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REPORT

on the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: 2002 Review of the Internal Market Strategy - Delivering the promise

(COM(2002) 171 – C5-0283/2002 – 2002/2143(COS))

Committee on Legal Affairs and the Internal Market

Rapporteur: Malcolm Harbour

Draftsman(*): David W. Martin, Committee on Economic and Monetary Affairs

(*) Hughes procedure

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(*) Hughes procedure

PROCEDURAL PAGE

By letter of 11 April 2002, the Commission forwarded to Parliament its Communication, 2002 Review of the Internal Market Strategy - Delivering the promise (COM(2002) 171 – 2002/2143(COS)).

At the sitting of 1 July 2002 the President of Parliament announced that he had referred the communication to the Committee on Legal Affairs and the Internal Market as the committee responsible and the Committee on Economic and Monetary Affairs and the Committee on Industry, External Trade, Research and Energy for their opinions (C5-0283/2002).

At the sitting of 4 July 2002 the President announced that the Committee on Economic and Monetary Affairs which had been asked for its opinion, would be involved in drawing up the report, under the Hughes Procedure

At its meetings of 10 September 2002 and 28 January 2003 the committee decided to include in its report the following Commission reports:

- Commission report on the Commission Staff Working Paper on Internal Market Scoreboard (May 2002) (SEC(2002) 569),
- Commission report to the Council, the European Parliament and the Economic and Social Committee, on the Second Biennial Report on the Application of the Principle of Mutual Recognition in the Single Market (COM(2002) 419),
- Commission report to the Council and the European Parliament on the State of the Internal Market for Services presented under the first stage of the Internal Market Strategy for Services (COM(2002) 441),
- Commission staff working paper on Internal Market Scoreboard N°11 (SEC(2002)1243),

At its meetings of the 23 January and 11 July 2002 the committee decided to include in its report the following motions for resolutions:

- B5-0683/2001, by José Manuel García-Margallo y Marfil, on improving the conditions for small businesses, referred on 16 January 2002 to the Committee on Legal Affairs and the Internal Market as the committee responsible and the Committee on Industry, External Trade, Research and Energy for its opinion;
- B5-0313/2002, by Cristiana Muscardini, on the need to harmonise the various national rules and regulations on private security, referred on 1 July 2002 to the Committee on Legal Affairs and the Internal Market as the committee responsible and the Committee on Employment and Social Affairs for its opinion;

The Committee on Legal Affairs and the Internal Market appointed Malcolm Harbour rapporteur at its meeting of 22 May 2002.

The committee considered the Commission documents and the draft report at its meetings of 5 November, 27 November 2002, 23 January and 28 January 2003.

At the last meeting it adopted the motion for a resolution unanimously with 1 abstention.

The following were present for the vote: Giuseppe Gargani (chairman), Willi Rothley, Ioannis

Koukiadis, Bill Miller (vice-chairmen); Malcolm Harbour (rapporteur); Paolo Bartolozzi, Maria Berger, Ward Beysen, Philip Charles Bradbourn (for Anne-Marie Schaffner), Bert Doorn, Enrico Ferri, Janelly Fourtou, Marie-Françoise Garaud, Evelyne Gebhardt, Fiorella Ghilardotti, José María Gil-Robles Gil-Delgado, Heidi Anneli Hautala, The Lord Inglewood, Piia-Noora Kauppi, Kurt Lechner, Klaus-Heiner Lehne, Neil MacCormick, Toine Manders, Arlene McCarthy, Manuel Medina Ortega, Marcelino Oreja Arburúa (for Rainer Wieland), Diemut R. Theato, Marianne L.P. Thyssen, Joachim Wuermeling, and Stefano Zappalà.

The opinion of the Committee on Economic and Monetary Affairs is attached; the Committee on Industry, External Trade, Research and Energy decided on 19 June 2002 not to deliver an opinion.

The report was tabled on 29 January 2003.

MOTION FOR A RESOLUTION

European Parliament resolution on the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: 2002 Review of the Internal Market Strategy - Delivering the promise (COM(2002) 171 – C5-0283/2002 – 2002/2143(COS))

The European Parliament,

- having regard to the Commission communication (COM(2002) 171 – C5-0283/2002,
- having regard to the Commission report on the Commission Staff Working Paper on the Internal Market Scoreboard (May 2002) (SEC(2002) 569),
- having regard to the Commission report to the Council, the European Parliament and the Economic and Social Committee, on the Second Biennial Report on the Application of the Principle of Mutual Recognition in the Single Market (COM(2002) 419),
- having regard to the Commission report to the Council and the European Parliament on the State of the Internal Market for Services, presented under the first stage of the Internal Market Strategy for Services (COM(2002) 441),
- having regard to the Commission staff working paper on Internal Market Scoreboard N°11 (SEC(2002)1243),
- having regard to the motions for resolutions by:
 - (a) José Manuel García-Margallo y Marfil on improving the conditions for small businesses (B5-0683/2001),
 - (b) Cristiana Muscardini on the need to harmonise the various national rules and regulations on private security (B5-0313/2002),
- having regard to the concerns expressed in its resolutions of 4 October 2001 on the Commission communication: An Internal Market Strategy for Services and of 13 April 2000 on the Communication on the Strategy for Europe's Internal Market ,
- having regard to the opinion of the Economic and Social Committee (CES 871/2002)¹,
- having regard to Article 14 of the Treaty,
- having regard to Rule 47(1) of its Rules of Procedure,
- having regard to the report of the Committee on Legal Affairs and the Internal Market and the opinion of the Committee on Economic and Monetary Affairs (A5-0026/2003),

¹ OJ C 241, 7.10.2002, p. 180.

- A. Whereas the Internal Market is a cornerstone of the Union and an outstanding political and economic achievement; indeed the latest Scoreboard confirms the substantial benefits of the Internal Market for consumers and businesses in quality, choice and price levels;
- B. Whereas a fully functioning Internal Market for goods and services is an integral part of meeting the Lisbon economic reform goals and development of an Internal Market for services has been identified as the next major goal;
- C. Whereas a recent Commission study demonstrates that the creation of the Internal Market in financial services would increase EU growth by 1.1%, adding approximately €130 billion to the EU economy;
- D. Whereas the completion of the Internal Market must also take account of Treaty obligations, such as Article 158, in order to build economic and social cohesion across Europe, and to achieve sustainable development;
- E. Whereas Article 153 ensures a high level of consumer protection in the Internal Market;
- F. Whereas the European Charter for Small Enterprises, adopted at the Lisbon Summit, calls for reforms aimed at the completion of a true Internal Market which is user-friendly for small business;
- G. Whereas major barriers have been identified in the services market, including restrictions on free movement and establishment, many derived from national, regional and local regulation;
- H. Whereas the transposition and application of Internal Market legislation has consistently shown a wide variation, with the poor record of certain Member States acting as a significant brake;
- I. Whereas the invoking of safeguard clauses by the Member States risks undermining the uniformity of Community legislation; whereas, moreover, procedural guarantees in relation to the invoking of safeguard clauses and the monitoring thereof are inadequate, resulting in the risk that not all interested parties may be involved in drawing up the relevant safeguard clause by the Member States;
- J. Whereas, in the absence of single European standards or application of mutual recognition, requirements for local testing and certification add significant business costs, frustrating completion of the Internal Market;
- K. Whereas Member States agreed at the Feira European Council to accelerate plans for the cheaper and faster start-up of companies;
- L. Whereas, since 1999, the Commission has set out a road map for the action needed to develop Internal Market policy, but progress remains below target;
- M. Whereas Member States are generally reluctant to further completion of the Internal Market without prompting from the Commission and Parliament;

Support for the Internal Market Strategy,

1. Reaffirms its strong support for the Internal Market strategy and calls upon the Council and the Commission to make completion of the Internal Market and the launch of the Internal Market for Services Initiative the top priority of the 2003 Economic Summit;
2. Expresses great concern about the delivery gap between the Council's support for the Lisbon goals and Member States' reluctance to implement reforms; considers that the highest priority must be given to a major initiative to close this gap, engaging all European institutions, consumer, employees' and business organisations in an effective partnership;
3. Welcomes the establishment of the Competitiveness Council, trusts that this represents a change in political priorities and not just administrative convenience and insists that Member States bring Internal Market matters firmly within the overall framework of economic reform;
4. Calls upon all Member States to accelerate transposition of Internal Market directives, while deploring the fact that, according to the latest Internal Market Scoreboard of November 2002, governments are falling behind implementation schedules, with 2.1% of legislation still awaiting implementation; also notes that two of the largest economies, France and Germany, are furthest away from the target;
5. Asks the Commission to undertake a rigorous evaluation of the causes of Member States' failure to implement Community legislation and of barriers to the implementation of such legislation, while Member States should account for their failure to implement laws in a report to the Commission to be presented and discussed at each Economic Summit;
6. Calls on the Member States to confine the invoking of safeguard clauses to a minimum, and calls on the Commission to ensure that adequate guarantees are provided in respect of the drawing up of safeguard clauses by the Member States and the monitoring thereof;
7. Urges the Commission in the first instance to seek pragmatic solutions to the problem of non-implementation, while at the same time improving the speed and efficiency of its handling of infringement cases, and to work with the Court of First Instance to develop procedures for fast-track review, backed up where necessary by sanctions, and to implement the proposals adopted by Parliament on this matter;
8. Believes it necessary to undertake a review of the effectiveness of the Court's system of sanctions and fines, with the objective of strengthening the system, fast-tracking priority cases and setting implementation deadlines, followed by swift procedures for the imposition of fines;
9. Considers that a test for Internal Market compatibility must be incorporated into the tests that all EU legislation must pass and into plans for simplifying and improving Community legislation (better regulation); supports the measures to improve the transposition of Internal Market measures and eliminate over-complex transpositions (gold-plating); Calls on national parliaments to be more active in ensuring timely and accurate implementation of Internal Market directives;
10. Emphasises that the vigorous application of competition rules, at European and national level, is essential to ensure that businesses, particularly small enterprises, have the maximum

opportunities to expand their activities and to compete on fair terms everywhere within the Internal Market;

11. Believes that citizens and consumers are entitled to more information regarding the failure of Member States to implement Internal Market legislation;

12. Believes that Parliament, the Commission and the Member States, in partnership with consumers, employees' and business organisations, should work together to promote the benefits of the Internal Market and encourage enterprises to take advantage of the opportunities afforded thereby;

13. Rejects the Commission's assertion that Parliament and Council are equally to blame for the failure to hit a number of targets; points out, in that context, that of the targets listed as missed by the Commission, they are almost exclusively missed because of slow progress in Council;

14. Encourages the Commission to work with the Member States on consistent approaches to the implementation of Internal Market legislation; highlights, in particular, the need for consistent implementation of the new legal frameworks on electronic commerce, electronic communications, copyright and data protection;

15. Supports the Commission strategy to help the candidate countries in their preparation for the Internal Market; stresses in particular the importance of training programmes for officials in the candidate countries and recalls that the candidate countries' active involvement in Internal Market issues is of great importance;

Specific actions in support of the Internal Market Strategy

16. Calls upon Member States to give the highest priority to the correct and non-discriminatory application of Internal Market rules and to providing support services to help citizens and enterprises exercise their Internal Market rights;

17. Urges the Commission to be particularly vigilant in ensuring that the legislation adopted within the framework of the Financial Services Action Plan (FSAP) is transposed within the prescribed time limits as the full potential of an integrated financial market will otherwise not be realised;

18. Emphasises the importance of consistent rules and procedures on data protection for the effective operation of the Internal Market; insists that the Commission, in its forthcoming review of the General Directive on data protection, supports the Internal Market for data flow and transfer; calls, particularly, for consistent approaches to consumer notices and simple common procedures for notifying data protection authorities;

19. Confirms its strong support for SOLVIT and the relaunch of the Citizen's Signpost Service; suggests that the Competitiveness Council receive regular reports from these networks and promote early action to resolve the problems identified;

20. Notes the specific measures set out in the Commission strategy for achievement by early 2004 and confirms its willingness to work with the Commission and the Council to achieve

these targets;

21. Points out, however, that it is not enough to ask the Member States to adopt, by June 2003, measures to ensure that limited liability companies can be started up more quickly, more cheaply and with a lower capital, but that it is necessary to examine existing obstacles hampering the start-up of all small undertakings, including one-person businesses, and to draft initiatives to overcome these obstacles, which include the use of IT resources and the Internet;

22. Welcomes the advances made recently in liberalising the gas and electricity markets, and in air transport regulation, which will enable some of the most important targets set at the Barcelona European Council to be met;

23. Calls upon the Council to conclude discussion of the Community Patent without delay;

24. Calls on the Commission to step up its work to simplify the burdensome VAT system, and to ensure that the real impact on business, in particular on SMEs is more thoroughly evaluated when new legislation is proposed;

25. Calls on the Commission to provide a cost/benefit analysis in future Scoreboard Reports of the benefits of implementing Internal Market legislation in terms of jobs, growth, GDP and competitiveness of the EU economy, while quantifying the costs of failure to implement such legislation;

26. Invites the Commission to cooperate with Parliament in organising a second Internal Market Forum to enable citizens and industry, especially SMEs, to express their concerns and discuss solutions;

27. Invites Member States to reaffirm on the occasion of the 2003 economic summit their commitment to the completion of the Internal Market in its 10th anniversary year, by signing up to a solemn declaration whose aim is to improve and speed up the completion of the Internal Market for goods and services and for the benefit of citizens;

28. Calls on the Convention on the Future of Europe to address the problem of non-implementation of Community legislation and put forward proposals to tackle this problem;

Internal Market for Services

29. Strongly supports initiatives to create an Internal Market for services in accordance with Parliament's resolution on the Commission's communication (COM(2000) 888);

30. Commends the Commission's thorough analysis of the state of the Internal Market for services (COM (2002) 441), while expressing concern about the extent and complexity of the barriers identified, which affect the entire European economy;

31. Notes that a fully-functioning Internal Market in services will increase consumer choice and allow consumers to receive services from other Member States; in relation to the possible evolution of an Internal Market for health services, looks forward to the outcome of the high-level process of reflection on patient mobility and healthcare developments, due to be completed in 2003;

32. Notes that, among the four freedoms in the Internal Market, the free movement of persons has had the smallest success; encourages therefore the Member States, Parliament and the Commission to take a bold approach in order to facilitate the recognition of diplomas acquired in other Member States; insists that there is a need to clarify the directives laying down the rules to be applied to workers posted in other Member States;

33. Praises the Commission's new approach to the de facto barriers to the free movement of persons imposed by differences in tax regimes concerning pensions and cars; urges the Commission to implement the measures foreseen in the communications issued with regard to those areas;

33. Calls upon the Council to submit a Common Position on the sales promotion regulation to Parliament without delay; requests the Commission to underpin the Council's work with continued studies on the benefit of an Internal Market in sales promotions, particularly focusing on SMEs and consumers;

34. Insists that the Competitiveness Council reaffirm Member States' commitment to the country of origin and mutual recognition principles, as the essential basis for completing the Internal Market in goods and services;

35. Welcomes the proposals for a horizontal instrument to ensure free movement of services in the form of mutual recognition, with automatic recognition being encouraged as far as possible, administrative cooperation and, where strictly necessary, harmonisation;

36. Considers that Member States should commence immediate reviews of their legislation affecting service providers with a view to eliminating protectionist, discriminatory and discretionary practices and heavy or non-transparent procedures; calls on the Competitiveness Council to commit itself to this and stresses that candidate countries must do likewise;

37. Considers that the Member States should encourage freedom of establishment and easy business start-ups, including subsidiaries, by modernising and simplifying their legislation and encouraging entrepreneurship, in order to provide a strong boost to the Internal Market in services;

38. Requests the Commission to propose measures in its forthcoming Green Paper on entrepreneurship so as to encourage SMEs to take advantage of the Internal Market for services;

Mutual Recognition

39. Considers that whilst the principles of country of origin and mutual recognition are essential for the completion of the Internal Market in goods and services, public interest objectives, in particular consumer protection, should be safeguarded, where appropriate, by the harmonisation of national rules;

40. Agrees that mutual recognition could be an even more effective Internal Market tool if Member States properly applied that principle and removed duplicate provisions in national legislation;

41. Encourages mutual recognition of sectoral and business codes of conduct that are developed to supplement or implement EU legislation;

42. Affirms the critical role of mutual recognition in the creation of a single market for services; reaffirms its support for mutual recognition in financial services, as demonstrated by its support for the Financial Services Action Plan and the Commission's communication on e-commerce and financial services;

43. Instructs its President to forward this resolution to the Council, the Commission and the governments of the Member States.

EXPLANATORY STATEMENT

The Committee on Legal Affairs and the Internal Market considers that continued actions to complete the Internal Market should be a major political priority for the European Union. Since 1999 it has produced a series of opinions fully endorsing the Commission's Internal Market strategy proposals, and calling for continued action by Member States to transpose existing Internal Market rules speedily and operate them effectively. The Committee's initiative, in November 2000, to jointly organise an Internal Market Forum (with the Council and the Commission) demonstrated its intention to play a leading role in raising the political profile of Internal Market issues and engaging all stakeholders in the drive towards its completion.

This report presents the views of the Committee on the Commission's report on the Internal Market Strategy (COM(2002) 171). It also encompasses opinions on other documents that provide further insights and analysis of the evolution of the Internal Market :

The Internal Market Scoreboard.
Barriers to the Internal Market for Services.
Mutual Recognition within the Internal Market.

These additional documents provide important supporting arguments to the Commission strategy proposals and also indicate areas where new policies need to be developed. Your rapporteur has been able to draw conclusions from these findings to propose a range of actions to the Commission, the Council and other institutions with a view to taking the Internal Market forward.

The planned timetable for this report leads to a vote in the February 2003 Plenary session, in conjunction with reports from other committees on the Economic Reform Strategy. This timetable will enable the views of the Committee to be considered in the 2003 Economic Summit. By endorsing the political priority of Internal Market completion, and the associated policy proposals in this report, Parliament can send a strong signal to the Economic Summit that it expects them to be a central part of the Summit conclusions.

At the Brussels plenary session on 9 November 2002, Internal Market Commissioner Frits Bolkestein challenged the Parliament to produce "an ambitious and hard-hitting report". Your rapporteur hopes that he has fulfilled this brief.

Indeed he considers that ten years after the adoption of the original Single Market programme it is essential to underscore the importance of completing the Internal Market and extending it to services. As the architect of the Single Market, Lord Cockfield, pointed out in 1996¹, that market is "the foundation on which all future progress will be built.... You cannot have effective policies to deal with other economic problems, not least in the field of employment and welfare unless the Single Market generates the wealth to support these policies". Lord Cockfield went on to say that there was a need to recapture the "optimism and determination which illuminated Europe in the days when the Single Market programme was launched". He

¹ Lord Cockfield, "Why the Single Market must remain the first priority", in *Is the Single Market Working*, November 1996.

also noted that "It is one thing to enact legislation, but quite another to ensure that it is enforced. The primary duty rests on the Member States themselves ... But the Member States not only have the responsibility for enforcement; they are often the offenders."

What was true in 1996, is also true, alas, in 2002, as the Commission's communication and reports make plain. It is indeed a never-ending battle. But if we are to achieve the Lisbon goals and provide the bedrock for the future prosperity of Europe, it is essential not to give up. A second Internal Market Forum could afford an opportunity for a symbolic relaunch of the Internal Market on the eve of enlargement and enable us to mark the tenth anniversary of Lord Cockfield's original programme by an event designed to stimulate awareness amongst the citizens of Europe.

MOTION FOR A RESOLUTION

pursuant to Rule 48 of the Rules of Procedure

by José Manuel García-Margallo y Marfil

on improving the conditions for small businesses

The European Parliament,

- having regard to the Council Resolution of 8 July 1996,
 - having regard to the Commission Recommendation of 22 April 1997,
 - having regard to the European Charter for Small Enterprises,
 - having regard to the Council Decision of 20 December 2000,
- A. having regard to the commitments to establishing legislative reforms and initiatives favourable to the creation of businesses,
- B. whereas administrative formalities must be modified and standardised procedures be used,
- C. whereas advisory services provide support for businessmen,
- D. having regard to the Commission's legislative programme for 2002,
- E. having regard to the framework established at the Feira European Council on the cheaper and faster start-up of companies,
1. Points to the importance of developing an appropriate statute for small businesses, in order to facilitate faster start-up, and introducing simplified standard forms,
 2. Stresses once again that governments must promote the use of IT resources and the Internet in the creation of businesses;
 3. Calls on the governments to make available new registration methods, exploiting for this purpose new information and communication technologies, whilst respecting the requirements of legislation with regard to notification and reducing delays and duplication of effort.

MOTION FOR A RESOLUTION

pursuant to Rule 48 of the Rules of Procedure

by Cristiana Muscardini

on the need to harmonise the various national rules and regulations on private security

The European Parliament,

- having regard to Articles 44 and 52 of the EC Treaty,
 - having regard to the legislative resolution tabled by the Committee on Citizens' Freedoms and Rights, Justice and Home Affairs and adopted on 30 May 2002,
- A. whereas security remains a fundamental right of all citizens,
 - B. whereas the task of guaranteeing security has always been the exclusive competence of the State, but new needs have arisen in the field of private surveillance and protection services,
 - C. noting that great differences exist between the various national laws governing this sector,
 - D. noting that the European Court of Justice regards the provision of private security services as being an economic activity,
1. Calls on the Commission to put forward a directive on the harmonisation of national laws on the provision by natural or legal persons of private security services, within the context of the internal market without frontiers; this directive should indicate the minimum professional standards that agencies must have in order to offer such services and the level of professional training required of their employees, and should also outline a standard training programme that would be valid throughout Europe.

4 December 2002

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Committee on Legal Affairs and the Internal Market

on the communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee on Regions on the 2002 Review of the Internal Market Strategy
(COM(2002) 171 – C5-0283/2002 – 2002/2143 (COS))

Draftsman: David W. Martin

Rapporteur:(*) Malcolm Harbour, Committee on Legal Affairs and the Internal Market

(*) Hughes procedure

PROCEDURE

The Committee on Economic and Monetary Affairs appointed David W. Martin draftsman at its meeting of 19 June 2002.

The committee considered the draft opinion at its meetings of 12 September 2002, 27 November 2002 and 3 December 2002.

At the latter meeting it adopted the following conclusions unanimously.

The following were present for the vote: Christa Randzio-Plath, chairman; Philippe A.R. Herzog and John Purvis, vice-chairmen; ; Generoso Andria, Juan José Bayona de Perogordo for José Manuel García-Margallo y Marfil, pursuant to Rule 153(2)), Pervenche Berès, Roberto Felice Bigliardo, Jean-Louis Bourlanges (for Brice Hortefeux), Hans Udo Bullmann, Jonathan Evans, Robert Goebbels, Lisbeth Grönfeldt Bergman, Catherine Guy-Quint (for Giorgos Katiforis, pursuant to Rule 153(2)), Christopher Huhne, Anne Elisabet Jensen (for Karin Riis-Jørgensen, pursuant to Rule 153(2)), Othmar Karas, Werner Langen (for Ingo Friedrich), Alain Lipietz, Astrid Lulling, Thomas Mann (for Hans-Peter Mayer), Ioannis Marinos, Fernando Pérez Royo, Alexander Radwan, Olle Schmidt, Peter William Skinner, Ieke van den Burg (for Mary Honeyball) and Theresa Villiers.

CONCLUSIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Legal Affairs and the Internal Market, as the committee responsible, to incorporate the following points in its motion for a resolution:

Horizontal and Institutional Issues

1. Welcomes the progress achieved since the last report in 2000, in particular in the fields of financial services, competition policy and cross-border transfers in Euro;
2. Regrets, however, that on the whole, just over 50% of the target actions have been completed, and calls for the principle of mutual recognition to be applied across the board and for genuine Europe-wide standardisation to be achieved. The enforcement of principles such as freedom of establishment in the liberal professions will contribute towards a growing public sense that Community policies have a European dimension;
3. Applauds the Commission's aim of increasing market integration in those sectors that remain fragmented and welcomes the favourable impact that such a move will have on economic and social cohesion in Europe, including sustained, high-quality investment in infrastructure, education and skills;
4. Rejects the Commission's assertion that Parliament and Council are equally to blame for the failure to hit a number of targets; points out, in that context, that of the targets listed as missed by the Commission, they are almost exclusively missed because of slow progress in Council; urges the Commission, therefore, to propose means of encouraging speedier procedures and for the backlog in the adoption of European standards by the Council to be cleared; calls on the Council to take urgent measures to clear the backlog of internal market legislation and urges the Commission to take legal action under the Treaty when the Council fails to act;

Targets and Objectives for the next 18 Months

5. Endorses the Commission's ambitions to ensure better implementation of Community legislation; urges the Commission to be particularly vigilant in ensuring that the legislation adopted within the framework of the Financial Services Action Plan (FSAP) is transposed within the prescribed time limits as the full potential of an integrated financial market will otherwise not be realised;
6. Supports the objectives and targets set by the Commission, and underlines that substantial progress in particular must be made far as the objectives 'Modernising Markets' and 'Improving Business Conditions' are concerned, primarily in order to remove the distortions with which businesses operating at Community level have to contend; reaffirms Parliament's willingness to exercise democratic supervision and extend its involvement under the codecision procedure;
7. Calls therefore on the Commission to step up its work to simplify the burdensome VAT system, and to ensure that the real impact on business, in particular on SMEs is more

thoroughly evaluated when new legislation is proposed;

8. Invites the Commission to regularly submit to the European Parliament and the Council more details on the concrete actions it is planning to take to attain these objectives; welcomes in that regard the target to ensure that a private limited company can be set up in every Member State within 18 working days at a cost of no more than € 213;
9. Agrees, as far as the Meeting Citizens' Needs Objective is concerned, with the Commission's assertion that free and fair competition is the consumer's best friend and calls on the Commission to continue its work to modernise EU Competition Policy, especially as regards the procedures in order to make them more fair and transparent, whilst ensuring that the European Parliament's positions on these matters are taken into account;

An Internal Market for Services

10. Welcomes the Commission's report on the State of the Internal Market for Services, but finds it unacceptable that, ten years after the completion of the Internal Market, such a large number of barriers hindering service providers from acting across borders still remain; calls therefore on the Member States to commit themselves at the political, legislative and administrative level to removing barriers to service exchange detected by the Commission and recalls that without Member States' political will, it is not feasible to create an Internal Market for Services;

Supports the Commission strategy to help the candidate countries in their preparation for the internal market; stresses in particular the importance of training programmes for officials in the candidate countries and recalls that the candidate countries' active involvement in internal market issues is of great importance.