

# Internal market for services: state of play and next steps

2012/2144(INI) - 08/06/2012 - Non-legislative basic document

**OBJECTIVE:** to propose ways forward to maximise the economic effect of the Services Directive.

**BACKGROUND:** the Commission notes the services sector is a significant driver of growth in the EU as it **represents more than 65% of EU GDP and employment**. A more integrated and better functioning Single Market for services is vital to contribute to the economic recovery of the EU.

All Member States have made significant efforts to implement the Services Directive. They have removed many unjustified barriers and have modernised their regulatory framework applicable to services.

The measures which Member States have adopted to implement the Services Directive is bringing **an additional 0.8% of EU GDP** over time, with the majority of the effect materializing during the 5-10 years following implementation. Economic analysis has shown that if Member States were to abolish almost all the remaining restrictions, the total economic gain would be more than three times what we have already achieved - **about 2.6% of GDP**.

However, growth and job creation in the services sector are still **hampered by a wide range of obstacles**. More growth is possible if action is taken now to release the full potential of the Services Directive.

On 30 May 2012 the Commission already proposed country-specific [recommendations](#) on structural reforms in the services sector for 12 Member States.

**CONTENT:** the present communication sets out the actions that Member States and the Commission should take to ensure that the Directive has the greatest possible impact. It responds to the reporting obligation of the Commission as set out in the Directive, the requests from the European Council and the European Parliament to monitor closely and report on the implementation of the Directive and on the initiatives to improve and reinforce the Single Market for services.

**Delivering the full effect of the Services Directive:** in line with the Communication on Better Governance for the Single Market, we should concentrate our efforts on **making what already exists work better**. This Communication proposes ways forward to maximise the economic effect of the Services Directive in particular in services sectors of **significant economic importance**:

- business services representing 11.7% of GDP,
- construction representing 6.3% of GDP,
- tourism representing 4.4 % of GDP, and
- retail representing 4.2% of GDP.

**“Zero tolerance” policy for non-compliance:** the Commission believes that Member States should step up their **level of ambition as regards the Services Directive**. Any remaining obstacles should be thoroughly assessed as to their economic impact.

Member States must **commit to make their legislation fully compliant with the Services Directive** by putting an end to remaining instances of non-compliance with unequivocal obligations in the Services Directive in their legislation as a matter of urgency. The Commission will apply its zero tolerance policy through infringement procedures, where necessary.

**Professional services:** there are around 800 categories of regulated professions. **Discrepancies** in regulating professional services have been identified amongst Member States. The effects of these divergences are made worse by cumbersome procedures for the recognition of qualifications. The Commission has put forward a proposal to modernise the legal framework for the mobility of professional services; Member States should adopt it swiftly.

**Consumers:** the Single Market must work for consumers. Businesses should not partition it in an artificial way to the detriment of service recipients. As a matter of priority Member States must enforce national provisions implementing the **“non-discrimination” clause** which prohibits discrimination against service recipients on the basis of their nationality or country of residence. Particular attention should be given to cases where consumers face higher charges than would be imposed for a domestic transaction when they wish to pay for a service provided in another Member State by credit transfer or direct debit in euro. Consumers should, in principle, no longer be refused supply on the ground that it is impossible to physically deliver goods in another Member State. Similarly, service providers should not rely on mere geographic factors in order to engage in practices that artificially partition markets within the EU single market to the detriment of consumers.

**Making Single Market rules work on the ground:** procedures for the recognition of professional qualifications are long and cumbersome in many Member States. Cross-border services are increasingly provided on line. Despite the simplification introduced by the Services Directive and the E-Commerce Directive, barriers still exist.

The Services Directive and other Single Market instruments, such as the **Directive on the Recognition of Professional Qualifications and the E-Commerce Directive**, should be applied in a streamlined way. Where necessary, Union law should be modernised to meet specific services' needs and to ensure that the legal framework works effectively on the ground for both service providers and recipients.

**Sector-specific needs:** the performance checks exercise has identified the need to address a number of bottlenecks for growth in specific sectors.

In this regard, the Commission:

- will aim at ensuring an increased use of mutual recognition clauses in future proposals of sector-specific legislation setting up authorisation schemes for experts providing **specialised services**;
- will aim at accelerating legislative procedures on **measures affecting consumers** which are of key importance for the single market for services;
- will adopt in 2012 a European Retail Action Plan setting out an EU strategy for this sector ; and will create a High-Level Group on Business-Related Services to study the shortcomings of this particular sector by autumn 2012.
- **Second generation Points of Single Contact (PSC):** Member States should develop the Points of Single Contact to become fully-fledged e-government tools responding adequately to the needs of service providers and recipients.

By the end of 2014, Member States, assisted by the Commission are encouraged to develop the second generation PSCs which should (1) cover all procedures during the business life cycle, (2) be multilingual, and (3) be more user-friendly.

The Commission believes that this requires a political commitment by all European institutions and Member States to give the necessary priority to delivering the required actions within the set time-scale. The Commission will work with Member States in a partnership to create new growth and jobs in services and will monitor progress closely in its Annual Growth Survey.