



## European Added Value Assessment

# Better Governance of the Single Market

An assessment accompanying the European Parliament's  
Legislative own-Initiative Report (Rapporteur Andreas Schwab MEP)



# **European Added Value Assessment**

EAVA 2/2013

## **Better Governance of the Single Market**

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## **LINGUISTIC VERSIONS**

Original: EN

This document is available on the Internet at:

<http://www.europarl.europa.eu/committees/en/studies.html>

Manuscript completed in January 2013. Brussels © European Union, 2012.

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ISBN 978-92-823-4088-2

DOI 10.2861/3152

CAT BA-30-13-233-EN-C

On 15 October 2012, the Committee on the Internal Market and Consumer Protection (IMCO) requested a European Added Value Assessment (EAVA) to support its work on the legislative initiative report of **Andreas Schwab** (EPP) with recommendations to the Commission on how to strengthen the governance of the Single Market (P7\_TA-PROV(2013)0054). This legislative own-initiative report is Parliament's answer to the European Commission's communication entitled 'Better Governance of the Single Market' (COM(2012)0259). The resolution is annexed to this report.

In its resolution, the European Parliament calls on the Commission to submit a proposal for a legislative act aiming at strengthening governance, as well as guidelines and other measures to bring the Single Market to its full potential. The arguments in favour of this approach are set out in detail in this EAVA.

### **Abstract**

The present European Added Value Assessment highlights the benefits for EU citizens and businesses that would arise from a better and more effective application of Directives and Regulations and a deepening of the Single Market. It draws on available studies, impact assessments and evaluations in a limited number of sectors (services, digital economy and transport).

The information available suggests that alone in the services and digital economy sectors, policy action to improve the application of Directives and Regulations and deepen the Single Market could raise the level of long-term EU27 GDP by at least 3.8%.

While similar quantitative information is not available for the other Directives (Professional Qualifications, Airport Charges and Electronic Toll) reviewed in the present note, the available information shows that a better application of existing Directives, and an update of these in some cases, would yield substantial benefits to EU citizens and businesses in terms of lower costs, higher incomes and greater opportunities.



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## List of abbreviations

<b>EC</b>	European Commission
<b>EU27</b>	European Union with 27 Member States
<b>EAVA</b>	European Added Value Assessment
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>IA</b>	Impact Assessment
<b>NTB</b>	Non-tariff trade barriers

## Member State abbreviations

BE	Belgium	LU	Luxembourg
BG	Bulgaria	HU	Hungary
CZ	Czech Republic	MT	Malta
DK	Denmark	NL	Netherlands
DE	Germany	AT	Austria
EE	Estonia	PL	Poland
EL	Greece	PT	Portugal
ES	Spain	RO	Romania
FR	France	SI	Slovenia
IE	Ireland	SK	Slovakia
IT	Italy	FI	Finland
CY	Cyprus	SE	Sweden
LV	Latvia	UK	United Kingdom
LT	Lithuania		

## Executive summary

The Single Market policies implemented in the late eighties and nineties have contributed to significantly raise EU consumers' welfare. For example, a recent study estimates that the progress in achieving the Internal Market over the period 1992-2006 has raised EU GDP and employment by respectively 2.2% and 1.4% in the long run<sup>1</sup>.

More broadly, it is estimated that overall European integration, since it began, may have raised the long run level of EU GDP by roughly 5%.<sup>2</sup>

Substantial gains clearly have been achieved so far.

But, as number of recent studies show, a further deepening of the Single Market will yield significant additional gains for EU citizens and businesses.

These studies suggest that EU27 GDP could be raised by a further 2.2%<sup>3</sup> to 14%,<sup>4</sup> over a ten year period if the remaining Internal Market barriers were to be eliminated.

The magnitude of the estimates of the further gains from deeper Single Market integration vary across studies depending on the methodology used and the assumptions about the extent to which internal market barriers are further reduced.

But they all show unambiguously that such a further deepening of the Single Market would have substantial benefits for EU citizens and business in terms of higher incomes and employment and greater choice and business opportunities.

This deepening of the Single Market does not only require new policy initiatives to tackle the remaining barriers to full integration, but also a better transposition of Directives and applications and enforcement of Directives and EU Regulations.

Indeed, as Izlkovitz *et al.* (2007) point out, the main reasons for the incomplete Internal Market are slow and sometimes incorrect implementation, policy instruments which are not fully operational, barriers which persist in certain sectors and the lack of an Internal Market for knowledge.

To stress the importance of an effective implementation of the EU Directives and regulations and a deeper Single Market, the present note provides an illustration of the potential gains that could be reaped further in a number of sectors.

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<sup>1</sup> Izlkovitz *et al.* (2007).

<sup>2</sup> Eichengreen and Boltho (2008).

<sup>3</sup> Izlkovitz *et al.* (2007).

<sup>4</sup> Aussilloux *et al.* (2011).

Due to time constraints<sup>5</sup>, it focuses only on a limited number of sectors (services, digital economy, and transport) and relies entirely on existing studies, impact assessments and evaluations.

The key quantitative findings are the following:

- A fuller and more effective application of the Services Directive could increase the level of long-run EU27 GDP by 1.8% to 3.6% relative to the level which would have prevailed under the current state of application of the Services Directive.<sup>6</sup>
- A deeper and more complete Single Digital Market will raise the long-run level of EU27 GDP by 4%. This gain results from an acceleration of the digital economy involving increased use of online services, improved digital infrastructure, and improved e-skills.<sup>7</sup>

**A cautious assessment of the quantitative results reported above suggest that a) an improved transposition of Directives and application and enforcement of Directives and Regulations and b) a deepening of the Single Market in the services sector and in the digital economy could yield at least an increase of about 3.8%<sup>8</sup> in the long-run EU27 GDP level relative to the level that would prevailed under unchanged policies.**

A review of available information on the application of the Professional Qualifications Directive and the Airport Charges and Electronic Toll Directives in the transport sector also shows that a better application of existing Directives, and an update of these in some cases, would yield substantial benefits to EU citizens and businesses in terms of lower costs, higher incomes and greater opportunities.

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<sup>5</sup> The EAVA was prepared during January 2013.

<sup>6</sup> Monteagudo et al (2012).

<sup>7</sup> Copenhagen Economics (2010).

<sup>8</sup> This figure assumes that the lower bound of the gains in the services sector will materialise (i.e., 1.8%) and half of gains expected from the Single Digital Market will be realised (i.e., 2.0%).

## Introduction

The Single Market policies implemented in the late eighties and nineties have contributed to significantly raise EU consumers' welfare and the EU's economic performance. For example:

- A study by Notaro (2011) finds that the European Single Market Program (SMP) aiming to eliminate, by the end of 1992, non-tariff trade barriers (NTBs) to the free circulation of goods, services, workers and capital raised the level of productivity of businesses by approximately 2% in 1992 and 1993 in six Member States (Belgium, France, Germany, Italy, Netherlands and the UK);
- Similar results are reported in a study by Griffith *et al.* (2010). The SMP is estimated to have boosted innovation and this, in turn, boosted total factor productivity growth<sup>9</sup>
- Moreover, according to Ilzkovitz *et al.* (2007), the progress in achieving the Internal Market over the period 1992-2006 is estimated to have **raised EU value added and employment by respectively 2.2% and 1.4% in the long run.**
- Looking at the overall impact of economic integration within the European Union, Eichengreen and Boltho (2008) estimate that such integration may have raised the long run level of EU GDP by roughly 5%.

While substantial gains have been achieved so far, a number of studies point out that a fuller and deeper Single Market could yield even greater benefits for EU citizens and businesses. For example,

- According to Ilzkovitz *et al.* (2007), these gains could be twice as large as those estimated in their study if most of the remaining Internal Market barriers were eliminated. In other words, the long-run level of EU GDP could be raised by a further 2.2% with a further deepening of the Single Market.
- Aussilloux *et al.* (2011), estimate that if all remaining barriers to trade in the EU were fully eliminated within the European Union, the level of EU GDP could be 14% higher in the long run relative to a scenario of no further integration.
- Using the model and approach as Aussilloux *et al.*, Decreux (2012) shows that even a more modest objective of reducing the remaining trade barriers in the EU by only 50% would raise the long-run level of EU GDP by 4.7%.

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<sup>9</sup> Total factor productivity is a measure of the productivity all inputs used in the production (labour, capital, and in some cases intermediate inputs).

The bottom line is that a further deepening of the Single Market would have substantial benefits for EU citizens and business in terms of higher incomes and employment and, greater choice and business opportunities.

This deepening of the Single Market does not only require new policy initiative to tackle the remaining barriers to full integration but also a better transposition of Directives and applications and enforcement of Directives and EU Regulations. Indeed, as Izkovitz *et al.* (2007), **the main reasons for the incomplete Internal Market are slow and sometimes incorrect implementation, policy instruments which are not fully operational, barriers which persist in certain sectors and the lack of an Internal Market for knowledge.**

More generally, economic theory suggest that the achievement of a complete Single Market in the EU will contribute to make businesses more efficient by increasing competition and stimulate innovation and productivity growth. Consumers benefit in a number of different ways: the increased competition, efficiency and innovation reduce prices of goods and services and increase their choice of products and services, and the increased competitiveness of the European economy stimulates employment.<sup>10</sup>

As noted by Professor Monti in his 2010 report<sup>11</sup> on a new strategy for the Single Market, following the completion of the SMP in the early nineties, a number of initiatives were implemented to consolidate the achievements of the SMP and apply the Single Market principles to newly emerging activities in different industries. As well two major initiatives, the Single Market Action Plan and the Financial Services Action Plan were launched respectively in 1997 and 1999. However, since the implementation of the various action plans and until a few years ago, the general pursuit of the achievement of the Single Market was perhaps less vigorous than in the nineties.

Looking ahead, the Monti report recommends a re-invigoration of the efforts aimed at achieving the Single Market and sets out a number of recommendations concerning the better functioning of the Single Market in the perspective of citizens, consumers and SMEs, the digital Single Market, the Single Market and green growth, the Single Market for goods, the Single Market for services, workers in the Single Market, the Single Market for capital and financial services and the physical infrastructure of the Single Market.

Since the publication of the Monti report, the completion of the Single Market is again a top policy priority and is considered to be an important element of the overall strategy to promote growth and competitiveness of the EU economy. As noted by the European Commission in its Annual Growth Survey 2013 “The European single market offers many opportunities for businesses to develop and for consumers to benefit from better services and products.<sup>12</sup> The priority areas which were singled out for action include a)

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<sup>10</sup> For a more detailed discussion of the benefits of the Single Market see, for example, Cechetti *et al.* (1988) and Pelkman (2011a and Pelkman 2011b).

<sup>11</sup> See Monti (2010).

<sup>12</sup> See European Commission (2012a) p. 8.

improving the implementation of the Services Directive, b) improving the functioning and performance of the European network industries, c) adoption of European-level standards and d) notification of technical rules for ICT products and services to facilitate their circulation in the Single Market.<sup>13</sup>

Single Market initiatives typically involve a Directive which has to be transposed into national law and then enforced by Member States or a Regulation which has to be applied and enforced by Member States. Unfortunately, incomplete and/or imperfect transposition of Directives and poorly and/or wrongly enforced Regulations prevent the Single Market from achieving its full potential.

Recognising the importance of strengthening and deepening the Single Market, the European Commission set out in its 2012 Communication *A better governance for the Single Market* (European Commission, 2012b) a strategy aiming to:

- focus the Commission and the Member States efforts on a few areas (key service sectors and the network industries) and take the necessary steps to ensure that the Single Market's full potential in these areas can be realised;
- ensure a rapid transposition of Directives in these areas and effective application and enforcement;
- monitor and define remedial action(s) in the European semester process.

To support this renewed Single Market efforts, the European Parliament is planning to draft a legislative own-initiative report to explore the possibilities of improving the quality of legislation and enhancing transposition, implementation and application of the Internal Market legislative framework.

The objective of the present note is to provide a European Added Value Assessment (EAVA) of such an own initiative. It provides quantitative (when possible) and qualitative estimates of its likely benefits and costs for consumers and businesses, and focuses a limited number of priority areas, namely **services, transport, the digital economy and energy**.

The services, transport and energy sectors account respectively for 62% of the total economy, both in terms of value added and employment. Data on the digital economy are not presented below because the digital economy is not an industry in the industrial classifications used by statistical agencies such as Eurostat. However, data on some aspects of e-commerce are presented in the report in section 3.3 at page 27.

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<sup>13</sup> See European Commission (2012a) pp. 8 and 9.

<b>Sector</b>	<b>Share of total gross value added</b>	<b>Share of total employment</b>
Services (excluding financial services, energy, transport and public administration)	56.0%	56.7%
Energy	1.7%	0.6%
Transport	4.5%	5.0%

*Source: Eurostat, National Accounts by 38 branches - volumes [nama\_nace38\_k] and National Accounts by 38 branches - employment data [nama\_nace38\_e]. Data downloaded on 13/1/2013*

The present draft note focuses on the Services Directive and the Electronic Commerce Directive (eCommerce Directive). The final report will address further Directives in the services, digital economy, energy and transport sectors.

The structure of the present note is as follows:

- Section 1 provides a brief description of the methodology used for the EAVA.
- Section 2 reviews the implementation of the Services Directive.
- Section 3 undertakes a similar analysis for the Electronic Commerce Directive.
- Section 4 reviews the implementation of the Professional Qualifications Directive.
- Section 5 discusses the implementation of the Airport Charges Directive.
- Section 6 analyses the implementation of the Electronic Toll Directive.
- Section 7 provides short conclusions.

## 1. Methodology

The starting point of the EAVA was a review of the assessments (ex-ante and ex-post) that are available for the various Directives discussed in the present note. Such assessments include the:

- ex-ante Impact Assessments (IAs) that the European Commission has to produce with any major policy initiative (Directive, Regulation, Communication, etc.). While a number of EC IAs provide some quantitative estimates of the expected economic, social and environment impacts, many are mainly qualitative in nature;
- ex-post assessment of the major policy initiatives (evaluations, IAs, informal assessments, etc) produced by the European Commission;
- quantitative and qualitative ex-ante and ex-post assessments produced by stakeholders; and,
- quantitative and qualitative ex-ante and ex-post assessments by academics, think tanks, research institutes, etc.

In light of the very short timeframe of this project, no original assessment work or primary data collection was undertaken. But, the project team relied on the existing information to generate the EAVA.

Particularly useful were studies and reports which provided an assessment of the economic impact of the actual implementation of a particular European Commission policy instrument (Directive, Regulation, Communication, etc.) and the further potential gains which could be realised by a full implementation of the policy.

The EAVA takes a cautious approach to the estimation of the likely gains from a better implementation of Directives and Regulations and further policy initiatives by considering only the lower bound estimates of potential gains when a range is presented for the latter.

In some cases, it was not possible to undertake a quantitative analysis and, in such circumstances, only a qualitative analysis is presented.

## 2. The Single Market in services and the Services Directive

### 2.1 Background

Considerable progress had been made in 1990s with achieving the Single Market in the goods markets. However, in the early 2000s, services markets continued to be fragmented along domestic lines and characterised by many barriers to entry by foreign firms from the EU. For example, Canoy and Smith (2008), in their review of the Single Market in services conclude that the impact of the Single Market Program services has been weak as yet, especially for services that have these common characteristics: overriding importance of quality, existence of asymmetric information and need to produce bespoke services.

Yet, services (other than public administration services) accounted for 53.6% of total GDP in 2000 according to the EC (European Commission 2004b).

In light of the Lisbon strategy objectives of making the EU the most competitive and dynamic knowledge-based economy in the world by 2020, it was felt by the European Commission that the achievement of this 2020 goal required the extension of the Single Market to a true, well functioning Internal Market in services. The Services Directive proposed by the European Commission in 2004 (European Commission, 2004a) aimed to eliminate obstacles to the freedom of establishment and obstacles to the freedom of services. To achieve these objectives, the proposed Directive provided for harmonisation of legislation, stronger mutual assistance between national authorities, measures to promote the quality of services and encouraged the drawing up of codes of conducts at Community level.

After extensive discussions over the 2004-2006 period, a Service Directive was finally approved by the European Parliament and the Council of the European Union on 12 December 2006.<sup>14</sup> The Directive applies to most services.<sup>15</sup>

The 2006 Directive<sup>16</sup> facilitates the establishment of a business in a Member State by a legal or a natural person from another Member States by requiring Member States to<sup>17</sup>

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<sup>14</sup> Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, Official Journal L 376/36, 27 December 2006.

<sup>15</sup> The following services are explicitly excluded from the scope of the Services Directive: financial services, electronic communications services with respect to matters covered by other community instruments, transport services falling into Title V of the EC Treaty, healthcare services provided by health professionals to patients to assess, maintain or restore their state of health where those activities are reserved to a regulated health profession, temporary work agencies' services, private security services, audiovisual services, gambling, certain social services provided by the State, by providers mandated by the State or by charities recognised as such by the State, services provided by notaries and bailiffs (appointed by an official act of government).

<sup>16</sup> The description of the measures in the Services Directive is taken from the following web page of the EC DG Internal Market and Services: [http://ec.europa.eu/internal\\_market/services/services-dir/guides\\_en.htm](http://ec.europa.eu/internal_market/services/services-dir/guides_en.htm).

<sup>17</sup> Many of the measures aiming to facilitate cross-border establishment do also benefit domestic residents.

- set up "points of single contact", i.e. one-stop shops through which service providers can obtain all relevant information and complete all procedures relating to their activities;
- ensure that all these procedures and formalities can be completed at a distance and by electronic means;
- review and evaluate all their authorisation schemes concerning access to a service activity or the exercise thereof and abolish them or replace them by less restrictive means (such as simple declarations), where they are unnecessary or otherwise disproportionate. Remaining schemes are to be rendered clearer and more transparent (e.g. conditions have to be made public in advance; criteria have to be clear and non-discriminatory). Furthermore, authorisations have in principle to be granted for an indefinite period and be valid throughout the national territory;
- abolish discriminatory requirements, such as nationality or residence requirements, and particularly restrictive requirements, such as "economic needs" tests (requiring businesses to prove to the authorities that there is a demand for their services). It also requires the review of other burdensome requirements which may not always be justified (such as territorial restrictions or minimum number of employees).

Moreover, the Services Directive facilitates the cross-border provision of services by improving the regulatory environment for service providers who want to supply their services across borders to other Member States, without setting up an establishment there. In this respect, the Services Directive lays down the "freedom to provide services" clause whereby Member States should, in principle, not impose their national requirements on incoming service providers. Member States are thus generally prohibited from imposing restrictions upon incoming service providers.

However, certain requirements can still be imposed under very limited circumstances, i.e. when they are non-discriminatory, justified for reasons of public policy, public security, public health or the protection of the environment and do not go beyond what is necessary in order to achieve their objective. Furthermore, the "freedom to provide services" clause is also assorted with a number of general derogations.

These include, among other, matters covered by Directive 96/71/EC on posting of workers and matters covered by Title II of Directive 2005/36/EC on the recognition of professional qualifications. For those requirements that Member States are still allowed to impose on incoming service providers, service providers will have to be able to obtain all relevant information and complete all procedures and formalities through the "points of single contact", at a distance and by electronic means.

The Directive was to be transposed and implemented by Member States on 28 December 2009.

## 2.2 Expected benefits of the 2006 Service Directive

According to the information provided the European Commission on its web site<sup>18</sup> and the information note on the “Economic benefits of the Services Directive”<sup>19</sup>, the Services Directive, once fully implemented will:

- Make the creation of companies less burdensome, saving time and money;
- Facilitate the cross-border provision of services;
- Encourage investment (domestic and foreign) in the services sector;
- Enhance the economic performance of the services sector;
- Give consumers easier access to services; and,
- Modernise the way governments work and deliver.

## 2.3 Ex-ante assessment of the impact of the 2004 Service Directive proposal

A thorough assessment of the functioning of the service markets undertaken in 2004 showed that the “full economic potential of the services sectors is currently hampered by many Internal Market barriers” (Copenhagen Economics, 2005).

The assessment by Copenhagen Economics also reported a number of estimated economy-wide effects of reducing barriers faced by service industries as foreseen by the 2004 EC Proposal for a Services Directive (European Commission 2004b).

The impact assessment of the European Commission accompanying the proposed Directive (see European Commission 2004a) is qualitative in nature and, therefore, the only quantitative pan-European estimates of the likely impact of the 2004 Directive are those from the study by Copenhagen Economics.

More precisely, the benefits expected by Copenhagen Economics from the 2004 Services Directive were:

- Increased competition among service providers and reduced prices to the benefit of consumers, governments and businesses in and outside the service sector;
- Reduced costs and increase productivity in the services industries.

The Copenhagen study was based on a) a detailed analysis and quantification of the barriers to service provision that existed in 2004 in the various service markets and b) a statistical (econometric) estimation of the impact of these barriers on prices and costs of service providers. The estimates of these impacts were then transformed into tariff equivalents. The latter can be viewed as “hypothetical taxes that ... create economic effects that are equivalent to the economic effects of the actual barriers” (Copenhagen Economics 2005 p. 10). The estimates of the tariff equivalents are then used in a global, multi-regional

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<sup>18</sup> [http://ec.europa.eu/internal\\_market/services/services-dir/studies\\_en.htm](http://ec.europa.eu/internal_market/services/services-dir/studies_en.htm).

<sup>19</sup> [http://ec.europa.eu/internal\\_market/services/docs/services-dir/explanatory/economic\\_benefits\\_en.pdf](http://ec.europa.eu/internal_market/services/docs/services-dir/explanatory/economic_benefits_en.pdf).

computable general equilibrium model to generate estimates of the economic effects of reductions in or eliminations of the barriers.

The approach adopted by Copenhagen Economics is a standard one used typically by organisations and research organisations for assessing the impact of the elimination of barriers to trade.

The assessment by Copenhagen Economics provides results for two different scenarios. The first scenario, labelled “Direct policy impact scenario” in their study, shows the estimated impact of the complete implementation of the proposed Directive by all Member States. The second scenario, labelled “Extended impact scenario” yields estimates of the impact of complete Internal Market integration so that the barriers faced by foreign firms are identical to those of domestic firms. The reason for this second scenario is that, following the implementation of the Directive, foreign firms may still face higher barriers than domestic firms because the rules and regulations in foreign Member States may be differ from those in their home country. Essentially, this second scenario assumes harmonisation of the rules and regulations governing the provision of services across the EU.

The key results of the Copenhagen Economics study are reported in Table 2 below. Overall, total welfare (as measured by consumption) in the EU25 increases by 0.6% to 0.7% (depending on the scenario) in the long run relative to a scenario with no Directive and no elimination of barriers to the provision of services.

At the level of individual Member States, the expected welfare gains estimated by Copenhagen Economics<sup>20</sup> ranged from 0.2% in Cyprus, Estonia, and Malta to 0.9% in the United Kingdom and 1.3% in the Netherlands.

<b>Effect</b>	<b>Scenario 1 - Direct policy impact</b>	<b>Scenario 2 - Extended impact</b>
<b>Economy-wide effects</b>	0.6%	0.7%
Consumption <sup>1</sup>	0.4%	0.4%
Real wages	0.3%	0.3%
Employment	0.6%	0.7%
<b>Service sectors effects</b>		
Employment	0.5%	0.5%
Production (value added)	1.1%	1.1%

Note 1: Comprehensive consumption  
Source: *Copenhagen Economics (2005)*

Employment is estimated to be 0.3% higher in the long run in the EU25. This is equivalent to about 600,000 additional jobs.

<sup>20</sup> See Annex A of Copenhagen Economics (2005).

In addition, trade in services in the EU increases with cross-border supply being between 1.0% (business services) and 9.4% (regulated professions) higher in the long run relative to a scenario with no Directive.

Complementing the Copenhagen Economics analysis, a study by de Bruin, Kox and Lejour (2007) from the CPB Netherlands Bureau for Economic Policy Analysis found that the trade effect arising from the 2004 Directive would have increased EU25 GDP by between 0.3% and 0.7% in the long run relative to a scenario with no Directive and EU25 consumption by between 0.5% and 1.2%. As the Copenhagen Economics analysis also takes account of greater intra-EU foreign direct investment (FDI) flows, the results of the later study are not directly comparable to those of the analysis by Bruin, Kox and Lejour.

## **2.4 State of implementation of the Services Directive which was adopted in 2006**

All EU Member States have transposed the Services Directive by now. On 27 October 2011, the European Commission referred three countries (Austria, Germany and Greece) to the European Court of Justice for failing to fully transpose the Services Directive. However, Austria, Germany and Greece notified (in April, January, and May 2012 respectively) the Commission of the adoption of all the measures required transposing the Directive in full and proceedings against these three countries were stopped.

While the Services Directives has been transposed by all Member States, many implementation and enforcement problems remain. In fact, in its 2012 Communication entitled Better Governance for the Single Market (European Commission 2012a); the European Commission singles out the Services Directive as one of the area where it will make additional efforts to address shortcomings in implementation and application. The proposed approach includes bilateral meetings, peer review meetings in small groups of Member States and country specific recommendations.<sup>21</sup>

The most recent information from the European Commission on the state of actual implementation of the Services Directive in the various EU Member States (European Commission, 2012b) also identifies a number of problems.

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<sup>21</sup> In the 2012 Annual Growth Survey, the European Commission noted that the “full potential of the Directive will only be realised when all Member States have completed the work required to fully implement it. To use the Directive’s full potential, there is a need to shift from a compliance perspective to a competitiveness driven focus” (European Commission 2011 p. 19). Points noted in the 2012 Annual Growth Survey include cross-border services impediments due to specific requirements imposed by Member States on the shareholding in companies or limitations to the choice of legal form for business services, reservations of certain services activities for certain operators holding specific qualifications (in particular as regards cross-border trade), issues of access to network infrastructures (in the broadband, energy and transport sectors) and unnecessary restrictions on retail opening hours.

## 2.5 Ex-ante and ex-post assessment of the Services Directive adopted in 2006

No formal EC ex-ante impact assessment of the 2006 version of the Services Directive exists, at least in the public domain.

At the Member State level, an ex-ante assessment undertaken by Piette et al. (2009) for Belgium of the impact of the 2006 Services Directive showed that full implementation of the Directive at the national level would result in an increase of the long-run level of GDP of between 0.5% and 1.0% and in an employment boost of between 6,000 and 9,000 new jobs.

An ex-post assessment undertaken recently for Sweden (Kommerskollegium, 2012) concluded that, so far, no clear effects could be seen with regards to cross-border sales using data for 2010, the first year following the implementation of the Services Directive). No comments were made regarding the effect on new establishments as no data were available for the period after the implementation of the Services Directive.

A more comprehensive, ex-post, pan-European assessment is provided by the 2012 study of Monteagudo *et al.* Using the DG Economic and Financial Affairs' Quest model, the authors quantify the economic impact of the **actual implementation of the elimination of the barriers foreseen by the Services Directive across Member States**. The key findings of this analysis are that:

- The level of EU27-wide GDP is estimated to be 0.8% higher in the long run as a result of the implementation of Services Directive.<sup>22</sup> Across Member States, the impact varies substantially, ranging from less than 0.3% to more than 1.5%. Typically, almost 80% of the output gains are realised by the 5th year of the implementation of the Directive;
- The level of EU27-wide productivity is 4.7% higher in the long run;
- The level of EU-27 wide trade is 7.2% higher in the long run;
- The level of EU-27 wide FDI is 3.8% higher in the long run.

This particular study is of particular interest for the purpose of the present note because it does also provide estimates of the impact of a more comprehensive application of the Services Directive. These estimates are presented and discussed in the next section.

In addition, the authors also provide a quantitative assessment of the setting up of the Points of Single Contact (PSC) required by the Services Directive. These PSCs act as gateways or one-stop shops for service providers. At the EU-wide level, the GDP gain

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<sup>22</sup> The authors of the study view the estimate of 0.8% as being conservative as not all services sectors covered by the Directive are included in the analysis. A rough estimation by the authors of the study suggest that, if a) all the services covered by the Directive were included in the analysis and b) the impact of the Directive in the sectors not covered by the analysis was identical to the impact on the sectors covered by the analysis, the overall GDP impact could be twice as large. In other words, the level of GDP could be raised by about 1.6% in the long run. The aggregate size of the sector not covered by the study is about the same as that of the sectors covered by the study.

from the establishment of the PSCs (as they were at the time of study) is estimated at 0.1% in the long-run. Complete and effective implementation of the PSC requirements could raise the level of GDP by a further 0.1% to 0.2%.<sup>23</sup>

## 2.6 Potential impact of the European Parliament's own initiative – the Service Directive

The study by Monteagudo *et al* (2012) provides estimates of two types of a more complete implementation of the Services Directive:

- In a first scenario, it is assumed that, following the elimination by each Member State of barriers to provision of services in a particular sector, each Member State's profile of barriers is equal to the mean barrier profile across Member States (or lower if the Member State has already reached a lower level of barriers);
- In a second scenario, it assumed that, following the elimination by each Member State of barriers to provision of services in a particular sector, each Member State's profile of barriers is equal to the mean barrier profile of the 5 best performers (in terms of lowest barriers) among Member States (or lower if the Member State has already reached a lower level of barriers).<sup>24</sup>

According to the author of the study, the second scenario is very close to a scenario in which the barriers are fully eliminated for most sectors, i.e. the Services Directive is fully implemented.

A fuller and more complete implementation of the Directive is likely to yield significant additional benefits over and above those which have already materialised as a result of the implementation so far of the Services Directive.

**Table 3: Impact of more complete implementation of the Services Directive**

Scenario	Impact on the level of GDP	Impact on the level of productivity	Impact on the level of trade	Impact on the level of FDI
Assessment of current implementation	0.8%	4.7%	7.2%	3.8%
Assessment of implementation to average of EU Member States	1.2%	7.0%	10.1%	5.6%
Assessment of implementation to average of 5 best performing Member States	2.6%	13.6%	14.7%	12.6%

*Source: Monteagudo et al (2012)*

<sup>23</sup> A 2010 European Parliament report prepared by Ramboll Management Consulting reviewed the state of implementation of the Services Directive with regards to the adoption of new legislation, the screening and adaptation of existing legislation, the establishment of Points of Single Contacts and administrative co-operation between the Member States. It did not provide any estimates of the likely impacts of the Directive.

<sup>24</sup> The authors note that the benchmark set of best performing countries varies across sectors.

**The results reported in the table above show that, for the sectors covered by the study, full implementation of the Service Directive could increase the long-run GDP level by an additional 1.8% percentage point (relative to the impact of the current level of implementation) for a total impact on the long-run level of GDP of 2.6%.**

If the service sectors not covered by the study but within the scope of the Services Directive were to be considered as well, the total long-run effect would be about double the one reported in the table above. In other words, the level of EU-wide GDP could be as much as 5.2% higher in the long run.

In terms of the likely impact of the own initiative, it is assumed that it will contribute to raise by 1.8 percentage point the long-run level of EU GDP relative to the currently expected output path. This is a cautious estimate in light of the fact that the implementation of the Service Directive to the benchmark of the 5 best performing Member States and across all sectors is estimated to raise incrementally the GDP level by 3.6%<sup>25</sup> in the long run.

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<sup>25</sup> I.e., (2.6% minus 0.8%) times 2.

### 3. The Single Digital Market and the Electronic Commerce Directive

#### 3.1 The Directive on Electronic Commerce

As online services are cross-border by nature, they constitute an important tool for achieving European integration and developing the Single Market. As such, providing consumers with legal access to products and services from throughout the Single Market is a priority of the European Commission.

The Directive on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (or, the Directive on Electronic Commerce) was introduced in 2000. Its main aim is to target obstacles to cross-border online services and thereby enhance legal certainty and confidence of consumers and businesses.

The cornerstone of this Directive is the Internal Market clause (Articles 3-4) which has two components:

- a. Each Member State must ensure that information society services provided by a service provider established on its territory comply with the national provisions applicable in the Member State in question which fall within the coordinated field (Article 3 (1) ECD);
- b. Member States may not, for reasons falling within the coordinated field, restrict the freedom to provide information society services from another Member State (Article 3 (2) ECD).

Here, “information society services” refers to any service “normally provided, for remuneration, at a distance, by electronic means and at the individual request of a recipient of services”. The “coordinated field” refers to all requirements in Member States legal systems that providers of information society services face. The “coordinated field” concept means that the Directive does not simply impose one harmonised set of rules on information society services in all Member States – at least in most aspects of electronic commerce.

Article 5 requires all online traders to provide their name, geographical address and e-mail address as well as their registration number if they appear in a registry. This information helps customers in informing them about their rights – since country of origin will determine the particular set of rules that apply – and in claiming their rights where a dispute occurs. Furthermore, there is an obligation for the service provider to provide information that makes it possible for it to be contacted rapidly and communicated with in a direct and effective way.

The Directive also includes a requirement (Article 6) for Member States to guarantee that online commercial communications meet transparency standards. For instance, the source of the communication must be clearly shown and any conditions must be easily accessible.

Article 7 of the Directive allows Member States to permit or prohibit emailed spam but requires Member States that permit spam to ensure that it is clearly identifiable and that opt-out registers are respected.

Article 8 of the Directive states that Member States must ensure that members of regulated professions are allowed to use commercial online communication methods but can be subject to professional rules related to independence, honour and dignity of the profession.

Article 9 guarantees that contracts concluded online are just as valid as those concluded offline and hand-written contracts cannot be obliged by law.

Articles 10 and 11 specify the information that must be provided for online transactions such as the relevant terms and conditions, oblige online traders to provide a means of reviewing the order to correct any errors and require that any online contract is concluded by an order from the consumer and an online acknowledgement from the supplier.

### **3.2 Issues with the Directive**

E-commerce still represents less than 4% of total European trade. Consultations and studies have suggested that the Directive does not need to be revised. **However, the manner in which it is implemented needs improvement if the Directive is to reach its full potential.**

Although parts of the Directive are aimed at combating abuses of online services such as publishing illegal content and infringing intellectual property, legal uncertainty persists due to the coexistence of each Member State's law, rules and standards and practices. A lack of clarity about what practices are permitted, concerns about transparency and delayed reaction in removing illegal content can indeed have the result of discouraging people from doing business online if confidence in online services is diminished.

In particular, it has been identified that there is a need for more information on the application of the Directive, for better administrative cooperation, for improved enforcement and for clarification on the liability of internet intermediaries.<sup>26</sup>

#### **3.2.1 Need for more information on application of the Directive**

The Commission recognises that changes in national law and case law have made it more difficult to assess the actual implementation of the E-Commerce Directive in each Member State. For this reason, the Commission has committed to a greater screening of implementation and application, including a conformity assessment in each Member State.

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<sup>26</sup> The discussion in this sub-section is based on European Commission (2012e).

In order to assess the contribution of information society services to the economy most appropriately, reliable statistics are needed. However, measurement of the value of these services is not always a simple task, particularly when an online service is provided for free. The lack of appropriate statistics in the area of e-commerce hinders the efforts to track progress in online services. For this reason, the Commission will work with the E-commerce Expert Group to develop a framework for measuring the value of these services.

### **3.2.2 Need for better administrative cooperation**

It is also recognised that the Directive requires better administrative cooperation between the European Commission and Member States.

One issue is that Member States sometimes do not notify new rules on information society service in draft form before they adopt the rules, as they are required to do by the Transparency Directive. The reason for this policy is that it allows other Member States and the Commission to act before adoption of the rules if they anticipate any potential barriers to trade. Without cooperation, it is more difficult to establish an effective dialogue between stakeholders.

Although Article 3 of the E-Commerce Directive relates to the freedom of provision of online services from other Member States, it does also include a limitation whereby a Member State may take measures to restrict the provision of a particular online service on a case-by-case basis. This limitation must be justified by the need to protect interests such as public policy aims, public health, consumers, investors or public security. In addition, the measures must be brought to the attention of the other Member State and the Commission and must be necessary and proportionate.

The number of times that this limitation has been used is few. This can likely be attributed to the establishment of the Consumer Protection Cooperation Network in 2006 which can investigate and take action against cross-border infringements. Other reasons for the lack of administrative cooperation could be translation issues or lack of awareness about this part of the Directive.

In order to enhance communication between Member States, an expert group has been formed to discuss any issues of relevance to the E-Commerce Directive. In addition, all Member States have set up national contact points where people can access information on e-commerce. These efforts have not been judged to be successful in creating an effective system of notifications between Member States. According to the Commission, enforcement, electronic tools and guidance documents could help to achieve this. It has also been suggested that the IMI system which allows for online communication between authorities in the European Economic Area can facilitate such cooperation.

### **3.2.3 Need for improved enforcement**

In order to ensure that the E-Commerce Directive is fully implemented in all Member States, investigators at the Consumer Protection Cooperation Network screen websites on a continuous basis. The Commission has committed to financing the further development of investigators' skills and the tools and techniques they use.

### **3.2.4 Need for clarification on the liability of internet intermediaries**

Providers of "intermediary" information society services are exempt from liability under the E-Commerce Directive. Furthermore, Member States are not permitted to impose an obligation on these providers to monitor content that has been provided by a third party. The justification for this exemption is that it is unreasonable to expect a provider of a large quantity of third party material to check all material comprehensively and accurately. If intermediary service providers were liable for this material, the commercial risk would be so great as to discourage the development of these services.

When this issue was put to consultation, stakeholders indicated that they experienced much uncertainty about how this aspect of the E-Commerce Directive is applied, particularly because of the existence of divergent case law in different Member States.

Some aspects of the Directive that cause uncertainty are:

- a. The definition of intermediary services does not include some services developed since the adoption of the Directive;
- b. The conditions that providers must meet in order to benefit from the exemption are not clear;
- c. It is not clear for intermediary service providers which "Notice-and-takedown" procedure to follow if content has been flagged as illegal;
- d. Although the E-Commerce Directive states that Member States cannot oblige intermediary providers to monitor all content in a general way, national case law has included obligations to prevent particular types of infringement.

This uncertainty has led to the development of some national case law which is contradictory across Member States and sometimes within Member States. As a result, providers of intermediary information society services can experience uncertainty about what activities are protected under the E-Commerce Directive and what actions need to be taken if activities are not protected.

## **3.3 Current state of e-commerce**

E-commerce has an important role in driving the development of the Single Market, particularly in the current economic crisis. Consumers can be expected to be attracted to online channels where they can benefit from lower prices and greater choice. It also presents a new opportunity for growth for businesses as a means to expand their customer base. However, evidence suggests that this channel is underutilised. This

section will lay out the current state of business-to-consumer e-commerce in the European Union.

### 3.3.1 The e-commerce market

E-commerce has grown quickly in recent years. The proportion of people that have made an online purchase has doubled from 20% in 2004 to 40% in 2010. The main reasons given by frequent online shoppers for why they buy online were the availability of cheaper products (66% of shoppers) and time savings (50%).

**Table 4: E-commerce across the EU** (\*Excludes Luxembourg, Malta and Cyprus)

Country	Retailing (in million Euro)	Retailing (in percent of EU total)	Internet retailing (in million Euro)	Internet retailing (in percent of EU total)	Share Internet retailing (in percent of country retailing)
Austria	65,285.4	2.5%	709.2	0.8%	1.1%
Belgium	81,784.7	3.1%	1,756.4	1.9%	2.1%
Bulgaria	9,239.1	0.4%	29.0	0.0%	0.3%
Czech Rep.	31,617.7	1.2%	1,082.8	1.2%	3.4%
Denmark	43,810.9	1.7%	2,354.3	2.6%	5.4%
Estonia	4,350.0	0.2%	15.0	0.0%	0.3%
Finland	39,834.7	1.5%	1,596.5	1.8%	4.0%
France	441,607.7	17.0%	17,324.9	19.1%	3.9%
Germany	458,803.4	17.6%	17,774.8	19.6%	3.9%
Greece	59,254.3	2.3%	441.9	0.5%	0.7%
Hungary	29,824.8	1.1%	339.5	0.4%	1.1%
Ireland	33,535.0	1.3%	523.1	0.6%	1.6%
Italy	314,370.8	12.1%	3,018.8	3.3%	1.0%
Latvia	4,316.9	0.2%	34.0	0.0%	0.8%
Lithuania	5,903.3	0.2%	63.5	0.1%	1.1%
Netherlands	105,915.3	4.1%	3,659.5	4.0%	3.5%
Poland	84,808.1	3.3%	1,968.3	2.2%	2.3%
Portugal	48,300.4	1.9%	365.6	0.4%	0.8%
Romania	27,198.2	1.0%	197.1	0.2%	0.7%
Slovakia	13,152.2	0.5%	108.7	0.1%	0.8%
Slovenia	7,375.1	0.3%	129.2	0.1%	1.8%
Spain	232,462.4	8.9%	3,188.4	3.5%	1.4%
Sweden	66,064.3	2.5%	2,618.0	2.9%	4.0%
UK	395,698.1	15.2%	31,412.2	34.6%	7.9%
<b>TOTAL EU*</b>	<b>2,604,512.8</b>	<b>100.0%</b>	<b>90,710.7</b>	<b>100.0%</b>	<b>3.5%</b>

Source: Table appears in Civic Consulting (2011). Consumer market study on the functioning of e-commerce. Original research by Euromonitor International using trade sources/national statistics.

From the point of view of retailers, 53% of retailers sell goods or services online and it is the most commonly used distance retail channel. Despite this, the market (valued at €91 billion in 2010) makes up a relatively small proportion (3.5%) of the total retail sector. Moreover, there is large variation between usage of online e-commerce channels across

Member States with e-commerce making up 7.9% of the UK retail sector but barely registering at all in other countries (see table above).

### **3.3.2 Cross-border e-commerce**

Most e-commerce purchases are domestic with just 9% of consumers within the EU making a cross-border online purchase. However, 32% of online shoppers said that they bought goods from another Member State in 2010. The factors which drive consumers to make online cross-border purchases are thought to be the market size, language and geographic location of the other country.

In terms of the retailers' offerings, three quarters of retailers in 2010 did not offer cross-border EU sales. In the three countries with the largest e-commerce markets in terms of total value (France, Germany and UK), the proportion of retailers offering cross-border sales was only about the EU average. The Commission took this to suggest that retailers are not taking full advantage of the e-commerce channel, particularly when market size and language were factors that were found to encourage consumers to buy online from other EU countries.

## **3.4 Ex-post assessments of the impact of the Directive**

Two studies which provide an ex post assessment of the impact of the Directive are discussed below. In addition, the potential of the Directive can be assessed in relation to the potential of e-commerce more generally as the E-Commerce Directive was initially designed to target obstacles to cross-border online services.

The first report on the application of the Directive<sup>27</sup> was carried out in 2003. Being published so soon after adoption of the Directive, there was a difficulty in including a quantitative evaluation of the impact. However, a qualitative review suggests the Directive provides an adequate legal framework for online services.

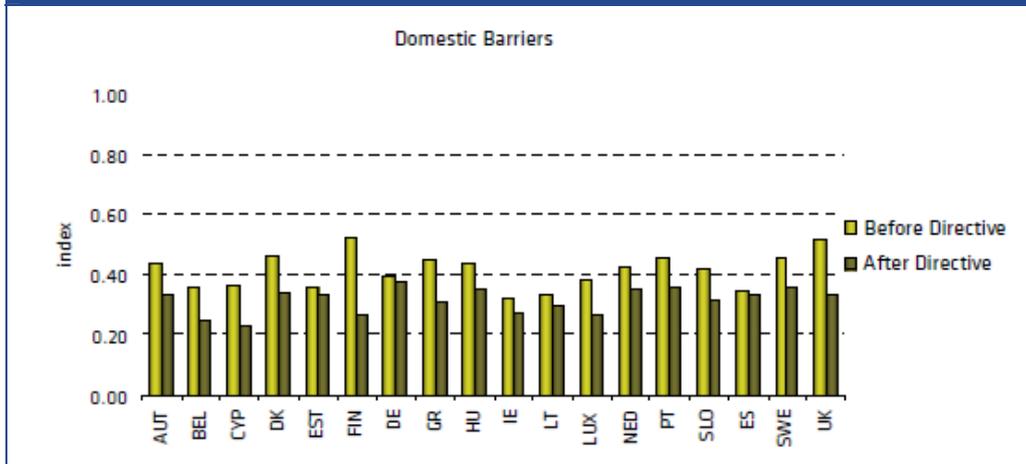
This report does highlight the idea that because information society services extend to the provision of communication, entertainment and other areas, the impact of the Directive is not limited to e-commerce. The authors suggest that it would be worthwhile to study the impact on other measures such as the percentage of internet users using internet to research a potential offline sale, the proportion of cross-border information searches of total searches, productivity gains as a result of lower information search costs in business-to-business sector and expenditure on online advertising.

A further study<sup>28</sup> was published in 2007 on the economic impact of the Directive. This study included an assessment of the domestic barriers before and after transposition of the Directive based on expert opinion, as shown below. The responses indicate that barriers are seen to have been reduced in all Member States following transposition.

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<sup>27</sup> European Commission (2003).

<sup>28</sup> Copenhagen Economics (2007).

**Figure 1: Domestic barriers before and after transposition of the Electronic Commerce Directive**

Note: The index takes a minimum value of zero and a maximum value of one. A value of one indicates high barriers. Source: Copenhagen Economics (2007).

The authors report that, at the time of the study, it was difficult to find clear evidence that cross-border online trade has been boosted by the Directive. They attribute this to a lack of appropriate statistical data and the idea that it might still be too soon for effects to appear in statistical data.

They do, however, report that immediate impacts have been experienced in firm costs as a result of the articles within the Directive that relate to the liability of intermediary service providers and the ability to complete contacts electronically.

They also acknowledge the possibility that long-run potential gains are substantial. The authors run a simulation based on labour productivity and the Directive's estimated direct sectoral impact (as a result of the elimination of frictional trade costs) on cross-border trade. In particular, the Directive is assumed to have a direct impact on the following sectors: computer activities, travel agencies, paper and publishing, regulated professions, business service, distributive trade, financial services and post and telecommunications. The simulation shows that the long-run welfare gain could be as high as 0.42%.

### 3.5 Ex-ante assessment of the Digital Single Market

In 2012, the European Commission launched an ambitious digital single market initiative<sup>29</sup> which encompasses a better implementation of the Electronic Commerce Directive and a number of initiatives aiming to:

- develop the legal and cross-border offer of online products and services;
- improve operator information and consumer protection;
- ensure the provision of reliable and efficient payment and delivery systems;

<sup>29</sup> See European Commission (2012f).

- Combating abuse and resolving disputes more effectively
- Deployment of high-speed networks and advanced technological solutions

This comprehensive package of initiatives is estimated to raise the long-run level of GDP. According to the European Commission, “if e-commerce were to grow to 15% of the total retail sector and Single Market barriers were eliminated, total consumer welfare gains are estimated to be around €204 billion, an amount equivalent with 1.7% of EU GDP” (2012e).

These gains are only the direct gains arising from a higher level of e-commerce. However, the gains from the Digital Single Market initiatives could be much as higher as a deeper and broader penetration of the digital economy benefits not only consumers but also businesses in their operations.

**For example, a 2010 study by Copenhagen Economics<sup>30</sup> estimates that the long-run<sup>31</sup> level of EU27 GDP<sup>32</sup> would be higher by 4% as a result of a an acceleration of the digital economy involving increased use of online services, improved digital infrastructure, and improved e-skills. Overall, the authors of this 2010 study estimate that the Digital Single Market would have a similar impact as what was expected from the 1992 Single Market Programme.**

### 3.6 Potential impact of the own initiative

The EAV assessment is based on the lower of the estimates of potential gains in the long-run level of GDP reported in the study on expected gains from the Single Digital Market.

Moreover, to be cautious and avoid over-estimating any gains that can be actually achieved, it is assumed that the Digital Market initiatives set out in the 2012 will generate half of the gains predicted by the 2010 Copenhagen Economics. This assumption broadly corresponds to the ratio of the actual GDP gains from the SMP relative to the ex-ante expected gains.<sup>33</sup>

**Thus, one can reasonably assume that the European Parliament’s own initiative will contribute to raise EU-wide GDP by about 2% over the long run.**

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<sup>30</sup> The 2010 Copenhagen Economics study builds on a 2007 study by the same authors and a 2009 study by Micus.

<sup>31</sup> The long run is estimated to be 10 years.

<sup>32</sup> Unfortunately, the study does not provide a country by country breakdown of the EU27 gain.

<sup>33</sup> The European Commission (2002) estimates that the Internal Market to have increased EU GDP by about 1.8% over a 10-year period and the Cecchini Report (1992) predicted a 4.5% increase.

## 4. Professional Qualifications

### 4.1 Professional Qualifications Directive

**The purpose of the Professional Qualifications Directive is to facilitate mobility within the EU by allowing qualifications earned in one Member State to be exercised in other Member States.** Modernisation of the Professional Qualifications Directive was included as a proposal in a 2010 Communication from the European Commission aimed at strengthening the Single Market<sup>34</sup>. The proposal was then highlighted in a debate about the Single Market by citizens, trade unions and public authorities as one of 12 key actions.<sup>35</sup> In 2011, the Commission adopted a proposal for the modernisation of the Directive

The Directive was adopted in 2005 but transposition in all Member States was complete only three years after the transposition deadline and following the initiation of infringement proceedings against all 27 Member States.

The objectives of the Directive are to:

- a) facilitate EU labour mobility;
- b) allow professionals from a Member State where a profession is unregulated to work in a Member State that does regulate the profession;
- c) encourage professionals to provide services in other Member States on a temporary and occasional basis; and
- d) balance the goal of labour mobility with the need for quality in professional services.

In practice, the Directive works differently for different professions. Holders of some professional qualifications (e.g. doctors, nurses, architects, pharmacists) receive automatic recognition as a result of the harmonisation of basic training requirements. The idea is that such harmonisation improves the efficiency of the recognition process.

For professions in which training requirements have not benefited from harmonisation, a general system applies. Specific measures are used in cases where there is a substantial difference between the qualification required in a Member State to practice a profession and the qualification of the applicant. Common platforms were introduced in 2005 to simplify this process.

Other aspects of the Directive include:

- a) lighter requirements for mobility of professionals that intend to work on a temporary and occasional basis;
- b) national contact points which can offer assistance to applicants;
- c) a requirement for the language skills necessary to practice the profession;
- d) recognition of third country qualifications if the professional has recognition and three years experience from another Member State; and,
- e) a requirement for administrative cooperation across Member States.

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<sup>34</sup> European Commission (2010a).

<sup>35</sup> European Commission (2011b).

## 4.2 Evaluation of the Directive

### 4.2.1 First implementation assessment

A first assessment of the implementation of the Directive was published by the Commission in 2010.<sup>36</sup> Although it was acknowledged that was still early to draw solid conclusions, the analysis revealed a **number of difficulties**:

- a) evidence of applicants being required to submit documents which do not appear on the list of documents that can be requested under the Directive;
- b) issues with the harmonisation of training requirements for qualifications from the accession of new Member States;
- c) requirements for a minimum number of training hours for some professions were not consistent with training in some Member States;
- d) a policy in some Member States to prevent professionals in some sectors from availing themselves of the lighter requirements if they intend to work on a temporary and occasional basis;
- e) a tendency of Member States to require declarations from migrants, the content and timing of which may be contrary to the terms of the Directive;
- f) a lack of clarity for professionals about whether registration is necessary; and,
- g) a possible misuse of the provision within the Directive which does not allow automatic recognition for professions associated with health and safety implications.

### 4.2.2 Ex-post evaluation

The first ex-post evaluation by the EC of the application of the Directive is based on the results of the stakeholder consultation. The rules that govern recognitions of qualifications were checked for effectiveness, efficiency, relevance, consistency and acceptability.

The consultation indicated that the automatic recognition system was popular with authorities and professionals because of its efficiency. However, some issues arise which are specific to some professions. For instance, the procedure for notification of new diplomas for architects and some other professions is complex. It was also noted by some respondents that there is a lack of transparency relating to the contents of health sector training programmes.

One suggested improvement for the automatic recognition programme was that fitness to practice should also be a requirement within the system. It was also noted that the stated minimum training requirements need to be updated to reflect the current norms.

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<sup>36</sup> European Commission (2010b).

The general system for professions that do not benefit from automatic recognition was described by some stakeholders as a burden because each request for recognition has to be assessed individually. Other issues arose from potentially restrictive conditions attached to professionals from Member States which did not regulate that profession and the classification of that profession. Despite this, it was recognised that the system was pragmatic and effective.

Some suggestions for improvements of the general system included strengthening the justification required for compensation measures and making the rules more flexible in order to reflect the current labour market, e.g. allowing for partial access to a profession, allowing for mobility of professionals that are not fully qualified. Common platforms were not popular amongst stakeholders as the purpose was not clear enough and the process was too demanding.

Other recommendations from the consultation included:

- a) simplification and clarification of the requirements for the recognition of qualifications for temporary and occasional workers;
- b) control of language skills for health professionals that treat patients;
- c) simplification of the process for recognition of third country qualifications;
- d) wider availability of information and access to electronic channels for applicants submitting requests.

Overall, the consultation found that the legislation on qualification recognition has been successful in facilitating mobility across the EU. This is identified as an important tool for dealing with the decrease in the active working population and increased demand for jobs that require high qualifications.

### **4.2.3 Impact assessment of modernisation of the Directive**

**Modernisation of the Directive was suggested as a way to create growth and boost confidence within the EU.** The Commission published an impact assessment<sup>37</sup> for the modernisation exercise in 2011 which drew from its previous ex-post evaluation and from responses to a Green Paper based on that evaluation.

In response to the need for wider access to information for applicants, the preferred solution was to widen the scope of Points of Single Contact. Suggestions for improving efficiency within the system included the imposition of stricter deadlines, the introduction of a European professional mobility card, optimisation of compensation measures and harmonisation of the training requirements for new professions. Other suggestions were a simplification of the classification used for education levels, an allowance for partial access to professional recognition and a removal of requirements for professionals moving from non-regulating to regulating Member States.

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<sup>37</sup> European Commission (2011c).

In order to improve the system of automatic recognition, consideration was given to measures such as introducing a national compliance function for notification of new diplomas, updating the minimum requirements for particular professions and allowing for more flexibility in identifying professions that qualify for automatic recognition.

For professionals that intend working in another Member State on a temporary basis, it was recommended that Member States specify which professions are excluded from the Directive based on health and safety reasons and that guidelines are provided to help clarify this part of the Directive.

The publication also presented steps to enhance protection of patients in the health system and suggested that Member States carry out an evaluation exercise to increase transparency.

#### **4.2.4 Evaluation against educational reforms**

A 2011 evaluation of the Directive as it relates to education reforms<sup>38</sup> sought to identify the professions which would benefit most from easier recognition. This analysis took into account current and future levels of demand and supply for labour by profession, the level of labour mobility by profession and the level of regulation of each profession. The study notes a particular concentration of regulated professions and a large number of recognition applications within the sectors of health and social care, education and construction. This observation leads the authors of the study to suggest that action focused on these sectors can address future demand most appropriately.

### **4.3 Mobility figures**

Since the Directive was first transposed in any Member State in 2007, ideally a study of mobility figures since that time could reveal the progress of the Directive. One difficulty in assessing the effectiveness of the Directive, highlighted by the Commission<sup>39</sup>, is that it is unclear how to untangle the direct benefits of the Directive from the benefits of the classification of economic activities (now in Annex IV of the Directive) which was in place decades before transposition.

Data from the Regulated Professions Database<sup>40</sup> show that over 100,000 recognition decisions were made between 2007 and 2010. The table below summarises this information.

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<sup>38</sup> GHK (2011).

<sup>39</sup> European Commission (2011d).

<sup>40</sup> Regulated Professions Database at

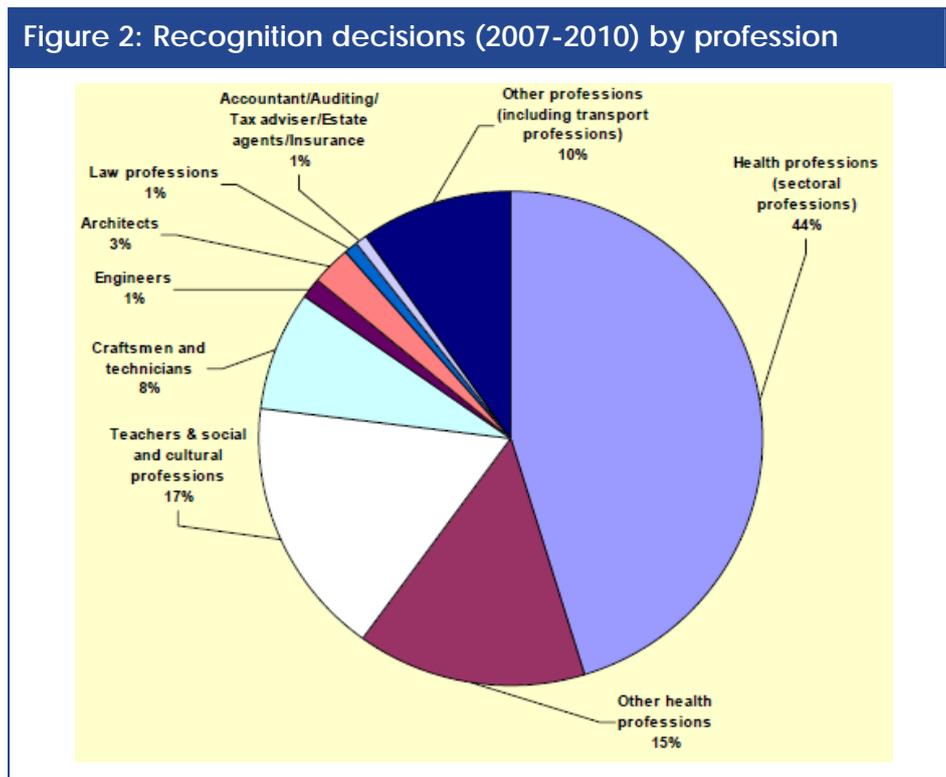
[http://ec.europa.eu/internal\\_market/qualifications/regprof/index.cfm?fuseaction=stats.total](http://ec.europa.eu/internal_market/qualifications/regprof/index.cfm?fuseaction=stats.total).

Table 5: Recognition decisions (2007-2010)					
	2007	2008	2009	2010	TOTAL
<b>Number of decisions taken under the general system</b>					
Number of positive decisions	8,509	12,329	10,744	7,971	53,286
Number of positive decisions after CM	2,120	2,727	1,706	836	
Number of negative decisions*	1,834	2,122	1,420	968	
<b>Number of decisions taken under automatic recognition</b>					
Number of positive decisions	9,911	17,382	14,271	6,591	49,007
Number of negative decisions	182	233	296	141	
<b>Number of decisions taken under automatic recognition for crafts</b>					
Number of positive decisions	4,426	3,112	1,670	1,469	10,677
<b>TOTAL</b>	26,982	37,905	30,107	17,976	112,970
<b>Total positive decisions</b>	24,966	35,550	28,391	16,867	105,774
<b>Total negative decisions</b>	2,016	2,355	1,716	1,109	7,196

Note: \*Includes negative decisions for craft professions

Source: Data source is Regulated Professions Database. Table from European Commission (2011c ) Part 2.

The following figure shows the breakdown of recognition decisions by profession.



Source: Regulated Professions Database:

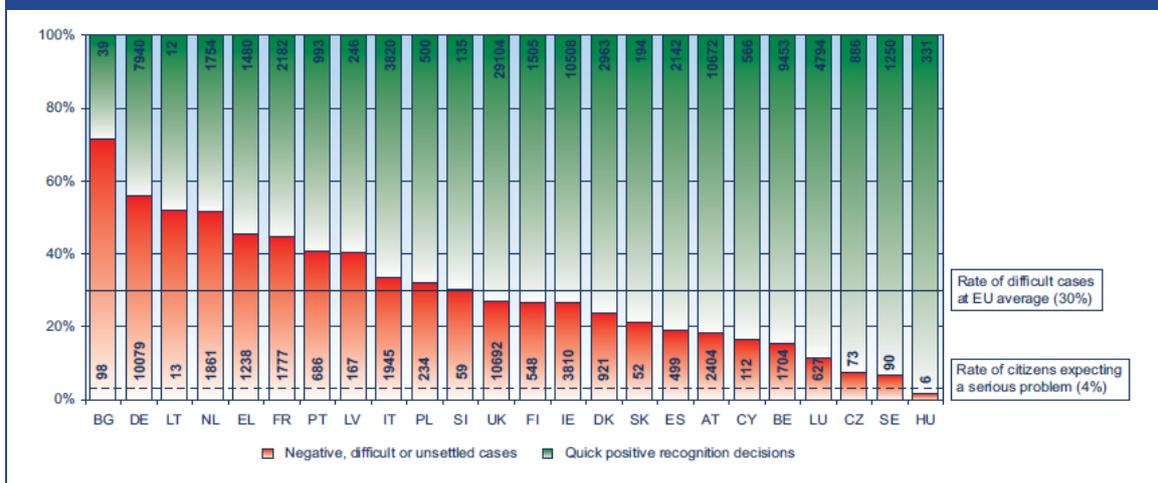
[http://ec.europa.eu/internal\\_market/qualifications/regprof/index.cfm?fuseaction=stats.total](http://ec.europa.eu/internal_market/qualifications/regprof/index.cfm?fuseaction=stats.total)

#### 4.4 Potential impact of the European Parliament’s own initiative

The 2011 evaluation of the Directive and an Internal Market Scoreboard report in 2010<sup>41</sup> both highlight the importance of the modernisation of the Directive in the light of the predicted decline in the working age population and the associated increase in competition to hire highly qualified workers. In addition, in the impact assessment of the modernisation of the Directive<sup>42</sup>, it is pointed out that mobility of labour particularly affects the health sector (9.5% of EU GDP), the construction sector (7%) and education, trade, transport and tourism.

The Internal Market Scoreboard report in 2010 includes a section which discusses the application of the Professional Qualifications Directive and how it compares to current expectations regarding mobility of professionals. The report argues that since 66%<sup>43</sup> of applicants between 1997 and 2008 do not fall under the automatic recognition rule, efficient procedures within the general process are necessary. The report also notes that only 4% of the population reports to be concerned that their qualification would not be recognised by other Member States. However, the authors of the study found that this was not the reality at the time of writing, as demonstrated in Figure 3. In fact, only 70% of requests between 1997 and 2008 had a successful and quick outcome, suggesting a large gap between citizens’ expectations of mobility and the actual mobility figures between 1997 and 2008.

Figure 3: Recognition in Member States (1997-2008)



Source: European Commission, 2010. Internal Market Scoreboard no. 21.

The impact assessment of modernisation of the Directive also considered the potential of mobility within the EU, noting that just 10% of EU citizens have worked abroad even though 28% consider it.<sup>44</sup>

<sup>41</sup> European Commission (2010c).  
<sup>42</sup> European Commission (2011c).  
<sup>43</sup> Database of Regulated Professions (see footnote 40).  
<sup>44</sup> Eurobarometer (2011).

**The right to work in another Member State is guaranteed by the Treaties and is vital for the success of the Single Market. As the right to work includes the right to exercise professional qualifications, the Directive has been established to overcome any obstacles to this right. In the context of increased demand in the future for highly qualified workers and the gap between citizens' expectations of mobility and the actual mobility figures between 1997 and 2008, it is clear that the modernisation of the Professional Qualifications Directive is an important factor in the development of the Single Market.**

## 5. Transport Single Market - Airport Charges

### 5.1 The Airport Charges Directive

#### 5.1.1 Introduction

A proposal to introduce rules on airport charges was put forward in phase 3 of the European Commission's *Action plan for the single market* in 1997. In 2009, **Directive 2009/12/EC on airport charges<sup>45</sup> was adopted in order to avoid the application of airport charges in such a way that they might discriminate against or favour particular airlines.<sup>46</sup>**

#### 5.1.2 Airport charges

Airport charges are paid by airport users such as airlines for the use of the airport facilities. The charges are passed on to customers of the airport users in the prices that they pay. In many cases, the airport charge system is governed and regulated by national authorities. The charges can be applied in such a way as to incentivise the use of airport infrastructure or to promote behaviour that is beneficial to the environment.

Airport charges represent between 4% and 8% of operational costs for major EU airlines.<sup>47</sup> In many cases, airport charge increases are likely to be a result of the owners, public or private, wanting to increase revenue. The Commission noted<sup>48</sup> that increases may also be driven by public authorities in the interest of increasing revenue, and thereby the sale price, of an airport that they expect to be privatised.

#### 5.1.3 Description of the Directive

The Directive sets out a set of minimum standards that ensure fair competition and, at the same time, respect national regulations. Before the Directive, charging systems were regulated nationally in most Member States based on the ICAO-issued guidelines on airport charges<sup>49</sup>. The Directive applies to any airport within the EU that either has more than 5 million passenger movements per year or that is the airport with the highest number of passenger movements in that Member State. The main elements are as follows:<sup>50</sup>

- a) Airports are required to provide a detailed breakdown of airport charges into the underlying costs. The aim of this requirement is to promote greater transparency.

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<sup>45</sup> Directive 2009/12/EC of the European Parliament and of the Council of 11 March 2009 on airport charges, Official Journal of the European Union L 70/11, 14.3.2009.

<sup>46</sup> [http://ec.europa.eu/transport/modes/air/airports/airport\\_charges\\_en.htm](http://ec.europa.eu/transport/modes/air/airports/airport_charges_en.htm).

<sup>47</sup> See European Commission (2006a). Original source of figure is Association of European Airlines.

<sup>48</sup> European Commission, (2006a).

<sup>49</sup> ICAO (2004).

<sup>50</sup> [http://ec.europa.eu/transport/modes/air/airports/airport\\_charges\\_en.htm](http://ec.europa.eu/transport/modes/air/airports/airport_charges_en.htm).

- b) The application of charges in a discriminatory way is discouraged by requiring airports to charge the same amount to airlines receiving the same service except where there is consistent and transparent justification based on general or public interest. In addition, airports can charge different amounts to encourage behaviour that is beneficial to the environment.
- c) Consultation between airports and airlines are enhanced by ensuring that a system for consultation exists at all airports.
- d) Establishment of independent supervisory authorities with a role of helping to settle disputes between airports and airlines related to charges.

#### **5.1.4 Objectives of the Directive**

The *general objectives* of the Directive, as outlined below, were greater prosperity and solidarity.

*Specific objectives* that would lead to the achievement of the general objective included:

- a) Promote fair competition through the use of common principles for airport charges;
- b) Encourage transparency in airport charging systems; and
- c) Allow airports to collect revenues sufficient to support infrastructure at an optimal level.

## **5.2 Impact assessment<sup>51</sup>**

### **5.2.1 The economic context**

The view presented in the impact assessment in 2007 was that the lack of a European framework for airport charging led to a lack of transparency and thereby to an upward pressure on airport charges and possible distortion of competition. There was also a negative impact on European citizens where the price of a flight was higher as a result of the airport charging a fee higher than could be reasonably justified to an airline.

Based on a previous study<sup>52</sup> of competition in the airport market, it was judged that competition between airports was generally limited. Competition between large regional airports and between large regional airports and hub airports was seen as much stronger and was being increased due to the rise of low cost carriers.

The impact of the charge level on an airline's decision to use an airport differed according to the airline type with low-cost carriers and charter carriers, for example, far more likely to respond to competition in airport charge levels.

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<sup>51</sup> European Commission (2006b).

<sup>52</sup> Cranfield University (2002).

The impact assessment described the risk that, in an environment with no regulation, airports could run inefficiently and pass on high costs to users without any incentive to do otherwise. It noted that previous benchmark activities<sup>53</sup> on airports' cost efficiency have shown large differences between airports.

It was noted that many airports use non-aeronautical commercial activity to generate the majority of their revenue. In fact, a survey<sup>54</sup> cited in the impact assessment suggests that most airports do not fully cover their aeronautical costs using charges to airlines. Some reasons suggested for this include the ideas that charges were kept low by national regulation, that airports keep the charges below cost to compete for airlines and that the levels have been inherited from earlier periods when cost recovery was not prioritised.

### **5.2.2 Consultation**

The impact assessment included the results of a stakeholder consultation exercise which revealed mixed opinions. On the side of air carriers, traditional air carrier organisations were strongly in favour of European regulation which would include non-discrimination, consultation, transparency and the establishment of an independent national regulator. They pointed to the cuts that they have implemented since 2001 in the context of rising average passenger costs and high airport charges. They noted that 14 of the 25 most expensive airports in the world are airports within the EU.

Low-cost airlines, however, disagreed that regulation was necessary due to increased competition to major airports from regional airports. Airport owners argued that the charges were already regulated at a national level but accepted their responsibility to engage constructively with air carriers on the issue of airport fees.

### **5.2.3 Impact assessment of the preferred policy option**

In the IA, policy options were considered against a benchmark which assumed no action from the EU and the continued status quo. Under the preferred option, legislation would include a set of common principles, i.e. non-discrimination, mandatory consultation, transparency and the establishment of an independent national regulator.

The authors of the impact assessment expected non-discrimination principles as being unlikely to have any major impact since they were considered to already be in place in most Member States. However, it was suggested that, if the transparency principle led to the introduction of minimum accounting standards, this would force airports to reveal more about their cost structures. The establishment of an independent national regulator was expected to improve the functioning of the system with lower charges which could put a downward pressure on prices but it was also expected to incur additional administrative costs.

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<sup>53</sup> For example, ATRS (2006) and TRL (2005).

<sup>54</sup> Airports Council International survey 2004, 2005.

Overall, the authors of the IA expected airport charges to decrease as a result of the introduction of the policy. However, they could not say what the eventual impact would be. The allowance for higher charges on environmental grounds was expected to have a limited positive impact on the environment. In addition, the authors thought that the policy would have a limited effect on employment.

### **5.3 Failures to implement the Directive**

The Directive was to be implemented by March 2011 at the latest in each Member State. In October 2012, Poland was referred to the European Court of Justice for failure to implement the Airport Charges Directive.<sup>55</sup> Despite two separate requests by the Commission in May 2011 and March 2012 to comply with the Directive, Poland had not taken necessary measures for implementation of the Directive. According to the Commission, failure to implement the Directive had a negative economic impact on Polish, European and international airlines and passengers. In 2011 and 2012, Greece, Austria, Germany, Italy and Luxembourg also received notices from the Commission to comply fully with the Directive.

### **5.4 Potential impact of the own initiative**

**As yet, no ex-post evaluation has been carried out to measure the impact of the Directive and, hence, to quantify the benefits for EU consumers and business of a full and effective implementation of the Directive.**

Nevertheless, based on the IA accompanying the EC's proposal for a Directive on airport charges, the full and effective implementation of the Directive will definitely contribute to reduce costs pressures on air travel costs and thus benefit consumers and business alike in terms of lower costs and greater incomes in real terms (i.e. adjusted for inflation).

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<sup>55</sup> [http://europa.eu/rapid/press-release\\_IP-12-1143\\_en.htm](http://europa.eu/rapid/press-release_IP-12-1143_en.htm)

## 6. Transport Single Market – Electronic toll

### 6.1 The Electronic Toll Directive

#### 6.1.1 The context

A Directive on the widespread introduction and interoperability of electronic road toll systems in the Community was initially announced in 1997 in the White Paper *European transport policy for 2010: time to decide*. **The main principle stated for electronic toll charging was that of “one contract per customer, one box per vehicle”.**

The Directive was then proposed in 2003<sup>56</sup> and adopted in 2004<sup>57</sup>. The proposal highlighted the under-financing of transport infrastructure and anticipated difficulties in incorporating networks of future Member States. In the context of insufficient funding for the development of new transport infrastructure, they proposed the establishment of an effective European electronic toll service. In the view of the Commission, high-performance transport networks are crucial for internal market and for mobility.

Electronic systems for charging road tolls appeared first in the early 1990s. Their main purpose is to make the process of collection more efficient so that more motorists can use the road. A further associated benefit is that they enhance motoring and road safety by reducing congestion and accidents.

One problem with the widespread introduction of electronic systems at local and national levels was that, when the systems were incompatible with one another (as they often were), drivers would need more than one electronic tag.

The proposal also outlined how, when they were introduced, the electronic tags were seen as an important tool for the electronics industry as they had the potential to transmit emergency calls and real time information such as traffic reports. This potential was seen to be diminished by the fragmentation of the electronic tag market. In addition, the fragmentation was seen as a barrier to the incorporation of electronic tags into a vehicle's design.

#### 6.1.2 The content of the Directive

The Directive sets out a regulatory framework which supports the establishment of a European Electronic Toll Service which is complementary to national electronic services and which covers all road networks to which an electronic toll charge applies.

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<sup>56</sup> European Commission (2003).

<sup>57</sup> Directive 2004/52/EC of the European Parliament and of the Councils of 29 April 2004 on the interoperability of electronic road toll systems in the Community, Official Journal of the European Union, L 166/124, 30.4.2004.

This European service guarantees a level of interoperability in electronic toll systems that will allow the implementation of any road-charging policies at EU or Member State level. But, the Directive itself does not impose any road-charging policy. Moreover, the European service is not designed to replace national or local services.

The European Electronic Toll Service is associated with a fee that does not exceed the corresponding national or local toll. The Directive also specifies the technology that is permitted to be used in electronic road toll systems, namely 5.8 GHz microwave, satellite positioning and mobile communications.

The Commission Decision 2009/750/EC outlines what is required from the European Electronic Toll Service to achieve interoperability with toll chargers. For example, it requires Member States to publish electronic registers of their tolled networks and toll chargers and to set up an organisation for the purpose of facilitating negotiations between toll chargers and European Electronic Toll Service providers. It also requires toll chargers to conform to the technical standards specified in the Directive.

In the 2011 White Paper, *Roadmap to a Single European Transport Area*, the European Commission highlights the importance of the European Electronic Toll Service in the promotion of sustainable transport systems and the acceptance of road charging by motorists.

## **6.2 Ex-post assessment of the Directive**

An ex-post evaluation of the Directive was conducted for the European Commission with the aim of gauging the economic and social impacts of the implementation of the Directive.

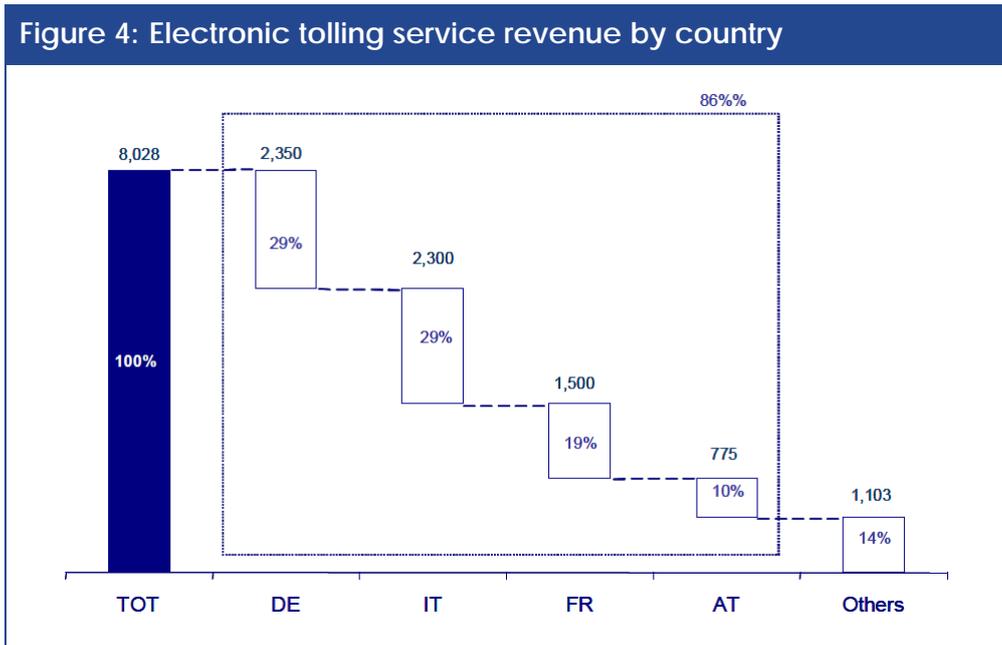
### **6.2.1 Growth in electronic road tolling**

The evaluation of the Directive<sup>58</sup> shows growth in total road tolling revenues of 18.6% from €14.71 billion in 2004 to €17.45 billion in 2005. Natural growth in tolling revenues (accounting for a 2.7% increase) was attributed to increased motorway traffic flows and the efficiencies gained in substituting manual tolling systems for electronic ones.

As is pointed out in the evaluation, electronic tolling services increase the number of motorists that can use a road without requiring any extra investment in the actual road infrastructure. Most of the growth (15.9% increase), however, was attributed to the introduction of toll collection for heavy goods vehicles in Germany. Eighty six per cent of the total electronic tolling revenue of €8 billion originates from Germany, Italy, France and Austria (see Figure 4).

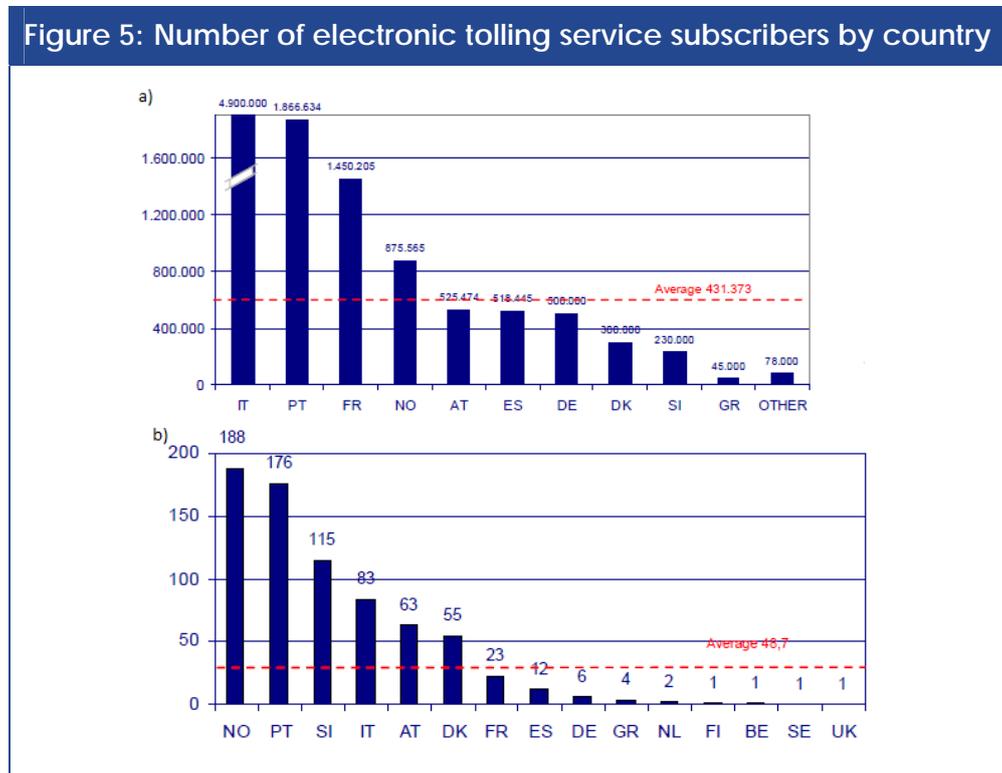
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<sup>58</sup> Ernst and Young (2005).



Source: Ernst & Young(2006).

Figure 5 shows a) the number of electronic tolling service subscribers by country and b) the number of subscribers per 1,000 people in each country. At the time of the evaluation, Norway, Portugal, Slovenia, Italy, Austria and Denmark had the highest levels of diffusion of electronic tolling services.



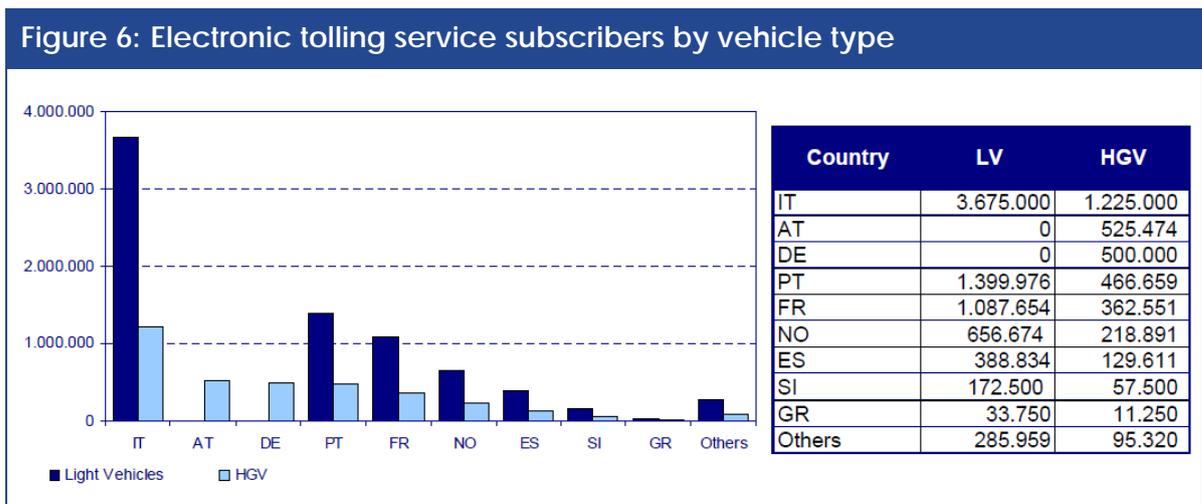
Source: Printed in Ernst & Young (2006).

However, the high growth was seen to be independent of the Directive because growth had been foreseen in countries that had not fully implemented electronic tolling at the time of the Directive. In addition, the growth had been mostly observed amongst light vehicles, which are not seen by the authors of the evaluation to be directly affected by the Directive because their journeys tend not to be cross-border and are not seen to benefit from the interoperability aspect of the Directive either.

### 6.2.2 Heavy goods transport industry

According to the ex-post evaluation, it is only these cross-border heavy goods transporters that were likely to have felt a direct impact of the Directive. Those in the transportation industry in Europe were expected to benefit from reduced costs, enhanced efficiency and improved quality of road services.

The authors of the evaluation estimate that heavy goods vehicles (or HGVs) make up 25% of all subscribers to electronic tolling services although the percentage was 100% for some countries which limited these services to heavy goods vehicles, like Austria and Germany.



Note: LV is Light Vehicle. HGV is Heavy Goods Vehicle.

Source: Ernst & Young (2006).

The authors noted difficulties in measuring the level of cross-border travel for heavy goods vehicles but they give a final estimate of 30 million heavy goods vehicles per year, based on nine key European borders.

### 6.2.3 Forecasted growth in electronic tolling subscriptions

In the evaluation, growth in the number of electronic tolling subscribers was expected to grow at different rates for countries at different implementation stages. For instance, "mature" described countries such as that Italy, Slovenia, Portugal and Norway whereas

“developing” described markets in France, Spain, Greece, Austria and Germany (see table below).

Table 6: Forecasted electronic tolling subscription growth rates				
Vehicle type	Market type	Representative growth rate 2001-2005	Expected growth rate 2006-2009	Expected growth rate 2010-2013
Heavy goods vehicles	Mature	17.7%	6.9%	2.7%
	Developing	45.7%	17.7%	6.9%
Light vehicles	Mature	16.3%	6.0%	2.2%
	Developing	44.3%	16.3%	6.0%

Source: Ernst & Young (2006).

#### 6.2.4 Impacts on other areas

The evaluation noted that growth in electronic tolling is a positive development from the point of view of toll chargers and the manufacturers of the necessary technical equipment who could expect revenues to increase as the number of users rises.

The authors of the evaluation looked at production of the electronic tags, or on-board units, in particular. Production of these devices could increase as a result of growth in electronic tolling subscriptions or decrease as a result of interoperability which means just one device is required per vehicle. Overall, production is expected to increase as shown in the table below.

Table 7: Forecasted volume of on-board units produced (millions)			
2006-2009		2010-2013	
Heavy goods vehicles	Light vehicles	Heavy goods vehicles	Light vehicles
2.2	5.9	2.5	6.4

Source: Ernst & Young (2006).

The substitution could also bring employment to those with the skills required for the operation and management of electronic tolling services. However, it could also have an indirect negative short-term impact on employment of toll collectors. The opinion stated in the evaluation is that any impact of the Directive on toll collectors will be negligible since growth in electronic tolling services is driven by light vehicles which are not seen by the authors of the evaluation to be directly and substantially impacted by the Directive.

In addition, the report notes that the widespread use of electronic road charge technology promotes the value of navigation satellite systems such as Galileo. As toll chargers generally do not compete with one another, the Directive may also improve transparency within the toll charging market.

### 6.2.5 Overall impact of the Directive

The growth in the use of electronic toll charges was highlighted by the ex-post evaluation. The evaluation argues that much of this growth is not directly related to the Directive adopted in 2004 as it relates to light vehicle subscriptions which are unlikely to be increased by the Directive. However, **the Directive does have an impact on heavy goods vehicles involved in cross-border transport in reducing costs and improving efficiency and quality of road services. Interoperability could benefit as many as 30 million heavy goods vehicles that make cross-border trips each year.**

Other impacts of the Directive are likely to be felt by those workers skilled in the operation and management of electronic tolling services, by consumers that benefit from increased transparency amongst toll chargers and by those involved in the promotion of the Galileo project.

### 6.3 Implementation of the Directive

The European Commission published a Communication in 2012 summarising the progress made in implementation of the European Electronic Toll Service and outlining the next steps.<sup>59</sup> In the Commission's view, **progress of the implementation of the Service has been "disappointing" and "is not yet a reality in everyday life of road users"**.

The Communication points to a lack of commitment on behalf of Member States and other stakeholders and describes how much of the planning of local or national systems in recent years has been without reference to the timetable outlined in the Directive.

A number of **problems** are highlighted in the Communication:

- a) A lack of cooperation between stakeholders has resulted in failure to achieve pan-European interoperability;
- b) Only two Member States, in 2012, had set up the Conciliation Body referred to in the Decision;
- c) Since the Decision set out an obligation for European Electronic Toll Service providers to achieve full European coverage within 24 months following registration, some toll chargers proposed ending their contracts with them if they had not achieved this aim;
- d) A barrier to entry arising from costs for assessing interoperability or conducting "suitability for use" tests from toll chargers to European Electronic Toll Service providers.

A few approaches are suggested in the Communication in order to solve these problems and promote progress in implementation of the European Electronic Toll Service:

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<sup>59</sup> European Commission (2012g).

- a) Starting infringement procedures against Member States that do not comply with their obligations or against toll chargers that attempt to end their contracts with providers that have not reached full European coverage;
- b) Creating a European network of Conciliation Bodies;
- c) Developing a protocol for “suitability for use” tests in order to reduce the costs;
- d) Establishing a single point of access which provides information on the European Electronic Toll Service to stakeholders and facilitates the sharing of resources;
- e) Promoting implementation in a number of key areas with a high volume of cross-border traffic;
- f) Monitoring closely any new road charging projects for compliance with the requirements set out in the Directive and the Decision;
- g) Considering a new initiative to achieve interoperability of electronic toll services if the current framework is judged not to have been successful by 2013.

#### **6.4 Potential impact of the own initiative**

**While there exist no quantitative estimates of the overall impact on GDP of the full and effective implementation of the Directive, one can reasonably assume that such full and effective implementation will contribute to reduce the cost of cross-border road transport and hence benefit businesses directly on such cross-border road transport and their customers indirectly by reducing the cost of doing business.**

## 7. Conclusions

The present note has analysed the potential impact of the European Parliament's own initiative aiming to ensure that European Union policy initiatives (Directives, Regulations, etc.) are fully and effectively implemented by Member States so that European consumers and businesses can reap all the benefits from the Single Market.

The table below shows both the full expected impact (in terms of long run increases in the level of EU GDP) of selected initiatives. Overall, a cautious assessment of the two areas, for which quantitative information is available, suggests that policy action to improve the application and effectiveness of Directives and Regulations will raise the long run level of EU GDP by 3.8%.

<b>Policy Initiative</b>	<b>Cautious estimate of impact on long-run level of EU GDP</b>	<b>Upper bound of estimate of impact on long-run level of EU GDP</b>
Service Single Market – full and effective implementation of the Services Directive	1.8%	3.6%
Digital Single Market – new initiatives and full and effective implementation of the Electronic Commerce Directive	2.0%	4.0%
<b>Total impact</b>	<b>3.8%</b>	<b>7.6%</b>

A review of available information on the application of the Professional Qualifications Directive and the Airport Charges and Electronic Toll Directives in the transport sector also shows that a better application of existing Directives, and an update of these in some cases, would yield substantial benefits to EU citizens and businesses in terms of lower costs, higher incomes and greater opportunities.

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**European Parliament resolution of 7 February 2013 with recommendations to the Commission on the governance of the Single Market (2012/2260(INI)) (Schwab Report)**

The European Parliament,

- having regard to Article 225 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to Article 26(3) TFEU,
- having regard to the Commission Communication of 8 June 2012 entitled 'Better Governance for the Single Market' (COM(2012)0259),
- having regard to the Commission Communication of 28 November 2012 entitled 'Annual Growth Survey 2013' (COM(2012)0750) and the Commission Report entitled 'State of the Single Market Integration 2013 – Contribution to the Annual Growth Survey 2013' (COM(2012)0752),
- having regard to the European Added Value Assessment on Better Governance of the Single Market, as a contribution to the European Semester exercise, carried out by the European Added Value Unit of the European Parliament and transmitted to its Committee on the Internal Market and Consumer Protection on 7 February 2013,
- having regard to the Commission Communication of 3 March 2010 entitled 'Europe 2020 – A strategy for smart, sustainable and inclusive growth' (COM(2010)2020),
- having regard to the Commission Communication of 27 October 2010 entitled 'Towards a Single Market Act for a highly competitive social market economy – 50 proposals for improving our work, business and exchanges with one another' (COM(2010)0608),
- having regard to the Commission Communication of 13 April 2011 entitled 'Single Market Act – Twelve levers to boost growth and strengthen confidence – 'Working together to create new growth' (COM(2011)0206),
- having regard to the Commission Communication of 3 October 2012 entitled 'Single Market Act II – Together for new growth' (COM(2012)0573),
- having regard to the Commission Communication of 8 June 2012 entitled 'On the implementation of the Services Directive – A partnership for new growth in services 2012-2015' (COM(2012)0261),
- having regard to the report to the President of the European Commission by Mario Monti of 9 May 2010 entitled 'A New Strategy for the Single Market – At the Service of Europe's Economy and Society',
- having regard to the Commission White Paper of 28 March 2011 entitled 'Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system' (COM(2011)0144),

- having regard to the report of the President of the European Council of 26 June 2012 entitled 'Towards a genuine economic and monetary union', the interim report of 12 October 2012 and the final report of 5 December 2012 thereon,
- having regard to the Internal Market Scoreboard No 23 (September 2011) and Parliament's resolution of 22 May 2012(1) thereon,
- having regard to the Internal Market Scoreboard No 25 (October 2012),
- having regard to the Commission staff working document of 24 February 2012 entitled 'Making the Single Market deliver – Annual governance check-up 2011' (SWD(2012)0025),
- having regard to the Conclusions of the Competitiveness Council of 30-31 May 2012 on the Digital Single Market and Governance of the Single Market,
- having regard to the deliberations of the Competitiveness Council of 10-11 October 2012 on the Single Market Act,
- having regard to the Conclusions of the European Council of 28-29 June 2012,
- having regard to the Conclusions of the European Council of 18-19 October 2012,
- having regard to the contribution and the conclusions of the XLVIII Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union (COSAC) of 14-16 October 2012,
- having regard to its resolution of 20 May 2010 on delivering a single market to consumers and citizens(2) ,
- having regard to its resolution of 6 April 2011 on governance and partnership in the single market(3) ,
- having regard to its resolution of 14 June 2012 entitled 'Single Market Act – The Next Steps to Growth'(4) ,
- having regard to its resolution of 5 July 2011 on a more efficient and fairer retail market(5) ,
- having regard to Rules 42 and 48 of its Rules of Procedure,
- having regard to the report of the Committee on the Internal Market and Consumer Protection and the opinions of the Committee on Employment and Social Affairs and the Committee on Regional Development (A7-0019/2013),

A. whereas a well-functioning and effective Single Market, based on a highly competitive social market economy, is needed more than ever to boost growth and competitiveness and to create jobs so as to revitalise the European economy; whereas the Single Market should work for that objective by providing a concrete response to the crisis whilst ensuring the safety of consumers and fostering social cohesion;

B. whereas the Single Market has an indispensable role to play in meeting the objectives of the Europe 2020 Strategy for smart, sustainable and inclusive growth;

C. whereas, 20 years after its official creation, the Single Market has not yet been fully completed, primarily because Member States have not fully transposed or implemented the approximately 1500 directives and around 1000 regulations;

D. whereas there is an urgent need to strengthen the governance of the Single Market and to improve the transposition, implementation and enforcement of the rules governing it;

E. whereas the Single Market should be completed with the utmost determination and as quickly as possible, whilst maintaining a necessary balance between its economic, social and environmental dimensions;

F. whereas the Single Market should not be seen in isolation from other horizontal policy areas, such as consumer and worker protection, social rights, the environment and sustainable development;

G. whereas the completion of the Single Market is the foundation for the completion of the political and economic integration process of the Union and provides the necessary link between all Member States, both euro zone members and non-members;

H. whereas good governance of the Single Market and further development of the regions complement each other, could significantly improve the prospects for local and regional growth and jointly create a powerful Europe characterised by cohesion and competitiveness; whereas, in particular, European Territorial Cooperation is based on concepts similar to the Single Market in terms of promotion of cross-border interactions and mutually benefitting from regional and local infrastructures, investments and markets; whereas the Single Market could be further strengthened by addressing market deficiencies, consolidating cross-border territorial cooperation and facilitating activities and funding of local and regional authorities in the framework of territorial pacts;

I. whereas, despite the political commitments given at the highest level and the efforts undertaken by the Commission and the Member States, the average transposition deficit rose from 0,7 % in 2009 to 1,2 % in February 2012 and, following some progress in the recent months, has now reached 0,9 %; whereas further efforts still have to be made since that deficit leads to distrust towards the Union in general and the Single Market in particular;

J. whereas the Single Market as the backbone of the Union, and its good functioning as the basis and framework for economic and social recovery in Europe, are of the utmost importance; whereas in that context respect for social rights, in accordance with national law and practices which respect Union law, is indispensable;

K. whereas, as indicated by the Consumer Markets Scoreboards and the Single Market integration check-up for the four freedoms, increased competition resulting from the integration process works as a powerful incentive to offer a wider variety of cheaper and higher quality products for European consumers;

L. whereas the potential economic gains from a full and proper implementation of the Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in

the internal market(6) amount to a growth potential of between 0,8 % and 2,6 % of gross domestic product (GDP), which would materialise between five and ten years after implementation of that Directive;

M. whereas the Commission estimates that the Union could gain an additional 4 % of GDP over the next ten years by stimulating the rapid development of the Single Market;

N. whereas the Single Market strategy should be coordinated and based on a pragmatic, comprehensive and wide-ranging agreement supported by all the Member States and the European institutions; whereas strong leadership on the part of all European institutions and clear political ownership on the part of the Member States is still required in order to fully implement and enforce Single Market-related directives and regulations, and increase credibility of and confidence in the Single Market;

O. whereas the President of the European Council emphasised, in his above-mentioned report of 26 June 2012, the importance of full compatibility with the Single Market as well as openness and transparency in the process towards a deeper economic and monetary union; whereas, in the final report of 5 December 2012, the President of the European Council further underlined the importance, in the near term, of completing the Single Market as it provides a powerful tool to promote growth;

P. whereas concrete actions, both at Member State and Union level, are still necessary to fully implement freedom of movement for goods, persons, services and capital in the European Union; whereas opening up new business opportunities for companies, in particular for small and medium-sized enterprises (SMEs), including by a rigorous application of the SME test within the impact assessments as carried out by the Commission and Parliament, quick progress with the smart regulation agenda and tailor-made legislation for different types of companies, where appropriate, without undermining overall objectives such as health and safety at work, could also help inject new life into Europe's economies;

Q. whereas, in the context of the Single Market, the valuable role of one-stop shops should be recognised, including electronic and physical ones, in reducing administrative burdens and transaction costs, improving efficiency, market openness, transparency and competition, resulting in less public spending and greater opportunities for businesses including SMEs and micro-enterprises to access markets and retain and create new jobs;

#### **Better legislation**

R. whereas the Commission should aim for more horizontal coordination and coherence in the preparation of legislative proposals with relevance for the Single Market; whereas the Commission should conduct in-depth impact assessments, including territorial impact assessments, setting out convincing arguments for the need for Single Market legislation before adopting legislative proposals;

S. whereas the Commission should, in accordance with the principle of subsidiarity and wherever appropriate, and principally where there is no need for further discretion in the implementation of Union legislation, choose regulations rather than directives as the preferred legal instrument for regulating the Single Market;

T. whereas the Member States and the Commission should introduce a 'Single Market test' at national level with the aim of assessing whether any new national legislation may have a negative impact on the effective functioning of the Single Market; whereas the Commission should consider the feasibility of a notification system for draft national laws that may have a negative impact on the functioning of the Single Market, thus supplementing the procedure laid down in Directive 98/34/EC to create a horizontal instrument, to strengthen its preventive nature when the Commission puts forward a detailed opinion on a draft law and to ensure its application in order to remedy the unsatisfactory application of Union legislation at local level;

U. whereas it is essential that administrative cooperation between the Member States is carried out in an efficient, effective and cost-effective way, as is the case with the Internal Market Information System (IMI); whereas IMI should always be used, including in other areas, in order to strengthen its functionality and to reduce red tape, increase transparency and enable all actors in the Single Market to fully reap its benefits;

#### **Better transposition, implementation and application**

V. whereas each Member State should transpose every directive in a consistent manner and adopt all transposition measures relating to the whole of a Union legislative act jointly and at the same time, in order to ensure that the national transposition of that act reflects the compromise reached at Union level, since improper and belated transposition distorts competition in the Single Market and impedes citizens and businesses from taking full advantage of the Single Market;

W. whereas there is a need to achieve more transparency of implementation and uniform application of Union law in the Member States; whereas correlation tables will become an increasingly useful tool in an integrated Single Market to reflect the national transposition of Union rules and whereas the Commission should therefore request such tables on a more frequent basis;

#### **Monitoring of implementation**

X. whereas the exchange of experience and best practice between Member States is crucial to understanding the national mechanisms for the application of Union law and the remaining obstacles to the Single Market; whereas Member States should exchange information among themselves and with the Commission prior to transposition in order to ensure correct transposition and prevent fragmentation; whereas the monitoring of implementation of Union law is one of the core competencies of the Commission and its civil servants; whereas in order to fulfil its commitments to assist Member States with the transposition and implementation of Union legislation the Commission could initiate and coordinate a network of civil servants in charge of implementation of all new Union legislation beyond SOLVIT, thus providing a platform for exchange and peer review to cooperate closely with Member States, in order to improve the overall quality of implementation and to resolve problems concerning implementation by the Member States; whereas an exchange of national civil servants in charge of the implementation of Union law between the Member States, in order to encourage a better flow of information and best practices, should be promoted;

Y. whereas purely quantitative statistics on the implementation of Single Market legislation do not allow measurement of the quality of implementation and the particular impact on the Single Market of specific key instruments; whereas a political and qualitative evaluation of implementation and the progress of the Single Market is therefore required, in particular with

respect to the economic relevance of new Single Market legislation and the application of existing legislation;

Z. whereas such an evaluation should differentiate between non-transposition, which is a clearly identifiable failure by the Member State, and the possibility of non-conformity which can be based on a different interpretation and understanding of Union law; whereas the Treaties provide that only the European Court of Justice may ultimately and publicly establish the non-conformity of national law with Union law; whereas, therefore, no other institution may declare such non-conformity; whereas Parliament should be provided annually with a list of non-transposed or incorrectly transposed Union legislation in the Member States concerned;

AA. whereas forms of conditionality in the Structural Funds relating to transposing Single Market directives in the Member States are still under negotiation in the legislative process for the adoption of the new Regulations; whereas such measures should only be used as a last resort, and whereas using the leverage of Union financial support to provide incentives for the timely transposition of Single Market rules should be properly balanced;

#### **Better enforcement**

AB. whereas, in order to improve Single Market governance, there should be a 'zero tolerance' policy in relation to Member States that do not implement the rules of the Single Market properly;

AC. whereas infringement proceedings, as laid down in Article 258 TFEU and as implemented by the Commission, do not allow implementation and application deficiencies of Single Market provisions in Member States to be addressed and corrected in a swift manner;

AD. whereas infringement proceedings have often revealed a number of limitations in terms of their suitability for meeting the expectations of individual consumers and businesses, and whereas a single, rapid and affordable means of redress at Union level should be established;

AE. whereas the Member States and the European Council should therefore continue the further development of infringement proceedings in the framework of future revisions of the TFEU; whereas in the meantime every effort should be made towards a more stringent use of infringement proceedings for breaches of Union law provisions in the field of the Single Market; whereas in that context faster procedures within the Commission and, where appropriate, recourse to interim proceedings before the Court of Justice, in accordance with Article 279 TFEU, should be applied more actively; whereas some Union legal acts provide for provisional measures that may be taken by national courts to prevent an imminent infringement, such as injunctions; whereas this could serve as a model for more efficient procedures and whereas the use of such provisional measures should therefore be considered in all relevant areas;

AF. whereas the use of the EU Pilot has had positive results in ensuring the correct application of Union law and is providing more rapid solutions to problems encountered by citizens and businesses; whereas the Commission should therefore promote the use of the EU Pilot and further improve its effectiveness, in order to better detect and correct infringements of Single Market rules without the need to draw upon time-consuming infringement proceedings;

AG. whereas SOLVIT has an important role as key problem-solving tool at national level and hence in ensuring better compliance with Union law relating to the Single Market, yet the potential of SOLVIT remains under-used; whereas concrete actions to improve the visibility of SOLVIT and

more intensive communication to European citizens on SOLVIT should be encouraged, in order to better exploit its potential, within the current budget; whereas more efforts should be undertaken to better integrate SOLVIT into the range of assistance services and enforcement tools available at national and Union level; whereas, in the same vein, improvements with regard to the user-friendliness and the clarity of information of the Points of Single Contact in the Member States are necessary;

AH. whereas the Commission must reinforce its actions in ensuring the proper implementation and enforcement of all adopted rules in the Member States, reacting more swiftly to notices and complaints about incorrect implementation of Union law and take the necessary steps in order to remove existing inconsistencies;

AI. whereas it is necessary that the Commission – after a political evaluation – makes firm use of all its powers and exploits all sanctioning mechanisms at its disposal to the fullest;

AJ. whereas the EU sweeps, which are monitoring actions coordinated by the Commission and executed at the same time in Member States by the relevant national authorities, have proven to be a useful tool in enabling the Commission and Member States to monitor with joint actions the application of existing Single Market legislation in the Member States; whereas recent sweeps detected poor compliance with consumer protection rules in the banking sector across the Union; whereas, therefore, the Commission should offer a more extensive use of EU sweeps to Member States in order to facilitate surveillance in particular by less-equipped and less-prepared national authorities; whereas coordination of EU sweep actions in other areas should be considered and whereas EU sweeps should be extended also to products and services that are offline;

### **Single Market Acts**

AK. whereas the Single Market Acts form part of the efforts to strengthen the governance of the Single Market by improving and better coordinating in particular the pre-legislative phase;

AL. whereas the cyclical method of submitting Single Market Acts should be viewed positively, as it enables priorities for the development of the Single Market to be regularly identified and discussed;

AM. whereas the Single Market Act constituted an important cross-cutting strategy to remedy major remaining shortcomings of the Single Market; whereas this strategy horizontally determined concrete legislative and non-legislative measures with the capacity to unleash unused growth potentials and remove obstacles to the Single Market; whereas some progress in that respect can be noted in the proposals submitted by the Commission, but further efforts in terms of long-term outlook are still necessary; whereas the Commission should, as a matter of priority, follow up the proposals already set out in the Single Market Act, in particular those concerning the horizontal instrument for market surveillance and the transparency of bank charges and non-financial information from businesses;

AN. whereas the Single Market Act II continues this approach by identifying integrated networks, the mobility of citizens and businesses, the digital economy and social entrepreneurship together with consumer confidence as the four axes for future growth; whereas legislative proposals to ensure the right to access to a basic bank account, the revision of the Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market<sup>(7)</sup> and facilitating long-term investment in the real economy could make an important

contribution in this regard; whereas the Commission, when proposing the measures, and Parliament and the Council when discussing them should thoroughly assess each of the envisaged measures and their potentials to achieve a highly competitive social market economy and work on a swift adoption;

AO. whereas the Single Market Act should address the Union's socio-economic problems and promote a market that is at the service of citizens;

AP. whereas future horizontal approaches should look into the completion of the Digital Single Market in order to allow citizens to fully benefit from digital solutions and ensure the competitiveness of businesses in the Union;

### **Key areas**

AQ. whereas the Commission proposes to target its activities towards specific key areas and instruments; whereas, however, a stronger focus on a limited number of instruments and actions is necessary in order to achieve tangible improvements in the application of Single Market rules; whereas the Digital Single Market, the services sector, the energy sector, public procurement, research and innovation as well as consumer protection and increased mobility of citizens, in particular workers and professionals, figure among the most important key areas for growth;

AR. whereas such key areas and instruments could be reviewed on an annual basis so that the current developments in the Member States, and in particular in the areas which are economically the most relevant ones for the Single Market, as supported by evidence based evaluation, are duly reflected and taken into account in the decision-making processes of the Union's institutions; whereas the methodology for defining the key areas for improving the functioning of the Single Market should be regularly revised, taking account of growth targets and the growth outlook;

AS. whereas the Member States and the Union institutions should focus on the adoption and swift implementation of legislative measures linked to key areas, which are vital for growth and job creation, as underlined in the Compact for Growth and Jobs;

AT. whereas further steps should be taken towards a regulation of financial services that provides adequate information and protection for consumers, enables a transparent assessment to be made of financial products, particularly the risky ones, and offers the possibility of alternative dispute settlement and means that ensure that consumers are properly compensated and reimbursed;

AU. whereas a properly functioning and fully completed Single Market cannot be effective without a single, interconnected and efficient European transport system which is crucial to the smooth movement of goods, people and services: the essential and underlying freedoms for a Single Market;

AV. whereas a Single European Transport Area should ease the movements of citizens and freight, reduce costs and enhance the sustainability of European transport, through the completion of interoperable and sustainable trans-European transport networks, and by eliminating all residual barriers between modes and national systems while facilitating the emergence of multinational and multimodal operators; whereas, for the completion of the Single European Transport Area, rail services, maritime transport, road freight transport as well as the Single European Sky and uniform interpretation of passenger rights play a pivotal role;

### **A Single Market for all actors**

AW. whereas Union citizens and, in particular students, professionals and entrepreneurs, as well as SMEs, in all Member States should be invited to make suggestions on how to best achieve the full realisation of the Single Market, and whereas all institutions should be encouraged to set up a public consultation and a dialogue with civil society in order to guarantee that the needs of the citizens, consumers and businesses are adequately taken into account and that the proposed policies provide added value for all actors; whereas proper tools for communicating Union law to citizens are needed;

AX. whereas the Single Market should focus on the rights of all stakeholders; whereas a stronger and earlier involvement of the social partners, civil society and all other stakeholders in designing, adopting, implementing and monitoring the measures needed to boost growth and citizens' rights in the Single Market, based also on forms of online participation and e-democracy, is essential to restoring confidence in the Single Market;

AY. whereas, through local and regional self-government, local and regional actors perform many duties that are provided for in Union legislation on the Single Market, especially in the field of public procurement, state aid, services of general economic interest and concessions; whereas those policies should be properly implemented, inter alia in order to reduce error rates in cohesion policy; whereas the provision of high-quality public services for people living in every single region in the Union is a prerequisite for a dynamic and powerful Single Market, and whereas effective governance of the Single Market should therefore take account of the interests of local and regional stakeholders;

AZ. whereas the Single Market strategy should strengthen social welfare, convergence and workers' rights, prevent social dumping and ensure fair working conditions for all Europeans;

BA. whereas there is a need for one easily accessible and first-line help service at the national level that businesses and citizens, including people with disabilities, can turn to when encountering obstacles in trying to make use of the rights and opportunities offered by the Single Market; whereas attention should be given to reducing obstacles to accessibility in the built environment and services so that all citizens can benefit from the Single Market;

### **European Semester**

BB. whereas the European Semester provides the framework for coordination of economic policies and takes stock of the budgetary and economic situation in Member States but does not take account of the state of the Single Market despite its paramount importance for economies across all Member States;

BC. whereas the Single Market can play an important role in promoting social cohesion in the Union; whereas the improvement of the economic governance framework should be based on a set of interconnected and mutually consistent policies that foster growth and employment, and whereas the full development of the Single Market is a prerequisite for this to happen;

BD. whereas the Commission should monitor the completion of the Single Market and the actual implementation of the relevant measures within the annual exercise of the European Semester, taking account of the annual governance check-up and the Scoreboard reporting mechanisms;

whereas, moreover, the annual monitoring should assess the extent to which consumers and businesses alike benefit from the Single Market and should report on obstacles to its functioning;

BE. whereas every spring session of the European Council should also be devoted to assessing the state of the Single Market, backed up by a monitoring process;

BF. whereas it is appropriate to look individually at each Member State by working in increasingly close cooperation with national parliaments in order to identify transposition, implementation and application deficits and address them in country-specific recommendations;

BG. whereas the Annual Growth Survey 2013 has launched the third European Semester cycle and now includes for the first time an annual report on the state of the Single Market integration; whereas this stronger focus on the Single Market in the context of the European Semester is necessary in order to better exploit its growth and employment potentials in Europe and to allow citizens and businesses to fully benefit from it;

BH. whereas the above-mentioned report on the State of the Single Market Integration 2013 does not, however, provide any new insights on the state of play in Member States nor draw sufficiently elaborated conclusions with regard to concrete growth potential generated by the Single Market; whereas the choice of priority areas in the integration report should be backed by comprehensive data;

BI. whereas future reports on the state of the Single Market integration should therefore be clearer on current deficiencies in the Single Market, and provide more concrete guidance on possible remedies and the expected benefits, in order to enable meaningful responses by Member States;

BJ. whereas the report on the State of the Single Market Integration 2013 emphasises in particular the services sector and calls, *inter alia*, for full compliance with the Directive 2006/123/EC; whereas this is a valid call but not compelling, if it is not accompanied by both supportive and stringent measures on the correct transposition and interpretation and full implementation of that Directive;

BK. whereas the report lists a number of priorities for the energy and transport markets, and whereas many of those priorities point to the lack of national and European investment and competition in some areas; whereas further research and evidence-based information is needed for these markets in order to make a strong case for specific actions and for calls made upon Member States; whereas an integrated, interoperable and accessible European transport infrastructure, the establishment of an internal energy market while ensuring robust competition and strengthening the protection of consumers, and an ambitious European industrial policy are vital for ensuring the proper functioning of the Single Market;

BL. whereas the digital economy is also considered as a priority area; whereas the Digital Single Market requires up-to-date and practicable transparency and consumer protection mechanisms; whereas a timely and correct transposition and implementation of Directive 2011/83/EC of the European Parliament and of the Council of 25 October 2011 on consumer rights(8) is therefore one of the essential factors for the development of the digital economy;

BM. whereas Union citizens have not yet benefited in full from the potential of the Single Market in many areas, in particular as regards the free movement of persons and workers; whereas labour mobility across Europe is still too low and stronger measures are needed in order to remove the

remaining obstacles and to ensure the principle of equal treatment of workers within the scope of application of the Treaties and in accordance with national law and practices;

BN. whereas Directive 2011/7 of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions(9) is a fundamental instrument to reduce the huge debt of public administrations towards many companies, especially SMEs, and whereas its transposition should take place quickly and properly in order to reduce the numbers of insolvency situations;

BO. whereas more innovative actions are needed in order to support the Single Market based on the social market economy; whereas the Annual Growth Survey 2013 brought forward an interesting proposal on the introduction of a consumer insolvency regime, and whereas this proposal should be further explored, considering that this kind of measures can play a fundamental role both for consumer protection and prevention of possible systemic risks for the financial sector;

BP. whereas it is important for an ambitious consumer agenda to be drawn up, including legislative and programming measures, with a view to encouraging an average consumer to be responsible and increasing protection of vulnerable consumers;

BQ. whereas the achievement of the objectives of the EU 2020 Strategy, at which the European Semester should aim, depends on the full development of the potential of the Single Market, on the commitment of the Union as a whole and on the effective participation of the Member States;

BR. whereas the European Semester should be even more systematically linked to the Union initiatives currently under way and should take account of the completion of the Single Market to ensure the consistency of Union economic policy, in particular to ensure the necessary convergence between countries inside and outside the euro zone;

BS. whereas the quality of the national reform programmes under the European Semester varies widely in terms of substance, transparency, feasibility and completeness and those programmes should be reviewed in depth, improved and be made sufficiently ambitious to achieve the objectives of economic integration and completion of the Single Market;

BT. whereas the Member States should provide information that is as detailed as possible also on the arrangements for applying and implementing the rules in the key areas of the Single Market;

BU. whereas a new methodology needs to be applied to the European Semester, consisting of discussing Single Market priorities alongside economic and budgetary priorities, interlinking them, together with employment and social priorities, in a single, integrated coordination framework;

BV. whereas the country-specific recommendations should take into account the progress made and the implementing arrangements for Single Market legislation, with particular reference to the key areas and priorities identified annually;

BW. whereas the country-specific recommendations should, at the same time, offer to the Member States more practical solutions for improving the functioning of the Single Market, in order to generate stronger public support and political commitment so as to encourage the completion of the Single Market;

BX. whereas the evaluation of the state of the Single Market should become an integral part of the European Semester, with a Single Market Governance pillar being put in place alongside the Economic Governance pillar; whereas the proposal of the Commission to prepare an annual report on the integration of the Single Market contributing to the evidence base underpinning country-specific recommendations could lay the foundation for a future annual Single Market cycle within the European Semester;

BY. whereas the European Semester should be introduced with the full involvement of the national parliaments and should take place without prejudice to the prerogatives of the European Parliament;

1. Requests the Commission to submit as soon as possible, whilst considering as the possible legal basis all relevant provisions of the TFEU relating to the internal market, including Article 26(3) TFEU, a proposal for an act aimed at strengthening the governance of the Single Market, following the detailed recommendations set out in the Annex hereto;

2. Confirms that the recommendations respect fundamental rights and the principle of subsidiarity;

3. Considers that the financial implications of the requested proposal should be covered by the existing budgetary allocations;

4. Instructs its President to forward this resolution and the accompanying detailed recommendations to the Commission and the Council, and to the European Council and the parliaments and governments of the Member States.

(1) Texts adopted, P7\_TA(2012)0211.

(2) OJ C 161 E, 31.5.2011, p. 84.

(3) OJ C 296 E, 2.10.2012, p. 51.

(4) Texts adopted, P7\_TA(2012)0258.

(5) OJ C 33 E, 5.2.2013, p. 9.

(6) OJ L 376, 27.12.2006, p. 36.

(7) OJ L 319, 5.12.2007, p. 1.

(8) OJ L 304, 22.11.2011, p. 64.

(9) OJ L 48, 23.2.2011, p. 1.

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## ANNEX

### DETAILED RECOMMENDATIONS AS TO THE CONTENT OF THE PROPOSAL REQUESTED

#### **Recommendation 1: Establish a coherent framework for Single Market governance**

The European Parliament considers that the legislative proposal to be submitted should aim to regulate as follows:

- A proposal for a legislative act aimed at strengthening the governance of the Single Market should be submitted with a view to contributing to ensuring the functioning of the Union's Single Market and to promoting inclusive economic growth in Europe. The proposal should be based on

relevant TFEU provisions relating to the internal market. The Commission should also consider submitting a proposal based on Article 26(3) TFEU.

- The procedure should provide for appropriate involvement of the European Parliament in the establishment of the Single Market governance framework. It should also provide for the adoption, by the European Parliament and by the Council, of other measures necessary to strengthen Single Market governance, in particular measures addressing the areas where the Union regulatory framework has been established in accordance with the ordinary legislative procedure laid down in Article 294 TFEU.

- The act should be without prejudice to the Single Market regulatory framework already in place or rules to be put in place in different sectors. It should also be without prejudice to the prerogatives of the institutions as set out in the Treaties, in particular the Commission, or to the obligations of the Member States based on the Treaties or deriving from the Single Market acquis .

- The act should complement the Single Market regulatory framework and facilitate the transposition, implementation, application and enforcement of the rules and freedoms of the Single Market.

- The act should provide for the adoption of Union Single Market guidelines. Those guidelines should include objectives to be pursued, priorities for action and conditions to be ensured, and should be accompanied by working methods and procedures to be established with a view to strengthening the governance of the Single Market.

- The procedures for submission, assessment and monitoring of national action plans and for determination of Single Market-related country-specific recommendations should be formulated.

- Complementary measures necessary to improve the implementation and enforcement of the Single Market regulatory framework should be defined.

- The link between the governance cycle of the Single Market and the annual policy cycle of the European Semester should be clarified.

### **Recommendation 2 : Determine Union objectives and priorities for action with the aim of improving the functioning of the Single Market**

The European Parliament considers that the legislative proposal to be submitted should aim to regulate as follows:

- In order to ensure that the Single Market effectively delivers growth, creates jobs, and enhances consumer and business confidence, Union guidelines aimed at improving the functioning of the Single Market should be established. Those guidelines should include:

- (a) objectives and priorities for action by the Union and Member States;

- (b) conditions to be put in place in order to further improve Single Market governance.

- A limited set of objectives and priorities for action in areas where a better-functioning Single Market is likely to bring about the most significant gains in growth and jobs across the Union should be determined.

- The selection of objectives and priorities for action should be based on the following criteria:

- (a) Production benchmarking using a selection of key quantitative indicators covering the inputs into the production of goods and services to identify sectors which demonstrate the highest untapped potential to generate growth;

- (b) Economic importance, analysing whether the sector is significant enough in terms of economic scale to make a non-negligible impact on growth if the root causes of its untapped potential are addressed;

(c) Dynamic factors analysing whether the sector appears to be already addressing its untapped potential, based on factors such as the sector's capacity to create employment growth and its possible convergence with benchmark labour productivity levels;

(d) Single Market factors analysing whether there is evidence that improvements to the Single Market could harness untapped potential;

(e) Factors regarding additional elements to protect and safeguard consumers, workers and citizens.

**Recommendation 3: Determine the conditions to be ensured to improve Single Market governance**

The European Parliament considers that the legislative proposal to be submitted should aim to regulate as follows:

- The conditions to be put in place in order to further improve Single Market governance should include:

(a) The application of smart regulation principles when Single Market rules are made and implemented so as to ensure that those rules are made, transposed and implemented in such a manner that they effectively work for those for whom they are intended;

(b) Reduction of the level of administrative burdens, especially for small and medium-sized enterprises, to the minimum level;

(c) Enabling businesses and citizens, where they need to comply with the procedures, to do so swiftly via electronic means;

(d) Ensuring that businesses and citizens find information and help and have access to fast, effective and affordable redress where needed;

(e) Smarter use of information technology to inform businesses and citizens, enabling them to make use of their rights and opportunities, and better connect initiatives at national and Union level;

(f) Enhanced use of on-line tools, such as the Internal Market Information System (IMI), in cross-border cooperation between administrations;

(g) Further development of the Points of Single Contact;

(h) Effective use of fast and effective problem-solving and redress mechanisms, including through the establishment of one easily accessible and first-line help service at national level that businesses and citizens can turn to when encountering problems in trying to make use of the rights and opportunities offered by the Single Market;

**Recommendation 4: Define supplementary measures necessary to enhance the implementation and enforcement of the Single Market regulatory framework**

The European Parliament considers that the legislative proposal to be submitted should aim to regulate as follows:

- In order to enhance the implementation and enforcement of the Single Market regulatory framework, the Commission should:

(a) Enhance its transposition assistance to Member States for directives that are yet to be transposed;

(b) Conduct systematic conformity checks and take supporting measures to make rules work in practice across Member States;

(c) For legislation that has been transposed and implemented, conduct in-depth reviews to assess how rules are implemented and work in practice, both in practical and economic terms;

(d) Enhance ex-post implementation reporting focusing on compliance by Member States, and its performance assessments focusing on the efficiency of adopted policy measures;

(e) Organise peer review exercises with Member States.

- In order to enhance the implementation and enforcement of the Single Market regulatory framework, Member States should:

(a) Submit to the Commission draft transposition measures, where Member States or the Commission consider it appropriate, in order to ensure also ex-ante assessment of proper transposition and to secure conformity and rapid implementation;

(b) Regularly consult stakeholders and civil society, including consumers, businesses and local and regional authorities during the transposition process and during implementation;

(c) Provide an on-line explanation of how they have transposed rules and how those rules work in practice;

**Recommendation 5: Provide for the submission, assessment and monitoring of national action plans**

The European Parliament considers that the legislative proposal to be submitted should aim to regulate as follows:

- Member States should draw up and submit to the Commission national action plans aimed at implementing the Union objectives and priorities for action with a view to improving the functioning of the Single Market. The action plans should include a list of detailed measures to be undertaken and a roadmap for their implementation.

- The national action plans should be drawn up in consultation with relevant stakeholders representing economic and social interests, as well as the interests of consumers.

- The Commission, in cooperation with the Internal Market Advisory Committee, should assess the national action plans and submit a summary report to the European Parliament and to the Council.

- The assessment of national action plans should take account of the Internal Market Scoreboard and the Single Market Governance Report.

- The Commission should monitor the progress made in the implementation of the national action plans. For that purpose, Member States should provide the Commission with all relevant information deemed necessary to assess the progress made.

- The submission and assessment of national action plans should be regarded as coordinated measures which, within an integrated framework, are part of an annual cycle to identify policy priorities for the full achievement of the Single Market, taking into account the economic, social and environmental dimension.

**Recommendation 6: Provide for the formulation of distinct Single Market-related country-specific recommendations**

The European Parliament considers that the legislative proposal to be submitted should aim to regulate as follows:

- Based on the assessment of the national action plans and using other relevant Single Market tools, the Council, on a proposal from the Commission and after consulting the European Parliament, as appropriate, should formulate, on the basis of the policy priorities for action in the areas deemed to be key, Single Market-related recommendations to Member States aimed at improving the transposition, implementation and enforcement of Single Market rules.

- When addressing recommendations to Member States, the Council should make full use of instruments provided for in the TFEU.
- Where a Single Market-related recommendation is made, the relevant Committee of the European Parliament should have the possibility to invite representatives of the Member State concerned to participate in an exchange of views, and representatives of the Commission should have the possibility to be invited to exchange views with the parliament of that Member State.

#### **Recommendation 7: Define a Single Market pillar of the European Semester**

The European Parliament considers that the legislative proposal to be submitted should aim to regulate as follows:

- In order to ensure that the Single Market delivers concrete results for citizens, consumers, workers and businesses, the annual cycle of the European Semester should be used as a platform for policy guidance, reporting, monitoring of the progress made by the Member States and the Union in achieving the Single Market objectives and defining remedial action.
  - A Single Market pillar of the European Semester should be defined.
  - The Single Market pillar of the European Semester should include:
    - (a) The Internal Market Scoreboard, including detailed country-specific reports with regard to the implementation and application of Single Market legislation;
    - (b) The implementing arrangements for Single Market legislation, as detailed by the Member States, with particular reference to the key areas and policy priorities identified annually;
    - (c) The proposals by the Commission for policy priorities for the coming year, at Union and national level, presented within the Annual Growth Survey and the annual report on the integration of the Single Market. The annual report should also provide an assessment of how the Single Market functions in practice. Those proposals on policy priorities should be based on the findings of the Internal Market Scoreboard and other Single Market monitoring instruments, in order to avoid overlap and to produce efficient and clear recommendations and to ensure the coherence of European economic policy;
    - (d) The formulation of policy priorities for action and targets to be achieved to overcome the remaining obstacles at Union and national level in the form of Single Market guidelines;
    - (e) The submission by Member States national action plans aimed at implementing the Single Market guidelines;
    - (f) The assessment of national action plans by the Commission, in close cooperation with the Internal Market Advisory Committee, and taking account of the Internal Market Scoreboard and the Annual Single Market Governance Report;
    - (g) The adoption by the Council and the European Parliament of distinct Single Market-related recommendations to the Member States, on the basis of a proposal from the Commission.

#### **Recommendation 8: Increase the democratic accountability and the role of the European Parliament and of national Parliaments**

The European Parliament considers that the legislative proposal to be submitted should aim to regulate as follows:

- The European Parliament should be involved in the establishment of the Single Market governance framework in accordance with the Treaties. It should also be involved, and at least consulted by the Council, in the adoption of other measures necessary to strengthen Single Market governance, including in relation to Union objectives, priorities and planned policy actions.

- Before the Spring European Council, the European Parliament should discuss the Annual Growth Survey and vote on the amendments related to the annual report on the integration of the Single Market to be submitted to the European Council.
- The President of the European Parliament should, at the Spring European Council meeting, present the European Parliament's views on the integration of the Single Market.
- The Council and the Commission should be present at inter-parliamentary meetings between the European Parliament and national Parliaments when the integration of the Single Market is discussed.

This is a publication of the  
Directorate for Impact Assessment and European Added Value  
*Directorate General for Internal Policies, European Parliament*



PE 494.463  
ISBN 978-92-823-4088-2  
DOI 10.2861/3152  
CAT BA-30-13-233-EN-C

