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CONTRIBUTION OF PUBLIC SERVICES AND SGIs TO THE EU RECOVERY

How strategically designed investment in SGIs can support the EU recovery

CEEP believes that the promotion of **strategically designed investment** is the key to guarantee the recovery, promote upward convergence and, consequently, foster a stronger and more resilient social market economy. In this spirit, CEEP supports the EU institutions' efforts to bring to life an ambitious Multiannual Financial Framework and Next Generation EU, in order to protect and strengthen Europe's resilience and ability to meet its climate, digital and fairness objectives.

The crisis has drastically exposed the result of years of underinvestment in infrastructures, as well as the asymmetries that still divide Member States. The pandemic has further pressured obsolete infrastructures and compromised the goals of the EU in terms of promoting upward convergence.

SGIs employ over 60 million workers, contribute to approximately 26% of the EU GDP and represent a large part of the activities that remained operational throughout the crisis. Those services guaranteed the well-being and security of citizens and played a vital role in maintaining a certain level of economic activity which prevented further weakening of the Single Market.

Beyond the crucial services offered by healthcare providers, SGIs also encompass:

- **Education**, which will lead the skilling, re-skilling and up-skilling, an indispensable feature of the green and digital transition, particularly amidst demographic changes;
- **Social services**, which support citizens and guarantee the well-being of the most vulnerable;
- **Housing**, which is increasingly evolving from the exclusive housing provision to the crucial work of building cohesive communities;
- **Local and regional authorities**, which are crucial to ensure that the EU initiatives reach their targets on the ground and that economic and social cohesion is enabled at all levels;
- **National Promotional Banks and Institutions**, which have quickly provided necessary countercyclical support to the economy and are well placed to allow smooth articulation between EU supported funds and existing national public support schemes;
- **Telecommunication providers**, which are instrumental for the maintenance of networks enabling economic activities, connections between people and businesses;
- **Water, energy, waste management, transport**, which are instrumental infrastructures responsible for achieving the green transition and fostering the circular economy.

In the context of the definition of the National Recovery and Resilience Plans, CEEP asked its membership to provide a list of SGI-centred investment projects, in line with the 7 flagship priorities identified by the European Commission in the 2020 Annual Sustainable Growth Strategy. This document contains a first collection of these national examples, which could benefit from future Next Generation EU funding.

Fédération des Epl – French Federation of Utilities

Local public services' enterprises (LPSEs) are small-scale utilities and companies providing services of general interest (SGIs) and services of general economic interest (SGEIs). These private-law companies created by and/or operating for local or regional authorities, stand at the crossroads of private and public sectors: they are **flexible and responsive businesses, whilst following general interest and community values**. LPSEs are present across the European Union, totalling more than 32.000 of such public undertakings, in various sectors of activity.

French LPSEs are involved in many areas:

- Culture and tourism – 25,4%
- Urban planning – 22,7%
- Sustainable development, energy, waste management, water, equipment – 17,8%
- Dwelling and social housing – 13%
- Economic development – 10,7%
- Mobility – 6%
- Health and social care – 4,4%

LPSEs are **investors in public services and SGIs**. They understand the added value of investing in these areas better as they are at the core of the issue. The following table summarizes the information on LPSEs' investment for the period 2018-2019, both on a general and segmented basis. This table is also a **compass for LPSEs on their role to propose new strategic investments in the context of the French Recovery and Resilience Plan**: the aim of SGI operators is to ensure that those plans aim at promoting long-term sustainable growth and long-lasting reforms (as opposed to short-term and ad-hoc rescue measures).

	Amount of tangible investments (Mio. €)	Total value added produced (Mio. €)	Investment rates
Economic development	110	235	46,9%
Environment and networks	677	1 122	60,4%
Housing and real estates	3 326	2 280	145,9%
Mobility / Transports	208	875	23,8%
Planning	178	1 009	17,6%
Services to individuals	17	78	21,2%
Tourism, culture and leisure activities	178	1 066	16,7%
ALL LPSEs	4 694	6 666	70,4%

This chart allows us to come up with the following conclusions:

- **High levels of investments by LPSEs**: 4.694mln EUR are invested annually
- **Strong propensity to invest**: 70% of the added-value generated by LPSEs is devoted to investment expenditure; compared with 29% for private undertakings
- **Energy transition-oriented investments**: investments are largely oriented towards energy transition projects (90%) and towards economic development in a residual manner (10%)

Utilitalia – Italian federation of utilities

Utilitalia is the national federation of Italian utilities providing public services and SGIs in the sectors of environment, water and energy. It was founded in June 2015 from the merger of Federambiente (environmental services) and Federutility (energy and water services). It is composed of 260 businesses, companies and consortia.

Italy suffers from a chronic deficit in water, urban waste and energy infrastructures and needs substantial investment to provide adequate services to customers and preserve the environment. The Utility sector plays a central role in delivering a green and digital transition of the economy. Therefore, the inclusion of Utility investments in the Italian National Recovery and Resilience Plan is key to boosting the pace of transition.

Utilitalia has collected strategic projects from its members, potentially eligible to be included in the next Italian National Recovery and Resilience Plan, analysed them, and allocated them to different investment categories. The latter, in turn, were allocated according to their contribution to green and digital transition. The total investment proposed by Utilitalia member companies is around **16 billion euros for an amount of 1.400 projects**. This is divided between two main categories: green transition and digitalisation. The **green transition** category includes investments for a total of about 15bln EUR in the environment, energy, and water sectors. The **digitalisation** category encompasses investment for a total of 1bln EUR.

With the help of the research centre Svimez, Utilitalia has carried out an economic impact analysis which has revealed that these investments would have a **potential impact on the national GDP equal to +0,9%** and on **employment of approximately 205.000 incremental units**.

Additionally, Utilitalia has conducted a geographical impact analysis, showing that the distribution of the proposed projects – in terms of number of projects and their costs – displays a higher concentration in the North and in the Centre of the country (about 90% in terms of number of projects and 80% of the total value). This distribution reflects Utilitalia membership structure (fewer members in the South) but is indicative of the industrial fabric of Southern Italy: a reduced presence of companies capable of planning and implementing the necessary investments to bridge the infrastructural gap with the North and thus contribute to solving the Italian gap between Northern and Southern services. The breakdown of the total investment per region ranges from 24% in the Latium Region (Central Italy), to 14% in Lombardy (Northern Italy) and to 0,3% in Calabria (Southern Italy).

Although investments in Southern Italy are lower in absolute value than in the North of the country, **their impact on GDP may be comparable to that of Northern Italy**. Therefore, to implement the investment plan within the recovery package, it is necessary to support investments with a process of strategic sectoral reforms to promote rapid action by industrial players.

Summary of the investment needs (per area of actions)¹:

Areas of actions	Number of projects	Budget required (Mio. €)
GREEN TRANSITION	1.331	14.985
Supply optimisation	494	6.949
Circular economy	67	1.932
Decarbonisation	32	1.670
Efficient depuration	455	1.436
Smart mobility	20	1.274
Smart Network	164	471
Implementation of the energy and climate plan (PNIEC)	15	369
Energy efficiency	42	355
Electrical system resilience	25	266
Sustainable cities	11	214
Hydrogen strategy	3	40
Hydrogeological instability	3	9
DIGITAL TRANSITION	67	1.025
Digitalisation	58	1.010
R&D	9	15

¹ A detailed breakdown is available on request.

Wien Energie – Energy provider of the greater Vienna area

In Austria, Wien Energie supplies around **2 million customers, 230.000 commercial and industrial facilities and 4.500 agricultural businesses in the greater Vienna area** with electricity, natural gas, and heat. The company's activities include, amongst others:

- Electricity and heating generation
- Sales of electricity, natural gas and heating and cooling
- Energy advice and energy services
- Heat network provision and expansion
- Waste recycling

The role of Wien Energie in leading Austria to reach the objectives of the European Green Deal is central and requires significant investment. In the context of the Next Generation EU recovery plan, the following projects have been highlighted as priorities:

Summary of the projects proposed:

Project Title	Technology	Description	Planned commissioning	Budget required – (Mio. €)
Large heat pump EBS Vienna	Large heat pump technology	Waste heat recovery from sewage with a thermal output of 55 MW _{th}	2022	70
Large heat pump Spittelau	Large heat pump technology	Utilization of condensation heat from the waste gas purification process	2022	27
Geothermal installation 1	Hydro-geothermal energy	Exploitation of hot groundwater in deeper layers in the eastern part of Vienna	2024/2025	38 - The whole project, which will require investments up to 100 Mio €, sprawls over several years.
Waste heat utilization	Large heat pump technology	Waste heat recovery from the data centre <i>Interxion</i>	2022/2023	3
Innovative Energy Concept for a residential development area	Innovative energy supply	Innovative energy supply using district heating, cooling, waste heat extraction, etc.	2022	2
Green Hydrogen	Hydrogen	Hydrogen production, infrastructure and use of H2-busses for the decarbonisation of public transport	2022/2023	30
Waste recycling	Circular economy	Investments in waste recycling and logistics	2021-2023	31
Wind park	Renewable Energy	Wind park with 8 wind turbines	2021-2023	24
Electric-Taxi infrastructure	E-mobility	Electric charging infrastructure for urban taxi fleets – joint project with Wiener Linien	2021-2023	2
TOTAL	-	-	-	227

Wiener Linien –Local public transport in the city of Vienna

Wiener Linien is the company running **most of the public transit network in the city of Vienna**. It is part of the city corporation Wiener Stadtwerke Holding AG.

Wiener Linien **employ approximately 8.000 people and serve approximately 812 million passengers**, increasing constantly since the 1970s.

In the context of the Next Generation EU recovery plan, and to improve mobility in the city whilst reducing the carbon footprint of their activities, the following projects have been highlighted as priorities:

Summary of the projects proposed:

Project	Description	Start	End	Project volume – (Mio. €)
Construction of an e-mobility competence centre in Vienna-Siebenhirten	Infrastructure investment for the construction of the appropriate infrastructure for maintenance and charging of 60 e-buses	2021	2025	50
Extension of the tram network to Schwechat	Construction of the tramway from Simmering to Schwechat; including vehicles, infrastructure, and depot	2021	2023	100
Extension of the tramway in the city centre	Different bundles possible; line 27, 12, 33, 18	2022	2030	250
Training workshop	Construction of training places for about 62 people per year - in total over all age groups there will be 238 training places	2021	2023	20
Kagran depot	Construction of the Kagran depot as a base for further tram expansion	2021	2028	up to 150
Intensified infrastructure maintenance	Intensify renewal projects such as the removal of slow-moving sections and bridge refurbishment	2021	2025	10
Efficiency measures in the metro system	Extension of the "Brake Energy" project to four additional stations for brake energy recovery	2020	2022	2,7
Expansion photovoltaic system	Increased expansion of PV systems on the roofs of metro stations and buildings of Wiener Linien (1MWp)	2020	2022	2
Creation of multimodal nodes	Strengthening the multimodal services in the entire urban area by accelerating the rollout of "WienMobil stations"	2021	2030	12 (15 stations p.a.)
TOTAL	-	-	-	596,7

ÖBB Group – Austrian Railways

The **Österreichische Bundesbahnen** (ÖBB – Austrian Federal Railways) is the **national railway system** of Austria. The ÖBB Group is owned entirely by the Republic of Austria and is divided into several separate businesses that manage the infrastructure and operate passenger and freight services.

Within the ÖBB Group, **Rail Cargo Austria** (RCA) is the Austrian **rail freight transportation company**. It was founded on 1 January 2005 as an independent company from the freight transport division of the ÖBB Group. RCA is one of three operative sub-companies of the holding company ÖBB-Holding AG. RCA serves as the leading operating company and manages the cross-border business of the Rail Cargo Group.

As freight operators, ÖBB Group joined in 2018 the pan-European Rail Freight Forward (RFF) initiative, representing 90% of the European rail freight market, and committed to an increase of rail modal share from 18% today to 30% by 2030 in order to neutralise the negative impact of the expected strong growth of the land-based transport market on environment and society. To achieve this goal, RFF has identified 5 technologies which would require roughly **18bln EUR until 2030 and funding by the EU**. Seen the cross-border dimension of freight transport, the logic of this investment plan relies on its implementation across the EU, and it is therefore presented as such.

Meanwhile, the European Commission has proposed the Green Deal with the objective to transform Europe into the first carbon-neutral continent by 2050 and enhance Europe's CO₂-emission reduction targets from 40% to 50% by 2030 in comparison to 1990 levels. Adopting the 30% rail modal share would contribute to these targets with the **25 million tons of avoided emissions of CO₂-equivalents and approximately 25bln EUR in avoided external costs from 2030 onwards**.

The importance of rail freight for the economy was only recently highlighted by the COVID-19 crisis: railway transport proved not only to be safe and sustainable but also to be extremely resilient with rail freight being the only mode of transport, which was not significantly affected by the lockdowns.

To achieve the goal of 30% modal share by 2030, RFF has identified 5 enabling, interlinked technologies which require a coordinated, sector-wide rollout across the EU

- Digital Automatic Coupling (DAC)
- Autonomous Train Operations (ATO)
- Digital Platforms (DP)
- European Rail Traffic Management System – Level 3 (ERTMS)
- Digital Capacity Management (DCM)

Deployment of the key technologies requires investments of roughly 18bln EUR until 2030 and funding by the EU

The overall investment need subject to a public funding of 18 bn EUR in the timeframe of 2020 – 2030 is mainly driven by DAC with around 12bln EUR and the ERTMS with around 5bln EUR. The remaining 3 technologies DP, ATO, and DCM require in total around 1bln EUR.

The five technologies can be grouped into 3 categories relating to different rationales for the need of public funding:

- DAC (around 12bln EUR) along with DP (around 0,4bln EUR) require a coordinated deployment across the whole network in order to reap full benefits, requiring a robust governance mechanism at EU level to ensure full adoption, along with substantial public financing at the

European level due to the high investment requirement, the long lead-times of benefits, along with the low financing capacity of the sector due to a lack of profitability.

- ERTMS Onboard units (around 5bln EUR) and DCM (0,5bln EUR) are equivalent to investments in new physical infrastructure whilst being a lot more efficient (less lead-time at significantly lower costs at an order of magnitude of 5-10%).
- ATO requires a continuation within the successor S2R for R&I along with financing of “first mover” showcase pilots. Proper deployment of ATO has the potential to allow RUs to finance deployment through expected savings.

Summary of the financing needs:

Technology	Description	Planned commissioning	Budget required – (Bln €)
Digital Automatic Coupling	Fully deploy the DAC technology will significantly improve competitiveness of the rail sector’s operations by providing electricity and data bus line across train, automated brake testing, electro-pneumatic brakes, and will enable train consistency checks.	To be completed by 2030	12
Autonomous Train Operations	Automising train driving, both driving with supervision of a driver on long haul and full autonomous train operations without driver in shunting yards	To be completed by 2030	0,1
Digital Platforms	Enabling a seamless operational data exchange between all players of Rail Freight Sector via a Digital Platform Ecosystem	To be completed by 2030	0,4
European Rail Traffic Management System – Level 3	Rollout of one harmonised pan-EU Rail Traffic Management System can provide capacity improvements on the same track superstructure needed to accommodate the projected rail freight growth	To be completed by 2030	5
Digital Capacity Management	Step-change from assemble-to-order processes to automated and digitised train path construction and allocation, paving the way to real-time capacity management	To be completed by 2030	0,5

Union Sociale pour l’Habitat – French Federation of Social Housing

The Union Sociale pour l’Habitat (USH - Social Housing Union) is the French umbrella association gathering social housing federations. USH was created in 1929. In 2019, the social housing sector in France **was employing 82.000 workers, providing a roof to 10 million citizens in 4,6 million housing units and accounted for 17bln EUR of investment.**

At the cornerstone of both the Green transition of the promotion of a fairer society, public housing is central component of our EU social economic model. **Providing better living conditions to citizens and renters, an improved building stock will support a decarbonised and clean energy system.** The building sector is indeed one of the largest energy consumers in Europe, responsible for more than one third of the EU's emissions. Renovation has been singled out in the European Green Deal as a key initiative to driving energy efficiency in the sector and delivering on objectives.

In France, Union Sociale pour l’Habitat estimated that **an extra 2bln EUR will be necessary to complete the *Nouveau Plan de Rénovation urbaine (NPNRU)*.** Via the *Agence Nationale de Rénovation Urbaine (ANRU)*, those 2bln EUR will generate 8bln EUR of additional investment, on top of the 40bln EUR already validated.

Conclusion

Aimed at highlighting the readiness of public services and SGI providers to contribute to the National Recovery Plans, this paper also shows that the **“SGI plans” presented here are in line with the flagship priorities² identified in the Next Generation EU and the Recovery and Resilience Facility,** and translated in the Annual Sustainable Growth Strategy.

We therefore call on the Member States to put SGI investments at the centre of their National Recovery Plans, and for the European Commission to recognise this reality: our members stand ready to contribute to the finalisation of these plans, and **to ensure a long-lasting green and digital recovery,** able to bring Europe into a new paradigm instead of fighting to be back to business as usual.

² The 7 flagship areas put forward by the European Commission are the following:

Power up – The frontloading of future-proof clean technologies and acceleration of the development and use of renewables, **Renovate** – The improvement of energy efficiency of public and private buildings, **Recharge and Refuel** – The promotion of future-proof clean technologies to accelerate the use of sustainable, accessible and smart transport, charging and refuelling stations and extension of public transport, **Connect** – The fast rollout of rapid broadband services to all regions and households, including fiber and 5G networks, **Modernise** – The digitalisation of public administration and services, including judicial and healthcare systems, **Scale-up** – The increase in European industrial data cloud capacities and the development of the most powerful, cutting edge, and sustainable processors, **Reskill and upskill** – The adaptation of education systems to support digital skills and educational and vocational training for all ages.