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DRAFT REPORT

on strengthening the single market: the future of free movement of services
(2020/2020(INI))

Committee on the Internal Market and Consumer Protection

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on strengthening the Single Market: the future of free movement of services (2020/2020(INI))

The European Parliament,

- having regard to Directive 2006/123/CE of the European Parliament and of the Council of 12 December 2006 on services in the internal market,
 - having regard to Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications,
 - having regard to Directive (EU) 2018/958 of the European Parliament and of the Council of 28 June 2018 on a proportionality test before adoption of new regulation of professions,
 - having regard to Regulation (EU) 2018/1724 of 2 October 2018 establishing a single digital gateway to provide access to information, to procedures and to assistance and problem-solving services and amending Regulation (EU) No 1024/2012,
 - having regard to the Commission Communication ‘A European retail sector fit for the 21st century’ of 19 April 2018 (COM(2018)0219),
 - having regard to its resolution of 12 December 2018 on the single market package¹,
 - having regard to the study entitled ‘Contribution to Growth: The Single Market for Services - Delivering Economic benefits for citizens and businesses’ of February 2019, commissioned by the Committee on the Internal Market and Consumer Protection,
 - having regard to the Commission communication of 10 March 2020 on identifying and addressing barriers to the Single Market (COM(2020)0093),
 - having regard to the Commission communication of 10 March 2020 on a long term action plan for better implementation and enforcement of single market rules (COM(2020)0094),
 - having regard to the opinion of the Committee on Employment and Social Affairs,
 - having regard to Rule 54 of its Rules of Procedure,
- A. whereas the Services Directive and the Professional Qualifications Directive are key instruments for addressing the barriers to the free movement of services within the European Union, but the potential of the single market for services is still largely untapped;
- B. whereas services account for around 70 % of all economic activity in the EU and a

¹ Texts adopted, P8_TA(2018)0511.

similar proportion of its employment, while the share of services in intra-EU trade is only around 20 %;

- C. whereas studies show that the potential gains of completing the single market for services through effective implementation and better harmonisation of regulations could be at least EUR 297 billion, corresponding to 2 % of EU GDP;
- D. whereas the EU currently faces a recession and rising unemployment caused by the COVID-19 pandemic, and completing the single market for services is thus a smart and effective way of creating economic growth without additional public spending;
- E. whereas a more integrated and interconnected services market is necessary to tackle climate change, create a sustainable economy, and unleash the full potential of the European Green Deal;
- F. whereas fragmentation, restrictive national regulations and gold-plating not only hamper businesses, but also hurt consumers, who have fewer choices and pay higher prices;
- G. whereas the effective implementation of existing rules and the abolition of excessive requirements depends on the Member States;
- H. whereas incomplete implementation of existing legislation creates an enforcement gap, since provisions not properly implemented might also be impossible to enforce effectively;
- I. whereas burdensome administrative procedures, diverging national regulations, and especially obstacles to accessing necessary information have created discrimination, and made it complicated to engage in cross-border trade, in particular for smaller companies;

Addressing barriers within the single market

1. Underlines that promoting the single market, including the free movement of services and people, is paramount for tackling the economic crisis caused by COVID-19; urges all Member States to ease restrictions on free movement within the single market as soon as possible;
2. Highlights that across the European Union red tape, burdensome administrative practices and regulatory restrictions to service providers are creating unjustified barriers that deprive citizens of jobs, consumers of choices, and entrepreneurs of opportunities;
3. Recalls that the Services Directive aims to reduce fragmentation, deepen the integration of the single market, and pave the way for both businesses and consumers to achieve their full potential;
4. Recalls that the Services Directive and the Professional Qualifications Directive build on mutual recognition to facilitate the free movement of services;
5. Regrets that Member States frequently use reasons of public interest to insulate their

domestic market; highlights that requirements such as territorial restrictions and economic needs tests create unjustified obstacles to cross-border establishment;

6. Recalls the importance of the Commission proposal for a revised services notification procedure; regrets that the proposal could not be adopted due to the lack of an agreement in Council;
7. Notes that the purpose of the Commission's legislative proposal for a European services e-card was to address administrative barriers that remain in place; underlines that such barriers are costly to services providers, and continue to constitute a significant disincentive to the cross-border provision of services in the single market;
8. Urges Member States to ensure the proper implementation of current legislation, and to avoid gold-plating and unnecessary requirements, thereby facilitating the cross-border provision of services and ensuring a level playing field;
9. Calls on the national parliaments to actively engage in supporting the enforcement of existing rules, and to exercise their powers of scrutiny over national authorities;
10. Urges stakeholders, the business community and social partners to play their part in calling on governments to revitalise the European services sector;

Ensuring enforcement of existing legislation

11. Notes that the free movement of services is at the core of the single market, and could provide substantial economic gains, provided there is sufficient and active enforcement by local and regional authorities, national courts, and the Commission;
12. Points out that the price for inadequate implementation is paid by businesses and consumers across the European Union; encourages the Commission to prioritise enforcement action, and to reduce barriers in areas of significant economic impact;
13. Highlights that overriding reasons of public interest are too often invoked by Member States in a way that damages the single market for services; calls on the Commission to improve the monitoring of Member State performance in transposing and implementing legislation;
14. Encourages the Commission to make use of all means at its disposal to ensure full enforcement of existing rules; calls for fast-track infringement procedures to be applied whenever major breaches of the relevant legislation are identified;
15. Calls for increased vigour from the Commission to ensure efficient coordination and exchange of information between Member States so as to avoid duplication of procedures and checks for the cross-border provision of services;
16. Urges the Commission and the Member States to deliver on the long-term action plan for better implementation and enforcement of single market rules so as to maximise the potential of the single market for services.

Advancing regulatory clarity: national information portals

17. Underlines the importance of the single digital gateway as an online access point for EU and national information, procedures and assistance services on the single market;
18. Recommends that Member States implement the single digital gateway in an SME-friendly way, by providing user-centric information, assistance services and procedures on the gateway, so as to make it a virtual one-stop shop as far as possible, and ensure a maximum level of user-centricity;
19. Recommends that the Commission and the Member States systematically provide user-friendly information via the single digital gateway for all new EU legislation that creates rights or obligations for citizens and businesses,;
20. Urges Member States, in view of the current crisis, to speed up their digitalisation work especially for procedures that affect businesses;
21. Recommends that the Commission assists national authorities in each Member State with creating a national single market information portal that provides consumers, employees, and businesses with the following information:
 - a. the national and EU rules that companies must apply within the Member State in question;
 - b. the action companies must take to comply with these rules, summarised by procedure, with step-by-step guidance;
 - c. the documents companies must have available, and within what timeframe;
 - d. the authorities companies must contact to obtain necessary authorisation etc.;
22. Recommends that national information portals should assist foreign companies wishing to do business within the Member State in question, as well as local companies wishing to export services and goods to other Member States;
23. Urges cooperation between Member States' national information portals to ensure that companies, employees and citizens are provided with correct, comprehensive and up-to-date information;
24. Calls for the Commission to play a coordinating role in information sharing between national information portals;
25. Stresses that all national information portals should be accessible through the single digital gateway;
26. Urges the Commission to ensure that any new directives or regulations concerning the single market include a requirement to establish a national information contact point;

Providing evaluation: the single market scoreboard and restrictiveness indicators

27. Supports the Commission's preliminary initiative to update the single market scoreboard with a new set of indicators with which to evaluate Member State implementation of relevant single market legislation;

28. Recommends that the updated single market scoreboard analyses relevant issues from an end-user perspective, evaluating whether concerns and complaints are settled, for instance within the SOLVIT framework;
29. Urges the Commission to adopt a quantitative and qualitative evaluation method; notes the importance of evaluating whether relevant EU directives are implemented on time and as intended by EU legislators;
30. Recommends that an updated single market scoreboard links to existing restrictiveness indicators, and maps services restrictions and the differing levels of implementation and enforcement of relevant EU legislation;
31. Invites the Commission to update existing restrictiveness indicators to help Member States identify where efforts must be made to reduce restrictions, and monitor their efforts in reducing restrictions.
32. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

The economic fallout from the Coronavirus pandemic has only increased the urgency of unleashing the full potential of the services sector for growth and jobs. Hence, the free movement of services within the single market has to be on top of the political agenda. This resolution aims to provide greater clarity and transparency to businesses and consumers alike, and to address the fragmentation of the single market by confronting member states with their responsibility to thoroughly implement the letter and spirit of the services directive.

Accordingly, the Rapporteur recommends (I) directly addressing national barriers within the single market (II) ensuring adequate enforcement of existing legislation (III) advancing regulatory clarity by introducing national information portals and (IV) providing additional evaluation tools through single market scoreboards and restrictiveness indicators.

Services' untapped potential for growth and jobs

The services sector is the indispensable growth engine of the European Union. It accounts for around 70% of the EU's GDP and a similar proportion of its employment. Due to the nature of service provision, it is strongly interwoven with other economic sectors, such as manufacturing, and the digital economy. A better functioning internal market for services is therefore a crucial necessity for a more competitive and innovative European economy.

The Services Directive and the Professional Qualifications Directive have been important milestones in addressing existing barriers to the free movement of services within the EU. However, the potential of the single market for services remains largely untapped. Even after several years, the directives are still not fully implemented in all Member States. There is ample evidence of how red tape, discriminatory practices and regulatory restrictions are creating unjustified barriers that deprive citizens of jobs, consumers of choices and entrepreneurs of opportunities. The completion of the single market is also hindered by insufficient enforcement action both from the commission, as well as from local, regional and national authorities.

Faced with a historic recession and rising unemployment due to the Coronavirus pandemic, an ambitious European response is paramount. Completing the single market for services is one of the few areas where we can generate growth without increasing public debt. Studies have shown that the gains of effective implementation and better harmonisation of service regulations could be in the order of at least €297 billion, corresponding to 2% of EU GDP.

Addressing national barriers within the single market

Insufficient implementation and lack of enforcement has damaging consequences to both consumers and providers of services within the European Union. Especially SMEs suffer from red-tape and unjustified administrative barriers. Unfortunately, some Member States frequently use reasons of public interest to insulate their domestic market. In particular, gold plating, burdensome legal form requirements, territorial restrictions and economic needs tests impede services provision and shut certain stakeholders out of the market.

In this context, the Rapporteur welcomes the Commission's work to address administrative barriers, for example through the proposal of an e-card, and emphasized the importance of

implementing existing legislation, such as the Single Digital Gateway in an SME-friendly way.

Ensuring enforcement of existing legislation

Businesses and consumers, who experience barriers and frustrations when they attempt to trade in services across the EU, often stress that their problems do not stem from a lack of legislation. Rather, they point to a serious lack of implementation and enforcement of existing rules.

All Member States have a shared responsibility to transpose, implement and enforce the common rules for intra-EU trade in services. The Rapporteur is aware of the different realities in Member States and the difficulties encountered in opening up national markets to increased competition. It is also important to recognise the progress achieved. However, no double standards or exceptions should be tolerated. Similarly, the Coronavirus crisis should not be used as an excuse by Member States to keep postponing the implementation of relevant single market regulations. On the contrary, we need to enable Europeans to trade as freely as possible in order to aid the post-crisis recovery as well as improve Europe's long-term growth trajectory.

For these reasons, the Rapporteur welcomes the Commission's recent communication 'Long term action plan for better implementation and enforcement of single market rules' and supports the initiatives sketched out therein. However, the Rapporteur also calls for more vigorous enforcement action on the part of the Commission. The full toolbox, including fast-tracked infringement procedures, must be put to good use. There must be consequences when insufficient national implementation hampers the opportunities of European citizens and the competitiveness of the European economy.

Advancing regulatory clarity: National Information Portals

When proposing, adopting and implementing European legislation, it is important to constantly seek feedback from economic operators that are supposed to benefit from such regulation. The single market for services is no exception. One salient message from companies and consumers across Europe is that, in practice, it is often very difficult to obtain the necessary information about what rules to comply with, which procedures to follow, and which authorities to contact in the Member State they wish to do business in. Furthermore, the information provided is often only available in the local language. As pointed out in the Commission's very pertinent communication, 'Identifying and addressing barriers to the Single Market', 36% of businesses report language barriers when attempting to trade within the Single Market. This often scares SMEs from making the attempt in the first place.

Given these realities, the Rapporteur is of the opinion that a more coordinated approach related to information-sharing on the ground is needed. Therefore, one cluster of proposals in the report proposes the establishment of National Information Portals that are to enhance the beneficial effects of the Single Digital Gateway. Such portals consolidate existing contact points under one general access portal and inform companies and consumers about all business-related requirements that are mandatory for doing business. All of this information should be available in English in addition to the local language.

The Commission should coordinate the work of the individual national information portals.

And all information should be accessible through the Single Digital Gateway. It is simply a logical first step towards boosting intra-European trade in services: Make it possible for companies to know what rules they must comply with and what procedures to follow.

Providing evaluation: Single Market Scoreboard and restrictiveness indicators

Evaluating the performance of Member States with regards to both implementation and provision of information is absolutely essential to improving the Single Market for services. It allows Member States to learn from each other through best practice and it applies much-needed pressure for improved functioning of the existing (and upcoming) European legislation.

In this context, the Rapporteur firmly backs the use of the Single Market Scoreboard and the Commission's commitment to update it with new indicators. There is scope to use the Scoreboard even more actively by e.g. utilising both quantitative and qualitative indicators and by ranking Member States according to their services trade openness. This would enable consumers and businesses to see how much progress is being made and in which areas, as well as allow the Commission to prioritise enforcement action in areas that are particularly lacking.

In sum, the Rapporteur is of the opinion that the European Single Market for services can only be completed through a joint effort by Parliament, Commission and individual Member States - and not only through new, targeted legislation, but especially through much better enforcement, information sharing and evaluation.