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**COMMISSION STAFF WORKING DOCUMENT**

**Work plan for reporting on national reforms in services markets**

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## 1. INTRODUCTION

The European Council in its Conclusions of 25 October 2013 has called upon both the Council and the Commission, to provide **yearly progress reports on national reform of services**, including in individual sectors.<sup>1</sup> This document provides an overview on how the Commission services intend to work together with Member States on national reforms in services sectors and report on those in the framework of the Annual Single Market Integration Report.

The need to reap the full economic benefits in the services sector has also been underlined by the European Parliament in the Corazza-Bildt report on the Internal Market for Services<sup>2</sup> and again in the forth-coming Cofferati report.<sup>3</sup> Both reports recall the importance of services and the benefits that an ambitious implementation of the Services Directive may bring. They notably ask the Commission and the Council to include services in country-specific recommendations and encourage Member States to adopt and implement long-term growth policies.

Services account for 71% of GDP on average in all the Member States; service activities falling within the scope of the Services directive<sup>4</sup> cover 46 % of the EU GDP.<sup>5</sup> It is widely recognised that services generate employment and have a great growth potential.<sup>6</sup> An ambitious implementation of the Services Directive remains therefore a priority<sup>7</sup> and the invitation to Member States to act becomes even more important in light of the recent conclusions of the European Council. The call for national reforms has already been made in the Annual Growth Surveys for 2013 and 2014 - notably in the Annual Single Market Integration Reports – and a more detailed work plan would help to deliver on this.

## 2. OBJECTIVES

The work-plan has two main objectives:

- Continuing the work towards a more ambitious implementation of the Services Directive as set out in the June 2012 Communication on the Services Directive;<sup>8</sup> and

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<sup>1</sup> Second part of paragraph 19 of the European Council Conclusions of 25 October 2013 states that: "*The European Council invites the Commission and the Council to provide yearly progress reports on national reforms on services, including in individual sectors, and invites the Commission to make proposals by March 2014.*"

<sup>2</sup> Corazza Bildt report on the Internal Market for Services: State of Play and Next Steps (2012/2144(INI)

<sup>3</sup> Cofferati report on the Single Market Governance within the European Semester 2014 (ongoing)

<sup>4</sup> Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on Services in the Internal market, of 27.12.2006

<sup>5</sup> Source: Eurostat latest figures (2010 covering 27 MS)

<sup>6</sup> Annual Single Market Integration Report of November 2013, COM (2013) 785 final of 13.11.2013

<sup>7</sup> As indicated in the 2012 Commission Communication COM/2012/0261 (final) on the Implementation of the Services Directive "A partnership for new growth in services 2012-2015"

<sup>8</sup> Communication of 8 June 2012 COM (2012) 261 (final) on the implementation of the Services Directive "A partnership for new growth in services 2012 – 2015"

- Developing in partnership with Member States more in-depth knowledge on services markets and ongoing reforms.

The work plan presented in this staff working document is based on the close partnership between Member States and the Commission as already highlighted in the 2012 Commission Communication on the Implementation of the Services Directive. Under this work plan, Member States are therefore invited to provide more structured information about services sectors in their national reform plans to be presented to the European Commission in April 2014 and in April 2015 (according to the timetable under the European semester). In addition, the Commission will rely on specific input from Member States when considering important services sectors (business services and professional services, construction and retail sector).

Gathering more recent and better data will also allow the Commission services to update the assessment of the economic impact of the Services Directive after its implementation.<sup>9</sup> In addition, the Commission intends to continue working on the policy-priorities already identified in the 2012 Commission Communication on the Implementation of the Services Directive.

On the basis of this information, relevant findings will be integrated into the Annual Single Market Integration Report to be adopted by the Commission services in November 2014 and in November 2015. The findings should, if appropriate, also be used as a basis for possible Country Specific Recommendations. For these reasons, yearly progress reports by the Council and by the Commission should remain a joint exercise as was already done in the past. This would reinforce the close partnership between the Commission and the Member States.

### **3. THE SINGLE MARKET FOR SERVICES AND ITS IMPORTANCE TODAY**

Member States confirmed the importance of services at the High Level Group of the Competitiveness Council under the Greek Presidency on 31 January 2014. The majority underlined the need to focus on the ambitious implementation of the Services Directive and confirmed the need to prioritise, together with the Commission, the main work streams agreed at the European Council Conclusions of October 2013.<sup>10</sup>

#### **3.1 The Services directive: the core EU legislation for services**

The Commission, together with Member States, has already taken major steps to ensure the success of the implementation of the Services directive. This directive, approved in 2006, affects nearly half of the economic services activities. The progress achieved to date is based

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<sup>9</sup> The 2012 Commission Communication on the Implementation of the Services Directive was accompanied by an economic assessment showing the effects and the growth potential of the Services Directive. The study is published in the following link:

<sup>10</sup> [http://ec.europa.eu/economy\\_finance/publications/economic\\_paper/2012/pdf/ecp\\_456\\_en.pdf](http://ec.europa.eu/economy_finance/publications/economic_paper/2012/pdf/ecp_456_en.pdf)  
see footnote 1 for further information in relation to the European Conclusions of October 2013.

on the following three pillars: (a) working in partnership with Member States, (b) driving Member States towards e-governance and, (c) enforcing the directive to support markets and consumers.

**a. Partnership with Member States to achieve an ambitious removal of regulatory barriers**

The implementation of the Services Directive has been a vast exercise affecting a large variety of economic activities and requiring significant efforts by Member States. The three year implementation period ended in December 2009. More than thousand implementing measures (new horizontal laws and "omnibus" laws containing changes to different pieces of existing legislation) were adopted and notified by Member States to the Commission. Most changes in sectorial legislations abolished unjustified barriers and modernised the regulatory framework applicable to services.

In 2010 the Commission services together with Member States carried out a "**mutual evaluation process**" first in small groups of Member States and then in plenary sessions. This innovative exercise allowed Member States to mutually evaluate their reviewed national measures. In this way, transparency is increased and best practices shared through a structured dialogue, also with stakeholders.

In January 2011, the Commission presented the results of the mutual evaluation process and suggested additional measures to further deepen the single market for services.<sup>11</sup> These included among others: "**performance checks**" to assess the interaction of the Services Directive with other pieces of EU legislation applying to services in the internal market (such as the E-Commerce Directive,<sup>12</sup> the Professional Qualifications Directive<sup>13</sup> and the Package Travel Directive<sup>14</sup>); a first economic assessment to quantify the impact of the implementation of the Services Directive; and further asses Member States' restrictions on reserves of activities related to qualified professionals, on legal form and capital ownership requirements and the difficulties faced by service providers because of insurance obligations imposed in cross-border situations.

The **Single Market Act I** published in April 2011 already highlighted services as one of the top priorities to be supported by all Member States to enable more growth and jobs in the Single Market. In this line, the "**Services package**" adopted in June 2012<sup>15</sup> called again for

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<sup>11</sup> Communication of 27.01.2011 (COM(2011)20) final "[Towards a better functioning Single market for services - building on the results of the mutual evaluation process of the Services Directive](#)". For a detailed description of the results of the mutual evaluation process see also Staff Working Document SEC(2011) 102 final of 27.1.2011 on the process of mutual evaluation of the Services Directive.

<sup>12</sup> Directive 2000/31/EC on E-Commerce

<sup>13</sup> Directive 2005/36/EC on the mutual recognition of professional qualifications

<sup>14</sup> Directive 90/314/EEC on package travel, package holidays and package tours

<sup>15</sup> The Services Package included a Communication of 8 June 2012 (COM (2012) 261 final) on the implementation of the Services Directive "A partnership for new growth in services 2012 – 2015" and three Commission Staff Working Documents (SWD). The first SWD contained detailed information on the implementation of Directive 2006/123/EC on services in the Internal Market; the second SWD aim

additional efforts towards an ambitious implementation of the Services Directive. This would significantly improve the smooth functioning of the Single Market for Services, in particular for small and medium sized companies and for consumers. Enhancing competitiveness could lead to an additional total economic gain of about 2.6% EU GDP. It would effectively be more than three times compared to what has already been yield under a first implementation of the Services Directive until 2009.

The results of the performance checks and the findings of the economic study, which were carried out in close partnership with Member States, were the basis for the main stream policy-priorities identified in the Commission Communication of June 2012.

For instance, the report on the implementation of the Services Directive<sup>16</sup> showed that, even though some Member States relaxed or suppressed some legal form and shareholding requirements as part of their implementation of the Services Directive, these requirements remained widespread among EU Member States. By contrast, most compulsory tariffs seem to have been abolished in the EU, with few exceptions, where they have been maintained by some Member States for professional services. As a consequence, the June 2012 Communication proposed a **peer review as regards legal form, shareholding and tariffs requirements**.

Discussions between Member States took place from the end of 2012 to the beginning of 2013, focusing on a sample of five professions (accountants, tax advisers, architects, patent agents and veterinarians). The results of this peer review exercise were published as a Staff Working document on the 2<sup>nd</sup> October 2013, accompanying the [Communication on evaluating national regulations on access to professions](#).<sup>17</sup> The results show that legal form and shareholding requirements may be an obstacle to the freedom of establishment and may even result in making it impossible to set up subsidiaries or create multi-disciplinary practices across the EU. These requirements may also limit access to outside capital. Member States certainly agree on the public interests objectives. However, there seems to be a great diversity in the means chosen to meet these objectives and a lack of convergence as regards the actual proportionality assessment.

The work also addresses the opportunities under Article 20 of the Services Directive. This article offers service recipients, in particular consumers, an opportunity to buy services throughout the single market without being discriminated. The Commission already provided

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at establishing guidance on the application of Article 20(2) of the Services Directive; and the third SWD focused on the results of the performance checks of the internal market for services (construction, business services and tourism).

<sup>16</sup> Commission Staff Working document (SWD/2012/0148 final) of 8 June 2012

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012SC0148:EN:NOT>

<sup>17</sup> Commission Staff Working Document of 2 October 2013 on the outcome of the peer review on legal form, shareholding and tariff requirements under the Services Directive, SWD(2013) 402 final

detailed guidelines to implement this provision in a Staff Working Document accompanying the June 2012 Communication on the implementation of the Services Directive.<sup>18</sup>

Finally, the 2012 Communication on the Services Directive also underlined the need to take additional steps, together with Member States, in order to encourage the development of voluntary measures by the insurance sector to provide for the adequate **insurance coverage in particular for cross-border service providers**. A public consultation on possible problems related to cross-border insurance coverage was carried out during the summer of 2013, the results of which are currently being assessed.

#### **b. Encouraging e- governance**

Driving Member States towards e-governance is also a major priority. The **Digital Agenda for Europe**<sup>19</sup> already underlined the contribution made by the Services Directive in this respect. First, by ensuring that e-government services remain fully interoperable and interconnected, and second by reinforcing the **Points of Single Contact** set up under the Services Directive as fully-fledged e-Government centres. This were also part of the policy-priorities underlined by the June 2012 Communication on the implementation of the Services Directive.<sup>20</sup>

The Commission has undertaken major efforts to create a comprehensive electronic network called "**Internal Market Information System**" (IMI) to boost administrative cooperation between Member States and facilitate the free movement of services. This electronic system set up during the last years connects today over 7000 authorities across the EU. It allows authorities to exchange information easily and rapidly, in their own language, in order to supervise service providers and their activities. IMI supports not only the Services Directive but also a number of other pieces of EU legislation such as the professional qualifications, cash in transit, posting of workers, e-commerce, patients' rights Directives, etc. However, the usage of IMI for the services directive has remained relatively low. Further efforts will therefore be needed to ensure that all authorities registered in IMI for that area are aware of the important role they can play in alleviating the administrative burden on service providers, by checking directly with their counterparts in other Member States if there is a need to verify certain information.

In addition, the **Points of Single Contact** (PSC) (e-government portals) set up by Member States under the Services Directive, allow businesses to obtain all relevant information and complete their administrative formalities online. A Second Generation PSC Charter was endorsed by the Competitiveness High Level Group on 3 June 2013 and the Competitiveness Council Conclusions of December 2013.<sup>21</sup> The Charter sets assessment criteria towards more

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<sup>18</sup> SWD aim at establishing guidance on the application of Article 20(2) of the Services Directive of June 2012.

<sup>19</sup> <https://ec.europa.eu/digital-agenda/en>

<sup>20</sup> SWD aim at establishing guidance on the application of Article 20(2) of the Services Directive of June 2012.

<sup>21</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/intm/139846.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/139846.pdf)

ambitious Points of Single Contacts that go beyond the requirements of the Services Directive but are necessary to meet the needs of businesses. As agreed in the Charter, the Commission will assess Member States' progress towards more ambitious PSCs in the course of 2014.

### c. Enforcing the Directive to support markets and consumers

To ensure that services providers and consumers can fully benefit from the Services Directive, the Commission took all the necessary actions to ensure a full transposition by all Member States. Already in June 2010, six months after the deadline for the transposition of the Services Directive had expired; twelve Member States received reasoned opinions for not having notified to the Commission the adoption of all the regulatory changes required by the Directive.<sup>22</sup> In October 2011, only three Member States were then referred to the Court of Justice for failing to fully transpose the Directive.<sup>23</sup> However, after receiving the notification of the adoption of the final transposition measures, all proceedings were finally closed by May 2012.

Despite having complied with the obligations relating to the transposition of the Services Directive, as indicated in the June 2012 Communication, clear restrictions still remained in the legislation of some Member States. Therefore, the Commission has taken a "**zero tolerance**" line against such national restrictions.

As a consequence of this policy, the Commission has launched 40 investigations on its own initiative. In 31 cases, the investigations led to the opening of structured dialogues with the Member States concerned (EU-pilots). Until today, 13 of these cases have been solved and two formal infringement procedures have been initiated by the Commission. As for the other cases, the Commission is still in dialogue with the Member States concerned. The main issues of those proceedings concern discrimination on the basis of residence, restriction on multidisciplinary activity, "economic needs test" and prohibitions on commercial communication.

## 3.2 The importance of services today

Going beyond the Services Directive, services in general are of an ever-growing importance for the European economy and its competitiveness, as recent data on employment, added value and labour productivity shows.<sup>24</sup>

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<sup>22</sup> Namely Austria, Belgium, Cyprus, France, Germany, Greece, Ireland, Luxemburg, Portugal, Romania, Slovenia and the United Kingdom. See the Press release: [http://europa.eu/rapid/press-release\\_IP-10-821\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-10-821_en.htm?locale=en)

<sup>23</sup> See press release IP/11/1283. In October 2011, the Commission referred Germany, Austria and Greece to the Court of Justice and asked for penalty payments

<sup>24</sup> See for more details the thematic fiche on services published under [http://ec.europa.eu/europe2020/pdf/themes/10\\_services.pdf](http://ec.europa.eu/europe2020/pdf/themes/10_services.pdf)

Services account for a vast majority of EU employment, out of which sectors covered by the Services Directive (including retail and wholesale trade, construction, business/professional services, real estate, tourism and some entertainment services) generated almost half of employment. Other important services sectors (such as transport, network utilities, health and financial services, and some other sectors) made up a quarter of employment and government services (public administration and education) about as much as manufacturing. In general, small and western Member States' economies were most services dependent in terms of employment, while central and eastern less so.<sup>25</sup>

In the services sectors, small and medium enterprises play a major role in terms of employment. The average size of companies in the services sectors is significantly lower than in manufacturing. However, the share of self-employment over total employment is much higher in services than in the manufacturing industry. Self-employed persons accounted for 15.2 % of total EU employment in 2012, whereas 46.1 % worked mainly in market services with the highest proportion in Spain (57.6 %), Italy (56.1 %) and Malta (55.5 %).<sup>26</sup>

Almost 84% of the added value in the EU was generated in services sectors, out of that, above 43% in the sectors covered by the Services Directive, more than 29% in other services (such as transport, utilities, health and financial services) and 11% in government activities (public administration, defence and education). The highest share of all services in total value added was recorded in Luxembourg (98%), followed by Cyprus, Malta, France, and Spain (89–91%). On the other hand the lowest shares were reported in Ireland, Romania (less than 70%) and Hungary, Czech Republic, Slovakia, Bulgaria, and Germany (75–78%). Services covered by the Services Directive contributed above 47% of total value added in Malta, Cyprus, and France, followed by Austria, the United Kingdom, Luxembourg, and Italy (44–45%). On the other hand, they generated only around 25% in Ireland, and 34–36% in Romania and Hungary.

Luxembourg, Denmark, Sweden, Belgium, France, Finland, Austria and the Netherlands had the highest levels of nominal labour productivity in the sectors covered by the Services Directive according to the latest available data. On the other end of the spectrum, Bulgaria, Latvia, Romania, Lithuania and Hungary, had the lowest nominal labour productivity. In all countries, the nominal labour productivity was higher in manufacturing compared to services; in most countries by about 40%. Considering the differences in the sectorial price levels

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<sup>25</sup> In the sample of countries analysed (for which the 2011 data is available), the highest shares of services in total employment was recorded in Luxembourg (96%), followed by the United Kingdom (above 90%), the Netherlands (above 88%), and France (above 87%). On the other hand the lowest shares were reported in Bulgaria, Slovenia, the Czech Republic and Hungary (below 73%). Germany, Austria and Italy were the countries with a medium employment share of services (around 80%). The activities covered by the Services Directive constituted more than 50% of employment in Luxembourg and United Kingdom on the top end of the spectrum and less than 40% in Bulgaria, Hungary, and Lithuania on the bottom end.

<sup>26</sup> Source: Eurostat. For more details see following link:  
[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Labour\\_market\\_and\\_labour\\_force\\_statistics#Self-employed](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Labour_market_and_labour_force_statistics#Self-employed)

(approximated by the sector-specific wage levels), the differences across countries are much smaller and somewhat reversed compared to the nominal picture.<sup>27</sup>

To better assess the competitiveness of services sectors and its different aspects and to better quantify the economic impact of the Services Directive after its implementation, the Commission services will work with Member States to collect more recent and reliable data as set out in Section 4.1. This will allow the Commission to update its economic assessment showing the effects and the growth potential of the Services Directive, published alongside the June 2012 Commission Communication on the Implementation of the Services Directive.<sup>28</sup>

#### **4. WORK PLAN IN PARTNERSHIP WITH MEMBER STATES**

The Commission services will focus on the one hand, on internal market issues relating to the implementation of the Services Directive and on the other, on Member States reforms of services markets:

##### **4.1 Issues connected to the Services Directive with the support of Member States**

In 2014 and 2015 the Commission services, together with Member States, will discuss and pursue work on the following streams, which may impact ongoing or future national reforms in services markets:

- **Collection of services-related data for 2012, 2013 and 2014.** Such data should distinguish between those relevant for sectors covered by the Services Directive on one hand and those relevant for sectors outside the Services Directive; and should help identify market barriers and the reasons for different levels of market integration and differences in productivity between Member States;
- **Updating the analysis of the economic impact** and effects of the Services Directive. The Commission services intend to quantify the economic impact that national reforms introduced since 2012 had in relation to barrier reductions on trade in services;<sup>29</sup>

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<sup>27</sup> Many (though not all) of the new Member States are at the top of wage-adjusted productivity, together with Luxembourg and United Kingdom. On the other end of the range, Italy, Spain, Belgium, France, Sweden, Slovenia and Portugal had the lowest wage-adjusted labour productivity in the Services Directive sectors. Typically, the wage-adjusted productivity was by 20% higher in manufacturing compared to the Services Directive sectors. However, notably, there was an opposite situation in Luxembourg, Romania, Germany, and Cyprus.

<sup>28</sup> The study is published in the following link:  
[http://ec.europa.eu/economy\\_finance/publications/economic\\_paper/2012/pdf/ecp\\_456\\_en.pdf](http://ec.europa.eu/economy_finance/publications/economic_paper/2012/pdf/ecp_456_en.pdf)

<sup>29</sup> The Commission services are already working on a forthcoming study assessing the economic impact of selected structural reforms in product markets in four member states: Portugal, Greece, Spain and Italy. The study coverage includes selected reforms in the services market.

- Collecting data and assessing the **simplification** done by Member States when implementing the Services Directive. For this purpose a **Standard Cost Model** for calculating administrative burden could be used;<sup>30</sup>
- Performance and changes made by Member States on their **Points of Single Contact** (PSC) due to the Charter agreed in 2013 but also links to related e-governance policies in Member States;
- The Commission services will work with the Member States to ensure that all authorities registered in **IMI** are aware of the important role they can play in **alleviating the administrative burden on service providers**, by checking directly with their counterparts in other Member States if there is a need to verify certain information;
- Delivering on a **new communication strategy on Article 20(2)** of the Services Directive: a booklet will be adopted and published early spring 2014, providing practical examples of discrimination and tips to consumers how to better access services in the Single Market;
- A staff working document clarifying the **requirements for insurance coverage** for cross-border activities will be published in the first half of 2014.

In its conclusions of 9 December 2013, the Competitiveness Council asked the Commission: *"to present, by mid-2015, an analysis of remaining obstacles to a fully functioning Single Market for services, including in so far as possible non-regulatory restrictions, and the effectiveness and consistency of the existing legal framework applying to a sample of services activities, and to assess how these rules work on the ground for businesses and consumers"*. At a first stage, the Commission services intend to reach out to stakeholders in 2014.

In addition, the Commission services have also initiated work to explore the potential of service standards to improve the quality of services and the performance of the service companies, business services. In this respect, CEN will identify, in the context of the mandate issued by the Commission in 2013, areas where potential horizontal service standards could be introduced. The Commission will then evaluate these proposals at the end of 2014.

Finally, given the imbalance between the level of integration in goods and services markets, and in view of their increasing complementarity, the Commission services will further intensify their efforts to improve the functioning of the internal market for services. The Commission services will also continue to ensure that EU companies remain competitive on global markets, looking in particular to maximise the external dimension of the internal market for services.<sup>31</sup>

## 4.2 Sector-specific information with support from Member States

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<sup>30</sup> Further information on the Standard Cost Model is available here:  
[http://ec.europa.eu/smart-regulation/refit/admin\\_burden/scm\\_en.htm](http://ec.europa.eu/smart-regulation/refit/admin_burden/scm_en.htm)

<sup>31</sup> To that end, the Commission services are already gathering information from Member States in relation to the application of the Services Directive to third country nationals.

The 2012 Communication has also been the starting point for a more **sector focused approach**, notably focussing on business services (representing 11.7% of GDP), professional services (including health services falling under the Professional Qualifications Directive and amounting to 9% of GDP), the distribution (both wholesale and retail) sector (11% of GDP) and the construction sector (6.3% of GDP). Tourism has also been mentioned where however Member States have already been active.

The Commission services will also look into Member States' reforms in specific services sectors, in particular, but not exclusively, reforms pursued by those Member States that have received Country Specific Recommendations<sup>32</sup> on services sectors or are carrying out reforms in the framework of a Memorandum of Understanding. In that respect, in the follow-up to the June 2012 Communication on the Services Directive, the Commission underlines the need to increase efforts as far as the following services sectors are concerned: **business services including professional services, retail sector and construction**. Some of these sectors have also received special attention in the Country Specific Recommendations for certain Member States. The Commission services will continue to work closely with Member States in the context of the Thematic Review of services in the **Economic Policy Committee** which will take place in 2014. This forum is an additional opportunity to assess on a regular basis the economic impact of national reforms on the services sector which are carried out by Member States as a follow-up to the Country Specific Recommendations.

#### *4.2.1 Business services and professional services*

**Business services** are activities performed by a company for another company or for the public administration. Some services such as legal, architectural or engineering services can also be used by households. Business services include a very broad and diverse number of sectors within services.<sup>33</sup> **Business services** are the most relevant sector in economic terms (GDP share, employment, growth) and in terms of the impact of the Services Directive as underlined in the June 2012 Communication on the Services Directive. They contribute to 11% of the EU GDP and represent 12.2 % of EU total employment.<sup>34</sup>

Following the 2012 Industrial Policy Communication, the Commission set up in the beginning of 2013 a High Level Group on Business Services.<sup>35</sup> The Commission will examine the need for further action after the High Level Group on business services has issued its recommendations in spring 2014.

On **services provided by regulated professions**, the Commission published on 2<sup>nd</sup> October 2013 a Communication to prepare Member States for a transparency and mutual evaluation of

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<sup>32</sup> For further information see Annex I: Country Specific Recommendations

<sup>33</sup> Business services activities range from legal and accounting activities to architectural and engineering services, security and investigation, cleaning services, office administration activities, rental and leasing activities, scientific research, development and IT services.

<sup>34</sup> See Eurostat data for 2010.

<sup>35</sup> See for further information:

[http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/hlg-business-services/index\\_en.htm#h2-3](http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/hlg-business-services/index_en.htm#h2-3)

Member States' regulations on the access to professions.<sup>36</sup> This exercise was agreed by all Member States as part of the modernised Professional Qualifications Directive.<sup>37</sup> Member States are therefore expected to take an active role in this transparency and mutual evaluation exercise lead by the Commission. Once completed, this exercise should lead to a modernisation and simplification of existing national regulatory environments concerning regulated professions. As a consequence, the mobility of professionals and the access to certain professional activities should be facilitated, and job creation across the Single market increased.

In the same vein, the Commission published a **staff working paper** on the situation in Member States on **legal form and shareholding requirements in professional services**.<sup>38</sup> As explained in Section 3.1 (a), the paper presents the results of a peer review exercise made in 2012 and 2013 and invites Member States to apply more rigorous proportionality tests once it comes to reviewing national requirements based on overriding reasons of general interest.

#### **4.2.2 Construction**

**Construction** is also one of the **most relevant sectors** in economic terms (GDP share, employment, growth) and in terms of the impact of the Services Directive. Construction services represent 6.7% of EU GDP and 7.4% of EU total employment.<sup>39</sup> In addition, construction has also received special attention in the Country Specific Recommendations of some Member States.

The results of the "performance check" in the **construction sector** presented in 2012 showed that the amount of regulation and the level at which construction activities are regulated, varies significantly across Member States. This may create barriers to the freedom to provide services. In addition, as underlined by the 2012 *Commission Communication on sustainable construction*<sup>40</sup> and its "Construction 2020 Action Plan", one of the five key strategic objectives is to strengthen the Internal Market for construction. That includes **further work on the implementation of the Services Directive** and on **insurance coverage cross-border**.

#### **4.2.3 Retail**

Retail and wholesale services, also known as distributive trade, represent 11 % of the EU's GDP and account for almost 15% of the EU's total employment. More than 6 million companies, i.e., 29% of all EU undertakings, are active in this sector. Distributive trade, being the interface between producers and consumers is in a strategic position to drive the transition to a more sustainable economy and consumption patterns. Since retail impacts the life of

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<sup>36</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52013DC0676:EN:NOT>

<sup>37</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:354:0132:0170:en:PDF>

<sup>38</sup> Commission Staff Working Document of 2 October 2013 on the outcome of the peer review on legal form, shareholding and tariff requirements under the Services Directive, SWD(2013) 402 final

<sup>39</sup> See Eurostat data for 2010.

<sup>40</sup> 2012 Communication on the "Strategy for the sustainable competitiveness of the construction sector and its enterprises" (Communication COM (2012) 433 final).

every single European, the competitiveness of the sector is essential in order to provide consumers with high quality goods and services at affordable prices.

In order to improve the competitiveness of the retail sector, the Commission services are carrying out extensive work as announced in the European Retail Action Plan (ERAP) of 31 January 2013.<sup>41</sup> The Action Plan sets out eleven concrete actions to be implemented in 2014, together with Member States and the relevant stakeholders. In this regard, a High level Group has been set up to discuss the effectiveness of these actions and consider possible future actions. The European Parliament adopted a Resolution on 11 December 2013 on the Retail Action Plan, the recommendations of which will feed into the further work on retail.

The essential role that retail and wholesale sectors have in stimulating growth and job creation is recognised under the Europe 2020 strategy. However, as identified in the context of the Country Specific Recommendations issued by the Council in July 2013, challenges exist in some Member States in order to improve competition in the retail sector. This includes lowering barriers to entry by easing restrictions on establishment; and more generally, reducing operational restrictions.

Restrictions on the establishment of retail outlets are important obstacles for economic operators. However, certain restrictions may pursue legitimate objectives such as environmental protection, town and country planning and consumer protection, provided that the measures in question are appropriate and proportionate.

As announced in the ERAP, the Commission services have launched a ‘peer-review’ exercise between Member States with the view of getting a clearer picture of the situation and identifying and disseminating best practices. Stakeholders will also be consulted through meetings and a work shop. The results of this exercise should be presented in the beginning of 2015.

## 5. METHODOLOGY

In terms of **methodology**, the following already available sources of information will be used when working together with Member States:

- National reform programmes, when relevant, to be presented by Member States in April 2014 and April 2015 and related information;
- Results of the Staff Working document on the peer review on legal form, shareholding and tariffs requirements published last 2 October 2013; and on the public consultation related to cross-border insurance coverage;
- Notifications sent by Member States via IMI under the Services Directive related to cross-border and establishment requirements;
- Discussions in the framework of the Services Directive expert group (including retail and professional services) and the group of coordinators under the Professional Qualifications Directive;

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<sup>41</sup> COM(2013) 36 final

- Information to be provided upon request from Commission services.

## **6. DELIVERABLES**

The results of the work undertaken will be presented in the Annual Single Market Integration Report (ASMIR - or in a particular annex) and, to the extent relevant, in the Annual Growth Survey scheduled for 2014 and 2015.

By developing more in-depth quantitative and qualitative reporting on sectorial and national reforms concerning services, the Commission services will be able to identify possibilities for forward-looking policy priorities on which Member States would be encouraged to focus, including through a more ambitious approach towards the implementation of the Services Directive.

## Annex I: Country Specific Recommendations

Every year, the Country Specific Recommendations underline the importance of services. Some Member States are suggested to improve competition in the services sector, by removing barriers and undertaking reforms to open-up services in general or in specific sectors (such as retail or construction). Others are suggested to reform professional services to remain competitive and ensure mutual recognition and free movement of professionals across the Union.

In addition to the "programme" countries (Portugal, Greece and Cyprus) which are undertaking in-depth reforms on services and professional services, the 2013 Country Specific Recommendations recommended that **twelve Member States** undertake reforms in the following areas:

<b>Improve competition and remove excessive barriers in the services sector:</b>  Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Italy, Spain
<b>Reforms on professional services:</b>  Austria, Belgium, Czech Republic, France (in particular LSF, quotas and territorial restrictions), Germany, Poland, Slovenia, Spain
<b>Retail:</b>  Belgium, Denmark, Finland, France, Germany, Hungary, Spain
<b>Construction:</b>  Denmark, Germany (in particular crafts), Poland