

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

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The Committee on the Internal Market and Consumer Protection adopted the own-initiative report by Anna Maria CORAZZA BILDT (EPP, SE) on the Internal Market for Services: State of Play and Next Steps.

**Services' untapped potential:** recalling that the services sector accounts for more than 65 % of EU GDP and total employment and is a pillar of our economy and that services covered by the Services Directive amount to 45 % of EU GDP, Members welcome the Commission Communication and stress the untapped potential of services for growth and jobs.

The Commission is asked to **focus its efforts on those service sectors that are of great economic importance** and have above-average growth potential, such as business services, construction services, tourism services and retail, so as to produce tangible results in the short term for growth and jobs.

The report stresses the importance of developing **better indicators of Single Market performance**. Welcomes the development of the Digital Single Market and also encourages the gradual opening-up of the internal market for services in the welfare sector.

**Barriers, borders and burdens to free movement:** Members regret that there is a significant number of cases identified where Member States are inappropriately invoking overriding reasons of public interest (Article 15 of the Services Directive) for the sole purpose of protecting and favouring their domestic market. They consider that **the use of overriding reasons of public interest should always be objectively justified** and strictly proportionate to the objective pursued, consistent with European Court of Justice (ECJ) case law. The report highlights the fact that **burdensome legal and shareholder requirements**, territorial restrictions, economic needs tests and fixed tariffs create unjustified obstacles to efficient cross-border establishment and damage the internal market for services.

Members ask the Commission to clarify the **concept of proportionality** and issue practical guidance to the Member States on how to apply it. They urge Member States to apply effectively and fully **the freedom to provide services clause** (Article 16 of the Services Directive) and to remove double regulatory burdens. They call on businesses to refrain from **unjustified discriminatory practices** on grounds of nationality or place of residence.

**Smart governance of the internal market for services:** Member States are asked to:

- take an **integrated approach** to the internal market for services in order to ensure legal certainty for consumers and business, in particular SMEs;
- make greater use of **mutual recognition** to facilitate the free movement of services, wherever harmonised rules are not yet in place;
- upgrade to second-generation **Points of Single Contact** that are fully functional, multilingual and user-friendly e-government portals.

The report asks the Commission to ensure consistency between the peer review under the Services Directive and the mutual evaluation under the **Professional Qualifications Directive**.

It considers that the European Commission and the European standardisation organisations should work in close cooperation in order to ensure, where relevant, coherence in the terminology used so that the rules are applied consistently throughout the EU. It encourages **broader use of the IMI-system** between Member States to check compliance with the requirements of the directive, in particular in cases of the cross-border provision of service.

The report also highlights the fact that inadequate cross-border coverage of **insurance** for service providers is a major hindrance to free movement. It urges stakeholders to find solutions through dialogue.

**Better enforcement:** Members call on the Commission to **assist Member States** with the key problems they have identified regarding implementation and application of EU Single Market legislation, including on how to improve transposition and compliance deficits and obtaining fast and efficient judicial redress.

They strongly support the Commission's zero tolerance policy with regard to unjustified restrictions and calls for fast-track infringement procedures to be applied whenever incorrect or insufficient implementation or breaches of the directive by Member States are identified.

**Strengthening transparency and accountability:** the report encourages the Commission to pay particular attention to the services sector in Annual Growth Surveys and to include services in the country-specific recommendations. It calls on the national parliaments to engage actively in supporting the enforcement of the directive and asks the Council and its Presidency to place the internal market for services on the agenda for Competitiveness Council meetings on a regular basis.