

## **INTRODUCTION**

In order to understand the privatisation of public services in France, we will deal with different cases. First, we will deal with companies that have already been privatised, and then with those that are being privatised. Finally, we will deal with the problem of freedom of choice for France in the face of the European Union.

Even though the concept of privatisation has been given a wide variety of meanings in legal, economic, social and media literature<sup>18</sup>, the notion of privatisation of public enterprises can now be fairly easily defined: it is the operation by which the control exercised, directly or indirectly, by the public authorities over an organisation of human, material and immaterial resources, dedicated to the exercise, on an exclusive or principal basis, of an economic activity, is transferred to the private sector. This is the type of operation to which we will now confine our discussion.

### **I - Companies already privatised**

Firstly, we will deal with the case of AirFrance, which was partially privatised in 1999 and floated on the stock exchange. AirFrance was fully privatised in 2003 and even merged with KLM (a Dutch company) one year later.

However, since the merger with KLM in 2003 and the total privatisation of the company in 2004, Air France employees have paid dearly for the management's financialisation policy.

Since 2004, 6,430 departures have not been renewed, to which should be added the plan of 1,800 voluntary departures organised in 2010. The first phase of Transform 2015 has eliminated nearly 5,600 positions within the airline since 2012. This has particularly affected ground staff, but also cabin crew and pilots. "In the space of four years, we will have lost between 12 000 and 15 000 people. That's a lot," says Didier Fauverte, General Secretary of the CGT Air France.

To cope with the debt of Air France-KLM, which was aggravated by the crisis of 2008, and which reached 6.5 billion euros in January 2012, the management is therefore banking on a vast restructuring plan, among other things, of its short and medium-haul activities, and of its cargo activity, which it intends to marginalise more and more in favour of hold freight. At the beginning of the year, employees in the cargo area of Roissy-Charles-de-Gaulle mobilised for almost a month against the Transform 2015 plan. This plan foresaw, in their branch, the suppression of several days of RTT in the name of profitability. The effects of this plan were felt as much by the employees of Air France as by those of dozens of subcontracting companies.

However, the group's financial situation is largely attributable to bad strategic choices. Favouring long-haul flights, which were very profitable until 2008, to the detriment of short and medium-haul flights, combined with the development of low-cost flights over short distances, has, for example, contributed to the growing deficit of short flights. This deficit reached 700 million euros in 2011. Job cuts, particularly at provincial airports, have also weakened the short and medium-haul business.

As AirFrance is not the only case, here is also the study of France Telecom, now known as Orange. In September 2004, the French State sold part of its shares to fall below the 50% mark. 22] France Telecom then became a private company. One hundred and fifteen years after its nationalisation, the telephone is once again private in France. On July 27, 2005, France Telecom announced the purchase of 80% of the mobile phone operator Amena, which has a 24% market share in Spain, for 6.4 billion euros, three of which were raised through a capital increase.

However, the nature of the criticism of privatisation projects is relevant to the general problem we are addressing. These criticisms fall into two broad categories.

The first is 'consequentialist' or utilitarian. In order to denounce the project, it relies on its consequences, which it presents as systematically disastrous.

The second category of criticism is moral. The project is condemned because of the immoral purpose of the future shareholders: profit. Perhaps the purpose of privatisation itself, the transfer of ownership to the shareholders, also arouses the indignation of the opponents.

The two aspects of the criticism are far from being opposed, on the contrary. It is clear to everyone that if a few actors act according to their own selfish interests, the many will suffer. Therefore, the results of privatisation are presented as the immediate consequence of the selfish motive of the private actors.

What is more contradictory, however, is that opponents of privatisation are far from all calling for the nationalisation of the whole economy. Yet, if the selfish interest of private owners is enough to see the immorality of private management and foresee its disastrous consequences, the whole economy should be nationalised. To make distinctions according to economic sectors is to recognise that the argument that derives both the 'immorality' and the 'disastrous results' of private management from its selfish motives is not self-evident and must be supplemented by circumstances that specify when these motives become despicable and harmful to society.

The denunciation of privatisation is much more popular than the call for nationalisation of new sectors of the economy. The popular tendency results from a balance between fear of the alleged dangers of privatisation and a pragmatic attitude of examining the issue on a case-by-case basis. This balance is reflected in a fight against new privatisations and an acceptance of the current expansion of the competitive sector of the economy.

Opinion is divided between two attitudes:

- The first is dogmatic, equating private management with the defence of the selfish interests of shareholders to the detriment of the population as a whole. It is particularly evident in the case of new privatisations.
- The other is moderate and accepts as a reasonable assumption that the private sector is more efficient than the public sector in certain sectors and vice versa.

## **II – Current changes**

### **The Hercules project**

Today, in the news, EDF, a public service company, is embarking on a project called Hercules, a privatisation project.

Indeed, the Hercules project is a new step in the process of liberalisation of the energy "market" that began in the early 2000s and whose results are largely negative. First of all, contrary to the predictions of the advocates of liberalisation, the opening up to competition has not led to a decrease in electricity prices. On the contrary! In ten years, they have risen by more than 37% (almost four times the rate of inflation), only part of which is attributable to the cost of investment in production and distribution. Secondly, the relegation of EDF to the rank of a supplier like any other will lead to the disappearance of regulated tariffs and stable prices. Social objectives will thus become secondary. All customers will be forced into a jungle of suppliers and opaque offers.

The Hercules project presents two other major threats. First, it threatens our energy sovereignty: with the privatisation of EDF's "green" division, the management of electricity distribution networks will be entrusted to private operators, both French and foreign. China has already expressed its interest in European networks. Faced with this risk of losing control of the distribution networks, local authorities have declared themselves opposed to their privatisation. The second threat concerns our ability to carry out the energy transition. Indeed, privatising renewable energies (RE) means abandoning a proactive public policy in this strategic sector where France is lagging behind: the share of RE in gross final energy consumption was 16.6% in 2018, compared with an average of 18.9% in the European Union, and 54.6% in Sweden and 33.4% in Austria. Moreover, entrusting the management of

hydroelectricity to private operators will deal a fatal blow to the coordination needed to adapt production to the intermittent nature of solar and wind energy.

The Hercules project follows an economic and political logic that is incompatible with the social, ecological and democratic objectives of the transition. And yet, Hercules is likely to be adopted by the French Parliament this year.

### **The SNCF case**

We also know that the privatisation of the SNCF is likely to happen.

We can partly try to anticipate the outcome of privatisation from the British equivalent: British Rail. Privatisation was supposed to bring about an improvement in customer service and many lines have indeed seen improvements in this area with better services in stations and on trains. In the early years, however, customer service was inconsistent as too many drivers were courted by the new operators (TOCs) and trains had to be cancelled. In addition, the aftermath of the Hatfield rail accident in 2000 severely affected the service for many months.

Thus, in order to protect the interests of passengers, some fares (mostly seasonal commuter fares) and some basic timetables have been regulated. However, the TOCs still have some flexibility to change unregulated fares and can change the number of trains operated, within the limits allowed by technical and regulatory constraints. While the average fare level has changed little since privatisation, this masks significant variations. Commuter fares have fallen in constant currency, but many free fares have risen substantially, particularly the regular fares on long distance routes where operators have tried to encourage customers to buy earlier, cheaper, advance tickets. In terms of timetables, there are many more trains running daily than in the BR era, as operators have sought to attract more customers by running more frequent, but generally shorter, trains. Overall in 20 years seasonal fares have increased close to inflation. In 2018, fares are the highest in Europe.

### **III - The importance of Europe in privatisation in France**

In France, during the 1980s and 1990s, waves of nationalisations were quickly replaced by waves of privatisations. This reversal is usually attributed to the logic of European construction. In fact, although the existence of public companies is not, from a strictly legal point of view, considered incompatible with membership of the European Union, the rules of free competition governing the single market have tended to limit public aid. The assimilation of certain capital endowments to aid has thus led the French State to sell all or part of the capital of public companies that fall within the competition sector: Renault, Air France, Crédit Lyonnais, etc. Similarly, the "demonopolisations" and sectoral deregulations of public companies in the public service sector (France Telecom, La Poste, EDF, etc.) stem from directives drawn up by the European Commission. In the space of a few years, the tête-à-tête between the State and its companies has given way to a kind of co-management in which the Community authorities intervene. The national authorities must now provide the latter with proof of the need for public service missions, sector by sector. It is the transparency requirements of Community law that have led them to adopt the principle of separating the operation and management of infrastructures (see the creation in 1997 of Réseau ferré de France, owner and manager of railway infrastructures) in which some people see the beginnings of a privatisation of public service companies.

However obvious the influence of the Community authorities may be, it would be wrong to think that they are behind this challenge to public companies. This is at least the position of Michèle Voisset, professor at the University of Paris-V. In her view, the European Union only played the role of a 'conduit' for the rules of competition and regulations decided at world level during the famous GATT agreements. Moreover, the idea of adapting public companies to the laws of the market largely predates the directives adopted by the Commission. For those who may have forgotten, Mr Voisset quotes a document which emphasises the need for profitability and competitiveness of public enterprises and the adoption of managerial practices by the chairmen of these enterprises.

## **CONCLUSION**

The privatisation of public services in France creates a lot of debate, indeed, there are two camps, one for and one against, each with their own arguments.

But, beyond the economic reasons, it is true that the pressure from Europe is impacting on France's decisions.