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Single Market Act

- A single market delivering smart, sustainable and inclusive economic growth -

DRAFT VERSION OF 23 AUGUST

1. INTRODUCTION

Europe is experiencing the effects of the deepest economic crisis in more than a generation. EU GDP is approximately 3.5% below pre-crisis level and unemployment 3.3% higher¹. The crisis is touching the lives of many citizens: sources of income have been lost, insolvencies have surged, private consumption had to be cut back. Yet most worryingly, beyond having caused a strong cyclical downturn in the economy, the current crisis risks leading to a long-term loss in structural economic growth and competitiveness. There is considerable risk that economic growth and job creation in Europe will stagnate for some time.

The absence of consistent economic growth would have significant negative consequences for our societies. Europe's ageing population and decreasing active workforce highlight the need to generate growth in order to maintain our social market economy and social welfare system. Fewer jobs, lower social services including on health and pensions, and reduced scope for public investments into education and infrastructures would be among the consequences of low economic growth.

With strict limitations to public spending resulting from high public debts accumulated over past decades in many Member States, policy makers can not revert to increased government spending to generate economic growth. Europe has no choice than to focus on structural reforms required for private businesses to invest, to grow and to create new jobs.

The European Commission adopted the Europe 2020 Strategy to drive these reforms. Its seven 'flagship initiatives'² support the creation of smart, sustainable and inclusive growth. Advancing the European single market is a central element for the success of this Strategy as it will act as a lever for the structural reforms required. With the single market being one of Europe's main competitive advantages in a global economy, further deepening and developing the single market will be one of Europe's best sources of growth and job creation.

Already, the single market has created very significant benefits for Europe's citizens. From 1992 to 2006, the single market increased EU GDP by EUR 1.77 trillion in the 15 Member States prior to its latest enlargements³. For the European Union of 25⁴, the combined effect of internal market integration (including liberalisation of network industries) and enlargement amounts to 2.75 million additional jobs⁵. Since 1992, the internal market has been complemented by an ambitious cohesion policy, which has succeeded in reducing income differences between different regions and sectors and has enabled more European citizens to benefit from it. [Data in this paragraph will be replaced by new data covering EU 27 being prepared by ECFIN for end-August.]

¹ Eurostat statistics database: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database; GDP: quarterly national accounts for EU 27: comparison of second quarter 2010 data with second quarter 2008 data; unemployment: LFS series quarterly survey for EU 27: comparison of first quarter 2010 data with second quarter 2008 data.

² The seven 'flagship initiatives' in the Europe 2020 Strategy are: Innovation Union(1); Youth on the move(2); A Digital Agenda for Europe(3); Resource efficient Europe(4); An industrial policy for the globalisation era(5); An agenda for new skills and jobs(6); European Platform against Poverty(7).

³ Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

⁴ Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

⁵ European Commission, 2007

[Add paragraph here with data being prepared by ECFIN for end-August on yet untapped growth potential.]

Reaping this enormous additional potential to create new sources of growth and job creation requires the identification of existing "missing links" and bottlenecks and to provide appropriate solutions. The European Commission therefore carried out a major analysis and the results are summarised in the associated Staff Working Document⁶, which identifies [131] concrete single market bottlenecks.

Exploiting the single market's full potential contribution to sustainable structural growth and jobs will be possible only if single market rules are effectively applied and enforced across all Member States. A level playing field and fair competition are preconditions for single market benefits to be maximised. Given the global nature of markets, single market policies must contribute to ensuring that these principles are also applied on a global level. Single market policies must take account of the global nature of markets, given that the single market for many European businesses constitutes a home market from where they trade worldwide.

Although the Single market is more needed than ever it is also less popular than ever as Mario Monti explained in his recent report to the President of the European Commission, entitled 'A New Strategy for the Single Market'. This 'falling out of love' can be explained by the obstacles which Europeans still face in the single market and the continued market fragmentation, as well as a fear that it may undermine social systems and services of general interest.

The Commission formulates its proposals on the basis of the wide-ranging consultation organised by Mario Monti to assess the concerns of Europeans. The Commission is of the opinion that an appropriate response should be made to address the concerns expressed, so that everyone – citizens, consumers, businesses, Member States and local authorities – can regain confidence in the advantages the single market has to offer. Restoring confidence will be necessary to generate growth. The single market should be at the service of citizens, for it to deliver a "highly competitive social market economy" complying with the objectives set out by the Treaty⁷.

Meeting this challenge requires a holistic approach, so as to buttress sector-based and horizontal policies that bring together initiatives from different policy areas in a balanced package reconciling economic, environmental, social and political concerns, as suggested by Mario Monti's report. The European Parliament endorsed this holistic approach in its Resolution on 'Delivering a Single Market for Consumers and Citizens'⁸ and underlined that such approach should be citizens-oriented and give special attention to the effective implementation of single market rules.

In line with these orientations, the Commission hereby proposes to the Council and the European Parliament a set of priority measures collated into a "Single Market Act". Its objective is to advance the structural reforms needed for the single market to deliver a highly competitive social market economy with sustainable economic growth. To this end, the Single Market Act suggests [51] key actions to be completed by 2012, designed to further develop the single market (1) with its businesses, (2) for its citizens and (3) in partnership with all stakeholders. On top of these proposed key actions, the Commission also singled out [135]

⁶ Commission Staff Working Document: Identifying "missing links" and bottlenecks in the single market; COM XXX

⁷ Article 3 of the Treaty on the European Union

⁸ European Parliament Resolution "Delivering a single market to consumers and citizens"; Resolution n° T7-186/2010, dated 20 May 2010

additional actions to be undertaken to address the missing links. These actions are set out in annex to this document.

The Commission calls on the co-legislators and the Member States to step up the adoption and implementation of priority actions. It proposes a new single market governance system, bringing together all actors around the project, while placing it within the overall governance of the economic Union.

2. BUSINESS IN THE SINGLE MARKET

There are 21million businesses in the EU, providing 175 million jobs and serving the EU's 500 million consumers with goods and services, and many more worldwide.

For businesses to thrive in the single market, they require a growth-friendly business environment, functioning goods and services markets, access to finance, modern infrastructures and network industries, and fair access to global markets. Given their central importance, it is these issues which the Single Market Act seeks to address with a series of concrete policy actions using the single market as a lever to enable businesses, in particular SMEs, to grow.

Enhancing the business environment and the regulatory framework

The single market is a major factor determining the competitiveness of EU business. It must deliver a business environment that makes it easy for companies to develop and trade their products and services freely across Member States. This is why more efforts need to be undertaken to further reduce the administrative burden for businesses operating in the single market on top of the 25% already achieved. Europe's 20 million SMEs suffer particularly under high administrative burden, given their often limited resources. With SMEs offering the largest potential for future job creation, their role in the single market deserves particular attention and targeted initiatives need to be taken to address SME concerns.

Furthermore, a number of concrete bottlenecks and obstacles need to be overcome to allow businesses to use the single market as a lever for their development.

In the field of industrial property rights, the absence of a single EU-wide patent and a unified patent court is a striking example of missing links. Obtaining a patent protection for all 27 EU Member States is currently at least 15 times more expensive than obtaining patent protection in the US.⁹ Access to patent protection for inventions in the EU is seriously hampered by current complexity of the patent systems and the high costs involved. The result is fragmented and inefficient patent protection as businesses opt for patents only in few selected Member States. Further efforts are also needed to modernise the existing trade mark system, to strengthen its effectiveness, efficiency and consistency and thus improve the quality of trade mark protection. A further bottleneck is the lack of EU wide protection against acts which lie at the boundary between IPR and unfair competition such as parasitic copying or the violation of trade secrets.

The lack of e-authentication and e-identification services in all Member States and the absence of their mutual recognition are among the missing links that complicate the access of businesses to other Member State markets (e.g. when seeking to participate in public

⁹ Economic cost-benefit analysis of the Community patent", by Prof. Bruno van Pottelsberghe (2009).

procurement tenders). This makes it impossible for businesses to reap all potential single market advantages for their benefit.

At the same time, tax obstacles can make it difficult for businesses to operate efficiently in the single market. The co-existence of 27 disparate tax systems can significantly impede cross-border commercial activity, as it creates market distortions and is administratively very complex to manage. This creates negative consequences especially for SMEs. Where insufficient coordination of national sovereign tax systems creates significant internal market barriers, these should be addressed through better coordination of national tax policies.

Key Actions:

- The Commission will adopt a [if already adopted by 6/10: The Commission, the European Parliament, Council and Member States shall ensure the implementation of the] Communication by end 2010 on **smart regulation**, including **simplification** of existing legislation, improved impact assessment, better implementation and a more systematic approach to evaluating the extent to which legislation and policies have reached their objectives. (*José Manuel Barroso; Industrial Policy flagship*)
- The European Parliament and the Council should adopt the proposals for the **EU patent**, its linguistic regime and a unified patent litigation system. The objective is that the first application for an EU patent should be introduced in 2014. (*Michel Barnier; Innovation Union flagship*)
- The Commission will propose to modernise the European **trade mark** system by reviewing the Regulation on the Community trade mark in 2011 and the Directive approximating the laws of Member States relating to trade marks in 2012. (*Michel Barnier; Innovation Union flagship*)
- The Commission will take steps to improve the **coordination of national tax policies**, notably by proposing a Directive introducing the common consolidated corporate tax base (CCCTB) in 2011. (*Algirdas Semeta*)
- The Commission will publish a new **VAT** strategy in 2011 on the basis of a Green Paper looking at a fundamental review of the VAT system planned for 2010 (*Algirdas Semeta*)
- The Commission will propose a revision of existing legislation to introduce the Europe-wide **interconnection of business registers**, in 2011. (*Michel Barnier*)
- The Commission will propose by 2012 a Decision to ensure mutual recognition of **e-identification and e-authentication** across the EU based on online authentication services to be offered in all Member States. (*Neelie Kroes; Digital Agenda flagship*)
- The Commission shall review the **Small Business Act** by the end of 2010 in order to ensure, amongst others, the implementation of the “Think Small First” principle in policy and law-making and to link the SBA closely to the Europe 2020 strategy. (*Antonio Tajani; Industrial Policy flagship*)
- The Commission will propose a revision of the **Accounting Directives** in 2011 to simplify financial reporting obligations and to reduce administrative burden, especially for SMEs. (*Michel Barnier*)

A single market for goods and services open to businesses

The free movement of goods and services are among the fundamental freedoms enshrined in the EU Treaty on which the single market is based. The free movement of goods is one of the early success stories of the single market. Boosted by the abolition of single market borders in 1993, it has made possible an enormous product choice for consumers across the EU. To maintain this choice, EU policies seek to ensure that no barriers inhibit the free movement of goods. At the same time, they seek to guarantee that goods circulating in the single market are safe to consume. The latter requires the close cooperation by Member States in surveying product markets and the fight against piracy and counterfeiting.

While the free movement of goods has been a reality for some time, the free movement of services was significantly enhanced with the entry into force of the Services Directive in 2006. The Services Directive is expected to deliver substantial benefits both for companies providing services cross-border or seeking to establish themselves in a different Member State than their own, and for consumers looking to benefit from a greater choice of services. A recent study concluded that EU-wide economic gains of the Services Directive could range between €60-140 billion, representing a growth in EU GDP of 0.6-1.5%. A precondition for such benefits to materialise, however, is the ambitious implementation of the Services Directive, which is currently subject to a mutual evaluation by Member States, supported by the Commission.

The introduction of product standards at European level has been a key tool that ensures the free movement of goods in the single market. According to studies published by standardisation organisations, the economic benefit of standardisation amounts to approximately 1% of EU GDP¹⁰. In the services area, most standards are so far adopted at national level. A clearer framework for services standardisation may be required to ensure a consistent approach across the single market. It could be introduced as part of the planned reform of European standardisation policy that will aim at making standard-setting processes more effective, efficient and inclusive.

Key Actions:

- The Commission will set up a multi-annual EU programme in 2011 for the development of **EU market surveillance** and the coordination of national market surveillance to ensure that goods circulating freely within the single market are safe and reliable for consumers. *(Antonio Tajani)*
- The Commission will propose an Action Plan against **counterfeiting and piracy** in 2010, consisting of both legislative and non-legislative actions. *(Michel Barnier)*
- The Commission and the Member States shall cooperate to develop further the internal market for services on the basis of the process of "**mutual evaluation**" foreseen in the Services Directive and currently being undertaken by Member States together with the Commission. The Commission will indicate by the end of 2010 which issues merit further consideration. Concrete measures are to be proposed by the Commission by 2012. *(Michel Barnier)*

¹⁰ "Position Paper: Review of the European Standardisation System"; European Committee for Standardisation and European Committee for Electrotechnical Standardisation; June 2010

- The Commission will propose a legislative reform of the **standardisation** framework in 2011 to make standard-setting procedures more effective, efficient and inclusive and to extend the scope of the procedures from goods to services. (*Antonio Tajani & Michel Barnier; Industrial Policy flagship*)
- The Commission will adopt a Communication on **Ecological Footprint of Products** in 2012, which will set a common European methodology for assessment of carbon emissions associated with consumer products. (*Janez Potocnik; Resource efficient Europe flagship*)
- The Commission will propose a **"Social Business Initiative"** in 2011, which should contribute to the development of socially responsible businesses in the single market by using various levers: public procurement, improved access to finance, social ranking and communication tools. It would also announce further work in the area of foundations. (*Michel Barnier; Industrial Policy flagship*)

A single market contributing to financing growth

While the European Union has taken urgent measures since the crisis began over two years ago to restore the functioning and the stability of financial markets, further action needs to be taken to ensure that a stable financial system is at the service of the real economy and supports sustainable economic growth. For this reason, the European Commission in June 2010 adopted a Communication setting out a work plan with the next steps in financial services reform. It sets out 30 actions which the Commission will take in the next six to nine months to deliver stable and integrated financial markets by implementing the principles of market transparency, more effective supervision and enforcement, strengthening financial stability, responsibility and consumer protection, and efficient crisis prevention and management.¹¹

At the same time, additional ways must be sought to channel savings to businesses seeking to grow their business. Lack of access to finance is one of the most important reasons regularly cited by businesses as their key challenge to grow and to create new jobs.¹² Improving access to finance is particularly needed in order to help SMEs to exit the recession and achieve smart growth. Venture capital can play an important role in improving the access to finance in particular for small, innovative and rapidly growing businesses. Yet, despite the above-average contribution of venture capital backed businesses to employment growth, the small size and fragmentation of venture capital markets in Europe limits their impact.¹³

With 17% of EU GDP subject to public tendering, public procurement too may contribute to the financing of economic growth.

¹¹ European Commission: "Financial Services Reform: Delivering the Next Crucial Steps in 2010-2011"; COM (2010) 301; 2 June 2010

¹² For example: Flash Eurobarometer No. 271: 'Access to Finance', carried out by The Gallup Organisation on behalf of the European Commission and the European Central Bank, September 2009

¹³ "Reshaping the UK economy: The role of public investment in financing growth"; Yannis Pierrakis and Stian Westlake; NESTA Research Report; June 2009: In 2001/2 to 2006/7, firms backed by venture capital increased their worldwide employment by 8% per year, compared to a 3% employment growth-rate reported by most mid-sized companies

Key Actions:

- The Commission will ensure by 2012 that **venture capital funds** established in any Member State can operate and invest freely across the European Union, including without unfavourable tax treatment (through additional legislative regime, if required). (*Michel Barnier, Antonio Tajani & Algirdas Semeta; Industrial Policy flagship; Innovation Union flagship*)
- The Commission will examine the conditions for the development of **an efficient regional stock exchanges network** or specific regulated markets focussing on SMEs by 2012. (*Michel Barnier*)
- The Commission will explore measures which could encourage longer term **citizens savings and private investments**, including in infrastructures and innovative projects. (*Olli Rehn and Michel Barnier*)
- Based upon the ongoing evaluation of EU **public procurement** legislation, the Commission will adopt policy proposals, including legislative proposals, in 2012 to facilitate the most effective use of public funds through the efficient procurement of works, products and services (including innovative and green works, products and services and joint procurement by authorities in different Member States). (*Michel Barnier; Industrial Policy flagship; Innovation Union flagship*)
- [The Commission will adopt in 2011 a legislative initiative on **services concessions** to improve market access for EU undertakings by ensuring transparency, non-discrimination and a level playing field between economic operators. This should also promote public private partnerships. (*Michel Barnier*)]

Infrastructures and network industries supporting the single market

The practical functioning of the single market depends on modern infrastructures and competitive network industries being in place for energy, for transport and for telecommunication services. Improving territorial cohesion remains a prerequisite for the success of the single market.

Two main challenges remain: firstly, the absence of sufficiently modern infrastructure networks interconnecting Member States. Secondly, significant inefficiencies due to insufficient market opening of network industries to cross-border competition. These challenges persist in many energy and transport markets (particularly road and rail), despite considerable policy initiatives in these areas, most recently with the adoption of the third energy package.

In the telecoms sector, Europe's wireless telecom markets are partitioned on a Member State basis. This leads to significant inefficiencies in the use of spectrum and hampers the development of a genuine Single market for wireless services.

Key Actions:

- The Commission will adopt a White Paper on **Transport Policy** by the end of 2010 with concrete actions to further develop an efficient internal market in road, air, rail and waterborne transport. (*Siim Kallas*)

- The Commission will adopt in 2011 a comprehensive **transport infrastructure funding** strategy with the aim to attract more public and in particular private funding, including from long-term investors such as pension funds. *(Siim Kallas)*
- The Commission will adopt an **energy infrastructure** package by the end of 2010 to support the development of an internal energy market by addressing missing infrastructure links and to facilitate the integration of renewable energy. *(Günther Oettinger)*
- The Commission will adopt harmonised **European energy network access** rules by 2011. *(Günther Oettinger)*
- The Council and the Parliament should adopt the proposed Decision establishing a European **Radio Spectrum** Policy Programme for more efficient management and use of radio spectrum. *(Neelie Kroes; Digital Agenda)*
- The Commission will present in the Fifth **Cohesion** Report to be adopted in 2010 proposals to upgrade single market infrastructures, including proposals to reinforce the role of public-private partnerships in cohesion policy. *(Johannes Hahn)*

A single market at the service of EU competitiveness in a global context

Many European businesses operate in global markets, successfully trading their products and services worldwide. They benefit considerably from a high degree of trade openness and integration, as shown by the fact that the EU is the largest exporter of goods and services in the world and one of the largest recipients of foreign direct investment. Economic evidence shows clearly that EU remarkable trade and investment openness has been contributing significantly to economic growth and jobs in Europe.

At the same time, European businesses still forego significant trade opportunities as some third country markets remain inaccessible due to trade barriers. These are often regulatory barriers preventing EU businesses from selling their products e.g. due to lack of access to public procurement tenders - the most recent example of this being the rising number of "Buy National" laws - or due to obligations to reveal sensitive product information. Insufficiently developed global product standards constitute another significant trade barrier: if products need to be adjusted to suit different national standards, they become more expensive and may no longer be competitive. The fact that the EU is often not properly represented in international bodies also implies that the EU is not sufficiently able to push for policies and standards at international level which reflect EU interests, to the detriment of EU businesses. The more coherence there is between single market policies and global markets in approaches, norms and values, the better it is for growth, stability and competitiveness in Europe and beyond.

This is why the interaction between single market policies and global markets needs to be further strengthened, with a two-fold objective: being a key and innovative regulatory player worldwide, striving for best regulation and the wider adoption of international standards, and at the same time taking into account international regulatory developments and best practices when shaping and adopting new EU legislation. In this respect, international regulatory cooperation is a must and should be further developed, in parallel with pursuing negotiations for international trade agreements. All external policy instruments should be complementary and mutually supportive, in line with the EU 2020 strategy which calls for an integrated approach to the external dimension of the Single Market.

Key Actions:

- The Commission will pursue negotiations for **international trade agreements** (both multilateral and bilateral) with a focus on both market access and regulatory issues, including on public procurement, IPR and subsidies. *(Karel de Gucht & Michel Barnier)*
- The Commission will develop further its **regulatory cooperation** with main trading partners (at bilateral level – regulatory dialogues - and multilateral level – e.g.: G20 process), with the two-fold objective of promoting regulatory convergence, including promoting equivalence of third country regimes wherever possible, and pushing for wider adoption of international standards. *(Antonio Tajani, Karel de Gucht & Michel Barnier)*
- The Commission will strengthen its external strategy in the area of **public procurement** in order to open up further procurement markets worldwide and fight against discriminatory practices, including by adopting a legislative proposal regarding the EU's international market access commitments in the public procurement area in 2011. *(Karel de Gucht & Michel Barnier)*

3. A SINGLE MARKET FOR EUROPEANS

Europe's 500 million citizens together make up the single market. Economic integration and market efficiency are not goals in themselves. Rather, they serve our citizens and give them new opportunities and generate prosperity. Europeans participate in the single market as citizens, consumers, students, workers, patients or pensioners. The single market must serve them in these multiple roles.

To that end the single market must empower all participants in society to be single market beneficiaries and protect them where necessary: 'Citizens Europe' cannot be left lagging behind.

The Single market Act deals with citizens' role in the economy. The non economic dimension of single market rights will be dealt with by the Commission Communication [title of Commissioner Reding's Communication].

A single market that delivers for all citizens

In order to fully profit from the single market opportunities, citizens need to be able to freely move, settle and access goods and services across the European Union. Many still find it difficult, or in the case of the digital economy even impossible.

Some of the obstacles are due to diverging national rules relating to their civil status. Others are caused by taxation issues, citizens still not being able to avail of cross-border health (including e-health) services, or access qualitative and affordable services of general interest throughout the EU territory. One of important issues in this context is allowing all citizens to have access to basic banking services, which have become a precondition to rent a property or find a job.

Furthermore, following the entry into force of the Lisbon Treaty, the Commission confirms that the single market fully respects services of general economic interest (SGEI): legal and economic certainty should be ensured to allow for the sustainability of these services in

particular at local level, and for responsible authorities to respond best to the needs of users whilst acting in the single market.

Key Actions:

- The Commission will adopt by 2012 a Communication on a **quality framework for services of general interest** building on Protocol n°26 to the Lisbon Treaty and the revised Article 14 TFUE to create the necessary conditions for all services of general interest in the EU to be able to fulfil their mission as set out by the competent national, regional or local authorities. *(José Manuel Barroso)*
- The Commission will adopt a legislative initiative on access to **basic banking services** by end 2010. *(Michel Barnier)*
- The Commission will adopt a Communication "Citizens First" by the end of 2010 aimed at identifying and eliminating remaining **tax obstacles** for individuals. *(Algirdas Semeta)*
- The European Parliament and the Council should adopt without delay the Directive on the application of **patients' rights** in cross border healthcare. The Commission is committed on the basis of this Directive once adopted to take implementing measures related to patient safety, quality of healthcare, and e-health. *(John Dalli; Digital Agenda flagship)*

Making sure that consumers fully benefit from the single market

Most of the time, Europeans benefit from the single market opportunities or face its challenges as consumers. The single market has already brought them tremendous advantages, in terms of choice of goods, and products' higher safety and lower prices. Still, some distrust prevails, in particular following the recent economic difficulties. This lack of consumer confidence is often linked to the discrepancy between the single market rules and rights that consumers expect, and the cross-border obstacles that they continue to encounter in practice.

Growth depends on a high level of consumer empowerment and participation in the market. The lack of rights and appropriate safeguards, but also the lack of effective means of redress put a break on reinvigorating consumer confidence. More work is needed to allow consumers to enforce – both through judicial and non-judicial means - their substantive rights under EU rules. One of the areas where consumer confidence is still rather weak is the digital single market, often caused by divergent consumer contract rules, difficulties to access online music or audiovisual content or make electronic purchases in other Member States. It needs to be addressed to fully benefit from the growth potential and the wide offer of goods and services that the digital market has to offer. According to economic studies, a fully operational digital single market could produce up to 30,000 new jobs per year¹⁴.

The market for retail financial services is another area, of which consumers are not yet able to take full advantage. In many cases they are cautious about changing providers or lack sufficient information to compare the available offers, and these difficulties tend to increase when searching across borders. Alongside the ongoing financial sector structural reforms, changes need to continue to increase consumer confidence in the retail financial markets.

¹⁴ The economic impact of a European Digital Single Market, Copenhagen Economics, March 2010

Key Actions:

- The Commission will adopt guidelines for Member States on the application of Article 20 of the Services Directive by end 2011 to combat unjustified **discrimination against consumers** in the digital economy based on their **nationality** or place of **residence**. *(Michel Barnier; Digital Agenda flagship)*
- The Commission will adopt a legislative proposal on a Common Frame of Reference for EU **contract law** in 2011. *(Viviane Reding; Digital Agenda flagship)*
- The Commission will propose a framework Directive on **collective rights management** by end 2010 to open up access to content on line, and which will enhance governance, transparency and pan European licensing for (online) rights management. *(Michel Barnier; Digital Agenda flagship)*
- The Commission will submit by 2011 initiatives on **consumer alternative dispute resolution (ADR)** to improve the use of ADR in the EU, including establishing online dispute resolution, following a 2011 Green Paper. The Commission will explore proposals in the field of **collective redress**, based on 2010 stakeholder consultation. *(John Dalli; Digital Agenda flagship)*
- The Commission will propose a Directive on **responsible lending and borrowing** to improve customer choice and mobility within the retail financial services markets by proposing borrowing by the end of 2010. *(Michel Barnier)*
- The Commission will propose a non legislative initiative to improve **transparency of bank fees** by the end of 2011. *(Michel Barnier, John Dalli)*

Balancing single market principles with the aspirations of European workers

Europeans should be able to make full use of their freedom of movement during their working life in order to seek employment in the European labour market. Still, a number of legal and administrative bottlenecks prevent them from benefiting from the available opportunities. For instance, regardless a comprehensive modernisation of the way professional qualifications are recognised within the EU in 2005, mobile citizens still undergo burdensome and sometimes lengthy procedures before they are able to work as professionals in another Member State.

European workers should also be able to claim their pension rights once they retire. More work is still needed in this area, given the pressure of demographic ageing and given the impact of the recent financial and economic crisis on public budgets and financial stability. The July 2010 Green Paper has launched a new discussion on the key challenges, which need to be addressed to ensure that Europeans can receive adequate, sustainable and safe pensions.

In addition, complex national administrative procedures in place and double taxation difficulties in some cases still lead to considerable complications when workers are posted to work abroad. Balancing the single market freedoms with social expectations is of key importance for the success and acceptance of the single market. In this context, it is necessary to enhance the interpretation and implementation of the Posting of Workers Directive, to ensure that the benefits of the single market can be reaped while respecting social rights of European workers.

Key Actions:

- The Commission will adopt a legislative proposal to reform the systems of **recognition of professional qualifications** in 2012, based on evaluation of existing rules to be completed in 2011, in order to facilitate the mobility of workers and to adapt education and skills to the needs of today's employment market. (*Michel Barnier*)
- The Commission will review the Directive on the activities and supervision of institutions for occupational retirement provision (pension funds) Directive in 2011, and develop other policy proposals on the basis of the July 2010 Green Paper on **Pensions**, amongst other in order to alleviate the obstacles faced by mobile workers when they retire. (*Laszlo Andor, Olli Rehn and Michel Barnier*)
- The Commission will adopt a legislative proposal in 2011 to enhance implementation of the **Posting of Workers** Directive [supplemented by measures to ensure the exercise of the right to strike in the context of economic freedoms in the single market]. (*Laszlo Andor*)

4. A SINGLE MARKET IN PARTNERSHIP

In parallel to addressing the shortcomings and challenges in the single market framework itself, considerable efforts have been made in recent years to improve the way the single market is governed. However, a substantial gap still persists between the single market rules and the benefits that citizens and businesses can draw from them in practice. This is unacceptable. The insufficient implementation of single market rules means that citizens and businesses are prevented from enjoying their single market rights. Furthermore, consumers, workers or small companies are still insufficiently informed about how to make use of the available opportunities or where to turn to in case of problems. According to Commission studies, only 20% of citizens know about their European rights in general, and a third would not know where to seek assistance in case a problem concerning their rights arose¹⁵.

This shows that the way the single market is governed needs renewed attention and an even stronger focus. As Mario Monti underlined in his report¹⁶, it is essential to take enforcement seriously and to work better in partnership. The national and regional authorities have a major role to play in this context as they have the responsibility to enforce the rules. Increased efforts are needed to strengthen the commitment by all stakeholders to the single market and to correct implementation of its rules, to ensure a yet clearer and more accessible information and problem-solving, and to further improve the analysis of the concrete problems that still need to be tackled.

Strengthening enforcement and political commitment

Considerable efforts have been made, and are ongoing, to reinforce the partnership between the Commission and Member States in managing the single market, including through

¹⁵ 'European Union Citizenship Analytical report,' The Gallup Organisation /European Commission (2008): http://ec.europa.eu/public_opinion/flash/fl_213_en.pdf; 2006 Eurobarometer, http://ec.europa.eu/internal_market/strategy/index_en.htm#061204.

¹⁶ Chapter 4, "Regulating the Single Market, 'ma non troppo'"

implementation of the 2009 “Partnerships Recommendation”¹⁷. The very same commitment must be applied also to competition rules to uphold the level playing field within the single market.

The continued efforts to improve the implementation of single market rules have born fruit, as demonstrated, for instance, by a low average transposition deficit in the latest Internal Market Scoreboard¹⁸. However, there are still gaps, including the fact that national legislation is not always in line with directives which it transposes. Challenges also remain due to the lengthy formal infringement procedures of the Commission and considerable delays in national authorities' compliance with the Court judgments. A renewed effort on implementation and enforcement is required; what is more, it is essential as the practical working of the single market depends on it.

Key Actions:

- The Commission will set up a single market surveillance function within its existing structures, to monitor timely and correct **transposition** of all EU single market legislation into national law. It will ensure that conformity checks of national transposition measures are carried out on key single market Directives in by 2012. [The Commission will set new ambitious transposition targets]. (*Michel Barnier*)
- The Commission in partnership with the Member States will develop a more determined **enforcement policy** (i.e., set new concrete benchmarks for the duration of formal infringement procedures and for Member States to comply with the Court rulings). (*Michel Barnier*)
- The Commission in partnership with the European Parliament and the Member States will regularly review the state of the single market, and will establish a clear commitment to transposition, application and enforcement of single market legislation, by organising with the European Parliament on an annual basis a **Single Market Forum**, engaging the other institutions, representatives of Member States including at regional and local level, national parliaments, citizens and stakeholders. The first forum should be held in 2011. (*Michel Barnier*)
- Propose measures to improve uniform application of **competition rules**/exit of temporary crisis measures to ensure level playing field. (*Joaquin Almunia*) [input from COMP needed here]

Facilitating the use of single market rights in practice

In order to truly benefit from the single market, citizens, consumers and businesses need to be aware of their rights and know where to turn if these rights are being breached. Yet, a majority of Europeans do not feel sufficiently informed about their rights and opportunities, and often find the relevant information difficult to access. Efforts have been undertaken, in particular through creation of a number of dedicated EU information, advice and assistance services, and national level websites. Still, communicating and informing citizens about the

¹⁷ European Commission Recommendation on 'Measures to improve the functioning of the single market' (2009/524/EC), 29 June 2009.

¹⁸ Reference to the September IMS – not published yet

single market remains one of the fundamental challenges and calls for consolidation of this information.

In parallel, to facilitate enforcement the Commission in cooperation with national authorities put in place a number of out-of-court systems (e.g. SOLVIT or European Consumer Centres), which provide quick solutions to problems that citizens, consumers or businesses encounter in their cross-border activities. Substantial work is also under way as regards tools specifically aimed at consumers. All such systems often provide cheaper and faster alternatives to judicial or administrative procedures. They need to be further strengthened and citizens' awareness about the available tools needs to be improved. Efforts are also needed in the future to address the multiplicity of these systems and ensure that between them they can provide informal solutions to the problems that citizens, consumers and businesses face.

One of the recurrent problems that Europeans face is linked to national officials not having adequate knowledge or not having good enough contact with counterparts in other countries, when dealing with cross-border issues. This will remain a hindrance until the capacity of national administrations to apply single market rules is improved, and in particular, until the currently available networks for administrative cooperation (including e.g. the Internal Market Information system) can be comprehensively built up and expanded.

Key Actions:

- The Commission shall further develop and promote **"Your Europe" internet information portal** in 2010 providing a one stop shop with information and access to help on single market rights. *(Michel Barnier)*
- In the short to medium term, the Commission in partnership with Member States will strengthen the informal problem-solving tools, e.g.: consolidate and reinforce the **SOLVIT** network. On the basis of an evaluation carried out in 2010, it will issue concrete proposals in 2011. In the longer term, it will examine the possibility of further expanding these and alternative dispute resolution tools, but also drawing closer links between them, to ensure that over time they can deal with all single market related problems. *(Michel Barnier, John Dalli)*
- The Commission will present a strategy paper by the end of 2010 on how to further expand **the Internal Market Information (IMI)** system to other legislative areas in 2011 and beyond. It will consider a proposal for a legislative instrument. *(Michel Barnier)*

Developing deeper understanding of how the single market works

In order to better govern the single market with the interests of citizens, consumers and businesses in mind, more detailed knowledge about the exact problems they encounter in cross-border situations is necessary. Some good insights are already available from the existing assistance and problem-solving systems and these will be analysed. A further step needs to be made, to bring all the relevant tools into one comprehensive approach, to allow for a more regular collection of feedback and a better identification of citizens' and businesses' single market concerns.

A similarly comprehensive approach is also called for in the way, in which the functioning of the markets is analysed. Market and sector monitoring have substantially developed, with a

number of in-depth monitoring reports in sectors, which showed signs of possible market malfunctioning, already completed¹⁹. Substantial work is also in progress, through the Consumer Markets Scoreboard²⁰, to better understand in which areas the single market malfunctions for consumers in particular. More linkages should be considered between the different available strands of evidence gathering, including sector enquiries. The findings – both as regards concerns of citizens, consumers and businesses, and functioning of the markets – need to better feed into single market policy-making. Improvements in this context would make for better informed and higher quality proposals, and would be able to more precisely target the concrete problems that still stand in the way of Europeans drawing full benefits from the single market.

Key Actions:

- The Commission shall present in 2011 a list of "top 20" single-market-related sources of dissatisfaction and frustration, which citizens encounter in their daily lives, and propose actions to be taken. (*Michel Barnier*)
- The Commission will develop by 2012 a comprehensive and coherent framework for **gathering evidence** about malfunctioning of the single market, including through market monitoring, the Consumer Market Scoreboard and sector-specific enquiries. (*Michel Barnier; Olli Rehn; John Dalli; Antonio Tajani; Joaquin Almunia*)

5. FOLLOW-UP

Allowing citizens and businesses to reap the full potential which the single market offers depends on the rapid and ambitious implementation of the Single Market Act and its key actions. It will require the active support of all European institutions, consultative bodies, Member States and stakeholders.

The Commission therefore:

- invites the European Council, the European Parliament, the Council and the European Economic and Social Committee and the Committee of the Regions to give their full support to the Single Market Act;
- invites the European Parliament and the Council to give the highest priority in the legislative process to the key actions contained in the Single Market Act by agreeing to adopt speedily all related legislative proposals in first reading;
- will ensure delivery and coordination of its tasks, notably through the Commissioners' Group on the Internal Market;
- will engage in regular dialogue with the European Parliament and invites Parliament to ensure the quick delivery of the key actions in the Single Market Act; [The Commission highlights the key role which Parliament's Internal Market and Consumer Protection Committee can play in this context.]

¹⁹ Monitoring reports have been published on the following sectors, among others: retail services, food supply chain, pharmaceuticals sector, electrical engineering.

²⁰ European Commission Communication on 'Monitoring consumer outcomes in the Single Market: the Consumer Markets Scoreboard; COM (2009) 25, 28 January 2009

- invites the Council to ensure the consistent and comprehensive follow-up of the Single Market Act [and recommends entrusting the Competitiveness Council with coordination the follow-up of its key actions];
- will work with Member States to facilitate the rapid implementation of the Single Market Act and its key actions;
 [Option 1: To this end, it will work particularly closely with the Competitiveness Council and the Internal Market Advisory Committee (IMAC)]
 [Option 2: To this end, it will work particularly closely with the Competitiveness Council. It also suggests the establishment of a permanent Committee preparing discussions at the Competitiveness Council.]
- invites all interested parties, including Members of the European Parliament and of national parliaments, representatives of national, regional and local authorities as well as all stakeholders to an annual Internal Market Forum to take stock of progress achieved and to focus on priorities ahead;
- invites stakeholders to engage actively in the implementation of the Single Market Act, including through participation in public consultations on its key actions;
- will report annually to the European Parliament, the Council [and the European Council] on progress achieved in implementing the Single Market Act and its key actions. [It will also review progress in removing bottlenecks in the single market as part of its Annual Growth Survey under the Europe 2020 Strategy.]

Annex: Table setting out all actions to provide responses to all the bottlenecks identified (including the key ones listed above)

Accompanying document: Staff Working Document, identifying single market bottlenecks