



EUROPEAN COMMISSION

Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs

Brussels,
GROW/A.1/SP/mdc

**MINUTES OF THE JOINT INTERNAL MARKET ADVISORY COMMITTEE
(IMAC)
AND ENTERPRISE POLICY GROUP DIRECTORS GENERAL (EPG)
MEETING 14 APRIL 2015**

1. PRIORITIES OF THE NEW COMMISSION

MR TOMASZ HUSAK welcomed the IMAC and EPG members and stated that in the first 6 months the Commission had turned ambition into actions. Mr Husak set out action had already been taken on the Investment and the Energy Union Package, the Digital Single Market Package was coming in May and the Internal Market Package in the 4th quarter. The importance of business and industry matters was the main issue the Commissioner, the Cabinet and new DG GROW was pushing. This meant recognising the importance of industry and business in supporting jobs and growth. Meetings such as the IMAC/EPG helped build a common agenda.

He set out action was needed to safeguard and streamline industry. The project teams of Commissioners had been set up precisely to help understand the impact of different policies across the Commission. Before summer the intention was that Commissioner Bieńkowska would bring to Member States Ministers' for business and industry a comprehensive overview of the measures the Commission would take to foster industrial competitiveness in the coming years.

On the Internal Market Package, enforcement was fundamental for example on services and procurement. However, ensuring an economic background to enforcement was also key. Mr Husak set out the Commission would, where needed, go through infringement procedures and would be consistent and focused. The strategy would also look to integrate goods and services markets, removing remaining barriers to cross border trade, focus on sectors with the highest economic potential and look at public procurement and better regulation.

On SMEs, it was clear supporting them was fundamental for EU growth. The promotion of using existing tools such as the Small Business Act, Europe Enterprise Network or COSME would be undertaken. In May there would be a new package on better regulation and SMEs would profit from this.

On the Digital Single Market this was coming on the 6th May and there was an in depth discussion on 25th March at the College. There was a real focus to tackle issues such as

geo-blocking, as well as to facilitate cross border activity and give business better certainty.

Finally, Mr Husak highlighted that DG GROW was taking an important interest in parts of the Energy Union package and understood how important issues such as, energy efficiency or ETS reforms were for industry. Turning to TTIP, this was a unique opportunity for both the EU and US. A balanced agreement could lead to considerable gains on both sides. Concluding Mr Husak set out the new Commission did not lack the political will to tackle difficult issues.

Discussion with EPG and IMAC Members

A large number of MS commented that they were pleased with the focus of the **Commission's Work Programme** and a reduced number of clear priorities. Others also mentioned the positive action to work more closely between the Parliament, Council and Commission.

In response to a question about the Competitiveness Council Mr Husak set out the Commissioner was having detailed dialogue with new Presidencies, with the aim of developing the discussions had at Competitiveness Council to make them focused on real issues an action.

A number of MS raised the importance of **industrialisation** and the need for the Commission to take action in this area. Responding Mr Husak set out only the day before the Commissioner had been at Hannover Messe discussing industry 4.0. He highlighted that integrating digital and industry issues was fundamental and the Commission would take action to support this.

A number of Member States raised the issues that wider policy such as **Energy Union** or **Capital Markets Union** were central to business competitiveness. In reply to this Mr Husak set out that DG GROW was working very closely on energy issues and that whilst the Commission was hugely supportive of environmental protection a balance approach was needed. Capital Union was also a very important area for example to help unlock financing for business and particularly SMEs.

Many MS also mentioned the issue of needing to develop the internal market. Mr Husak, highlighted this would be a key issues for the Commissioner.

2. DELIVERING AN EFFECTIVE INTERNAL MARKET FOR COMPETITIVENESS

THE CHAIR opened the session highlighting this would be a central issue for DG GROW and the Commission over the coming months. It was essential that MS set out their view on how they saw the development of the Internal Market Strategy.

MR PIERRE DELSAUX Deputy Director General, DG Growth, gave an overview of the work the Commission was doing in this area in developing the package for Q4 this year. He highlighted that over the last 20 year since the formation of the Single Market there had been consensus on its importance and the benefits it had brought. However, it was still not a complete reality. The new Internal Market Strategy gave a clear opportunity to focus on delivery and ensure a true single market that could be felt by business and industry on the ground. In addition with the onset of digital issues and the changing business environment the internal market needed to adapt to new situations. This was something the new package would aim to do.

Mr Delsaux set out the package would be adopted after the summer. Details were not available on what exactly the content would be as stakeholder engagement was still ongoing. However, a number of possible areas were discussed.

The strategy needed to be concrete, and a focus on enforcement was essential to make the system work. Areas with the most economic potential and the greatest burdens should be targeted. In developing the strategy better regulation principles and avoiding creating more barriers was also key.

It was highlighted that mutual recognition was currently not working as it should. It would be looked at again, and possibly applied in key areas for services. Standards and interoperability were also important issues, the single market needed to look at and embrace issues such as the sharing economy – there was a question on how best to address these new business models.

Finally there were also wider issues to consider – regulated professions, public procurement and what actions could be taken to support SMEs. The issue of information systems, what form of architecture they should take and how they could be streamlined was also important.

MR GERBERT KUNST Director at the Ministry of Economic Affairs in the Netherlands presented his administration's view on this issue. He highlighted there was a strong economic rationale to promoting a more integrated internal market especially in services. A new services directive would be too difficult to agree but a focus on specific areas where action could be taken which had the greatest economic impact would be important. A range of ideas were highlighted, such as improving implementation, full enforcement and improved functioning such as making notifications public. MS needed to take action and a reference to the front runners initiatives and four projects was made. Stakeholder participation was key, ensuring industry was involved. Mr Kunst asked that the Commission help to facilitate bottom up initiatives (such as front runner) whilst ensuring effective enforcement and supporting entrepreneurs through effective mechanisms such as Solvit, one-stop-shops, or developing Single Market Ambassadors.

On specific issues there was a need to move forward mutual recognition considering issues including, liability insurances, trade register numbers, VAT numbers bank accounts etc. And adopt a sectors approach in three crucial sectors to boost the single market, retail, construction and business services. This meant in retail looking at finding a balance between / public interests and business opportunities and addressing labelling and e-commerce. In construction, looking at a range of mutual recognition issues and in business services looking at legal form and shareholding requirements as well as national action plans to enable cross-border requirements in regulated professions.

MR MATTHIAS TSCHIRF the Director General at the Federal Ministry of Science, Research and Economy of Austria presented the administration's views on this issue.

The growing importance of services was highlighted. Services were contributing considerably to the value chain of manufactured products. In the product life cycle, services were becoming a key part and adding real value to products. It was no longer possible to think solely of manufacturing and the physical assembly of products in isolation. In addition the servitisation of manufacturing had meant a paradigm shift in providing results rather than just physical products. A central activity for all was to ensure an innovation friendly environment was created for SMEs and supporting the process of developing a modern industry.

As part of this the educational systems played an essential role. This was an area of focus for Austria. Here vocational training had been appropriately developed and vocational skills given greater transparency to foster mobility. A central issue was to ensure that skills needs were close to the needs of the market. This was important in tackling youth unemployment.

In addition to vocational issues smart regulation was also key, this meant both reducing burdens but also recognising that industry 4.0 required new regulatory approaches. In developing regulatory approaches it was important to have discussion and involve all stakeholders. A guiding principle was "Europe where necessary, national where possible." Building on this standardisation was an area where voluntary instruments and binding law may interlock in EU regulation to the benefit of economy. It was an area where focus was needed.

Discussion with EPG and IMAC Members

All MS highlighted the importance of improved **enforcement**. The zero-tolerance approach was supported and a large number of MS wanted to ensure the Commission would take action in this area. Many set out this issue was fundamental to developing the internal market and getting it to function properly. Some MS supported the idea of naming and shaming alongside softer methods to ensure issues associated with non-compliance were tackled swiftly. One MS highlighted the idea of Commission DGs publishing enforcement plans, whilst a number of other MS were awaiting the Single Market Score Board and Integration Report as important in this area. A number of MS also supported a reinforced approach on notifications.

A number of MS also, building on the Dutch presentation highlighted action in sectors as important. With those highlighted by the Dutch identified as key areas.

A large number of MS set out the importance of information systems for the **internal market** and that those currently in place were not always effective. These should be improved to ensure that companies could go cross border easily. A MS also highlighted action could be taken in this area to support minimum services standards in MS for example for Points of Single Contact or legislative requirements to support greater co-operation.

A MS highlighted a number of specific actions they hoped could be taken in the strategy including on legal form and shareholding restrictions as well as professional indemnity insurance and a review of national procurement processes.

A number of MS highlighted the importance of **market surveillance** and wanted a European Framework on geographic indication for industrial products.

A MS, building on the Austria's presentation, highlighted the importance of standards and set out this was a key area and that it was important to move quickly on standards especially in the digital space – and hoped to see an EU strategy around this topic.

A number of MS heighted that there should not be a rush to regulate new shared economy business models. There was also strong support for greater linking of the issues of industry and services and action to support its digitalisation.

Building on the comments in the Dutch presentation a MS supported the idea of Single Market Ambassadors.

3. ENSURING A SMART REGULATION ENVIRONMENT

THE CHAIR opened the session highlighting this was an area where the Commission had already taken much action. There was a new package on the topic due for publication shortly and this would continue to be a central theme for this Commission.

Ms. MARIANNE KLINGBEIL the Commissions Deputy Secretary General set out the Commissions view on the issue of smart regulation. The Commission under President Juncker had adopted a strong approach on the smart regulation agenda. The new streamlined Commission Work Programme, the REFIT actions and withdraws it included and the new Commission structure highlighted the new approach.

On impact assessments the focus was on developing the system. The Impact Assessment Board (IAB) was becoming the new Regulatory Scrutiny Board (RSB) which would have new functions looking also at ex-post evaluations as well as having some external membership. On stakeholder consultation the roadmaps were ensuring that there were early warnings on consultations planned and there was focus on strengthening the consultation process. A key issue here was how to ensure that consultations reached the right audiences, for example real businesses and SMEs. This was a key issues which the Commission needed to work with MS to try and address.

On the issues of evaluation on REFIT, the Commission was placing a stronger role on evaluation issues – looking at the evaluate first principle. There was a focus to try and understand burdens across broad areas and hence a focus on doing fitness checks in more cross cutting areas. On REFIT specifically this was now a key part of the Commission Work Programme. Ms Klingbeil highlighted that MS should highlight if there were issues where REFIT action was needed.

Concluding it was highlighted that the issue of better or smart regulation was a shared responsibility. It needed action from both MS and all institutions at EU level to be effective as well as input from wider stakeholders.

MR DANIEL TRNKA from the OECD presented their views on the smart regulation topic. He highlighted that in an era where the recourse of MS to fiscal and monetary policy was very limited, regulatory policy was a clear approach and way to support growth. He highlighted that whilst progress had been made across MS and at the EU level there were still issues. Gaps between what was set out in theory and actual better regulation in practise existed. Further use of specific regulatory policy tools such as impact assessments, consultation or specific red tape reduction, was needed and the strategic positioning of better regulation within organisations remained complex.

At the EU level he highlighted that much progress had been made so far for example in the areas of impact assessment, the setting up of the IAB and REFIT programme. However, there remained areas for further work. The smart regulation approach was not applied effectively across EU institutions and impact assessments not updated by the Council and Parliament to take account of amendments. The quality of Commission IAs remained variable and the REFIT programme whilst a good initiative was still new and the key, would be seeing real impacts from the process.

Discussion with EPG and IMAC Members

A number of MS highlighted the need to ensure the effective use of the competitiveness proofing tool kit, sighting that this had not been used consistently. In response Ms Klingbeil highlighted that this was a very important issues and something that was being focused on. A key part of this was understanding the impacts from countries and businesses and getting feedback to inform Commission views. MS needed to work with the Commission on this.

A number of MS set out the importance of **delegated acts**. The engagement of MS and stakeholders in consultation on these was very limited. SMEs needed to be aware of these issues which quickly could change regulatory frameworks. Responding Ms Klingbeil set out the Commission was looking at ideas in this area, within the treaty provisions. She hoped progress could be made on this this year.

On **REFIT**, many MS highlighted that REFIT was very good and an important programme. One set out there was not clear criteria on how particular areas were chosen. The MS suggested looking at the regulatory burdens on certain sectors. A MS also highlighted that REFIT could be used to check where the mutual recognition principle could be used to reduce compliance costs. Responding Ms Klingbeil set out that the key to this was to understand from MS and industry the areas of most burden. These were important to feed into the process. Some MS did regularly update the Commission on areas where businesses in their MS were experiencing the greatest burdens.

In addition it was highlighted that first attempts on cumulative cost assessments had been made. Mr Calleja highlighted these were very important to understanding the cumulative impacts regulation was having in certain areas.

In response to a number of MS who highlighted the importance for **SMEs accessing consultations** in their own language, Mr Calleja highlighted as the SME Envoy this would not be enough to get consultations reviewed by SMEs and especially micro businesses. These were small businesses and the Commission needed to think about how it worked with MS to get the best feedback from SMEs in countries.

A number of MS highlighted digital by default should be part of the assessment for new regulation. One MS specifically set out on existing legislation there was a need to focus on where the burdens were that really mattered most to companies and engage with what were the main challenges. Looking at a comply and explain principle.

A MS highlighted it was good that through the new FVP, Mr Timmermans, the Commission had someone strongly committed to this issue. They highlighted a joint letter from 11 MS to the FVP on better regulation issues had been sent which highlighted a range of key areas for action.

A number of MS highlighted the Commission should conduct the IA, and IA's should not be proliferated beyond the Commission. This could slow the regulatory process. A MS also asked if more rendezvous clauses in regulation could be included and that costs of implementation was considered in detail.

A MS highlighted the need to ensure an efficient optimised process between the institutions and also highlighting the better regulation should not mean de-regulation. A number of MS highlighted the importance of looking at self- regulation approaches.