidarity between generations, professions as well as incomes. In this respect, freedom of choice, as promoted by the Commission, should be carefully weighted against the general interest and workers' right to a high level of protection.
- 3) The main issue at stake is whether public subsidies to the MFP can be considered as state aids, which seems to be the position of the Commission. In this case, however, we wish to stress that the French state is acting in its capacity as employer and that the public subsidies concerned are part of employees' wages. This is different from state aids geared, for instance, towards an ailing company or industry. Half of private sector employers in France provide similar supplementary social protection schemes to their employees. This does not seem to go against EC rules on state aids. The role of the State as employer needs therefore to be recognised and legitimised.
- 4) Due to its solidarity principles as outlined above, we do not share the view that the MFP should be solely seen from an insurance market perspective. Besides, it is very doubtful that the civil servants' supplementary protection scheme would distort EU cross-border trade and be a threat to the good functioning of the internal market. According to the Commission, the French state's financial support to the MFP amounts to about 40 million Euros per year, which is not far from the amount allowed for exempting small state aids from the obligation of notification to the Commission.
- 5) In view of the ongoing discussions in the European Parliament and among the European social partners, including EPSU, on the Communication on social services of general interest and the follow-up to the Commission's White Paper on Services of General Interest (which recognises the social nature of social protection schemes), we think it is best, at this stage, to leave the social partners at national level to try and find a mutually beneficial solution.

We trust the Commission will promote this approach and reassure the delegation of French civil service trade unions on Thursday 22 June that it will not further interfere in this matter in light of the ongoing debate on the future of public services in Europe.

For your information please find attached a recent press release from one of our affiliates, CGT-FO Fonctionnaires, the broad line of which is shared by other French unions affiliated to EPSU.

Wishing you a fruitful meeting,

Kind regards,

Carola Fischbach-Pyttel
EPSU General Secretary

Copy:

- Social Affairs, Employment and Equal Opportunities, Commissioner Vladimir Spidla
- Internal Market, Commissioner Charles McCreevy
- French Permanent Representation.