

## **Balance of Competences Review Free Movement of Services**

### **Discussion Event Brussels, 7 November 2013**

*NB: the following views were expressed by meeting attendees.*

#### **Summary**

- Implementation of the Services Directive remains a major concern, especially at the sub-national level.
- Achieving a true single market for services will require political will.
- Many businesses, and especially SMEs, are unaware of the Points of Single Contact required by the Directive.
- Opinions are divided about the potential merits and feasibility of introducing the country of origin principle by using enhanced cooperation.
- There is a link between the free movement of persons to provide or receive services and the free movement of services.
- There is an increased blurring of the lines between the production of goods and the provision of services.
- Member States are likely to remain highly sensitive about removing restrictions around the provision of certain services, and likely to come under pressure to introduce restrictions in a crisis.
- However, at the same time, Member States should be encouraged to refrain from having recourse to restrictions, even in the face of strong public demand.
- Some Member States remain focused on industrial and manufacturing policy, meaning there is a risk they neglect the services sector.

#### **Services Directive**

The Services Directive was variously described as a “messy compromise”, a “major achievement” and “shock therapy” for national regulation, but attendees agreed that, overall, it has had a positive effect on the EU services sector.

Nevertheless, despite some liberalisation, progress has stagnated. The Directive has not been fully implemented, particularly at the local and regional level. There is a real problem with the assessment of legitimate barriers and there is a need for a clearer test to measure the proportionality of measures.

Achieving a true single market for services will require political will.

The mutual evaluation exercise showed that many Member States cite the same overriding reasons of public interest as justifications for retaining barriers, but there is no coherent approach.

However, there has been little progress since the first mutual evaluation exercise, so there is perhaps a need for greater use of infraction procedures by the European Commission.

The Services Directive is not visible to SMEs, and there should be a campaign to raise their awareness of it.

There are also many further restrictions to the free movement of services beyond the reach of the Services Directive; coverage could be extended to other services sectors.

### **Points of Single Contact**

The Point of Single Contact (PSC) Charter is good, but there are still widespread differences between the level of service provided.

In some cases, PSCs are not sufficiently visible to the businesses they are supposed to be helping. As few as 1.5% of businesses surveyed in some sectors know about PSCs.

### **Country of Origin Principle**

Some participants spoke in favour of a new version of the Services Directive using the 'country of origin' principle, citing potential economic benefits.

However, other participants were sceptical about the feasibility of negotiating a new Directive, especially given the potential concerns in Member States around the provision of services by nationals of other Member States on their territory.

There were also concerns that the use of enhanced cooperation to move towards the country of origin principle could fracture the single market, and whether or not this would be compatible with the Treaties.

### **Links with Free Movement of Persons and Goods.**

There is a clear connection between the free movement of persons as providers or recipients of services and the free movement of services themselves.

There is an increased blurring of the lines between the production of goods and the provision of services.

### **Other Points**

Individual service providers face other obstacles, such as incompatible social security regimes, while larger companies may struggle with differences in employment and tax law.

Member States often introduce new restrictions on service providers in response to public demand, for example, following scandals where consumers have not been adequately protected. While this is understandable, there is also a risk that Member States use weak justifications for maintaining obstacles to the free movement of services. Another potential obstacle is the need for service providers to take out insurance policies in multiple countries.

Some large Member States are still too focused on industrial policy and the needs of manufacturing industry, despite the increasing importance of services.

The European Commission should consider assessing integration of services markets as part of the annual European Semester process.