

EUROPEAN UNION



Committee of the Regions

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DRAFT OPINION

Commission for Economic Policy

Upgrading the Single Market

Rapporteur: **Alessandro Pastacci (IT/PES)**
President of the Province of Mantova

This document will be discussed at the meeting of the **Commission for Economic Policy** to be held from **11 a.m. to 6 p.m. on 29 February 2016**. To allow time for translation, any amendments must be submitted using the online tool for tabling amendments (available through the Members' Portal: <http://cor.europa.eu/members>) by no later than 3 p.m. (Brussels time) on 16 February 2016. A user guide is available at <http://toad.cor.europa.eu/CORHelp.aspx>.

Reference document

Communication on Upgrading the Single Market: more opportunities for people and business
COM(2015) 550 final

Draft opinion of the Commission for Economic Policy - Upgrading the Single Market

THE EUROPEAN COMMITTEE OF THE REGIONS

General remarks

1. stresses that the Single Market, as the fundament of free movement of goods, services, persons and capital within the European Union (EU), is the EU's major economic success. It is therefore inextricably linked to the Schengen Agreement on Free Movement of Persons. The Single Market has helped to increase prosperity and jobs. But it could work better still and more economic and structural reforms are needed to meet the goals set for growth and employment in the Europe 2020 Strategy as well as the objectives set in the Treaty on the EU in relation to sustainable development, a highly competitive social market economy and economic, social and territorial cohesion;
2. agrees that, to be more effective, the updated Single Market Strategy must be three-pronged so as to: 1) create opportunities for consumers, professionals and businesses; 2) encourage and enable Europe's modernisation and innovation; 3) ensure its practical delivery so as to improve the everyday life of consumers and businesses. Such a three-pronged strategy should aim at tackling the challenges raised by the combined effects of fast globalisation and technological change and the only gradual adaptation of schooling and training systems;
3. supports the European Parliament's call for the inclusion of the Single Market pillar in the European Semester¹, with a system for regular monitoring and evaluation of Single Market's integration comprising a set of quantitative and qualitative indicators, benchmarking, peer review and exchange of best practices;
4. considering that the Single Market Strategy is intended to complement and be complemented by the EU initiatives on investment, competitiveness and access to finance, the internal market for energy, the Digital Single Market and labour mobility, regrets that by postponing the adoption of the Labour Mobility Package, meant to be one of the Commission's flagship initiatives for tackling social dumping and strengthening workers' rights in Europe, the Commission seems to have disconnected its strategy on deepening the single market from one of the most relevant issues within this policy context, that is, labour mobility.
5. regrets that the references in the Communication's proposals mostly come from within the European Commission or official national bodies and appear self-referential;
6. draws attention to the specific role of the European Groupings of Territorial Cooperation (EGTC) as cross-border players in the Single Market, as well as of other cross-border structures like the European Groupings of Economic Interest or the European Cooperative Society. These are laboratories for the Single Market and can help identify Single Market barriers, since they are able to identify and address locally issues such as public procurement, cross-border

¹ See European Parliament resolution on the Single Market governance within the European Semester 2016 (2015/2256(INI)).

contracts, double taxation of staff, applicable law, consumer protection and cross-border services;

In relation to the development of the collaborative economy

7. welcomes the Commission's commitment to developing a European agenda for the collaborative (sharing) economy and to providing guidance on how EU law applies to this new sector; and reiterates the CoR's conviction that any hard regulatory initiative should have a sectoral approach and take into account the scale of the sharing economy initiative as a criterion for drawing regulatory lines;
8. points out that ex-ante urban and territorial impact assessments could be run and developed in close partnership with all levels of government so as to identify methodological protocols. Notes that such assessments should be designed to ensure that regulatory impact analysis does not unnecessarily burden the promotion and development of new activities. Pilot projects and the creation of networks of cities and regions with best practices in the field of the sharing economy should be encouraged, while aiming for effective enforcement through the fight against tax avoidance and ensuring consumer protection, licensing and respect of health and safety regulations;

In relation to how to help SMEs and Start-ups to grow

9. supports the Commission's intention to present initiatives aimed at reducing the heavy burden that VAT registration and reporting obligations put on start-ups and SMEs, particularly when operating cross border; points out that the simplification of VAT reporting requirements for SMEs and micro-enterprises has also been identified as an opportunity for further action in the consultation of the European Entrepreneurial Regions (EER) conducted by the CoR in April 2014;
10. welcomes the Commission's intention to put forward a legislative proposal on business insolvency in order to ensure that entrepreneurs have a second chance. This approach is likely to foster entrepreneurship and innovation in Europe, as entrepreneurs operating in an environment that does not stigmatise failure will be more inclined to take on more innovative projects; notes that the legal framework for insolvency must, however, ensure that only responsible risk-taking is encouraged and provide certainty and fairness to creditors;
11. calls on the Commission to monitor thoroughly the effective application by Member States and relevant subnational authorities of the transposition measures of Directive 2011/7/EU on combating late payments in commercial transactions;

In relation to the liberalisation of professional services

12. underlines the importance of further opening up services' markets in Europe in view of the relatively low level of cross-border trade in services, the growing importance of services as a share of GDP and employment in Europe's regions and cities and the trend towards more

integration of services in the value offer of industry; acknowledges the Commission's efforts to open up services' markets within the parameters of the Services Directive;

13. agrees on the need to assess and tackle the regulatory gaps in certain areas of the Single Market and remove the persistent obstacles to free movement, which prevent European businesses and consumers from exploiting the Single Market's full potential;
14. agrees that it is crucial to ensure regular monitoring and evaluation of the implementation of Single Market policies within the Member States, on the basis of qualitative and quantitative indicators, benchmarking and sharing of best practices;
15. recommends that the "analytical framework for Member States to use when reviewing existing regulations or proposing additional ones" include criteria for classifying a sector as a "priority sector". Indeed no explanation is given in the Communication as to why certain services should be given priority²;

In relation to the strengthening of the Single Market for goods

16. supports the Commission's commitment to modernising the standards' system in collaboration with the standardisation community, as standards have proven to be very effective in supporting market integration, through their impact on industry costs, interoperability and access to markets;
17. reiterates its call on the Commission to present a legislative proposal for the protection of geographical indications for non-agricultural products in the EU;
18. acknowledges that the mutual recognition principle is crucial for products not covered by EU standards but that its application is uneven and needs to be improved in order to provide a more predictable regulatory framework for the free movement of products;
19. underlines its support for measures to keep illegal and non-compliant products off the EU market in view of the increasing incidence of such trade, which distorts competition and puts consumers at risk;
20. regrets that the Communication does not make any reference to the issue of granting China a Market Economy Status (MES) by the end of 2016, which would be a game-changing development with a high risk of negative economic, social and territorial impact;

In relation to public procurement

21. welcomes the general approach set out in the Communication in relation to public procurement; supports more specifically networking between first-instance review bodies, technical assistance

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The list of priority sectors/professions is reported in footnote 26: "civil engineers, architects, accountants, lawyers, real estate agents, tourist guides and patent agents".

for Member States and improved monitoring tools, which should also help local and regional authorities in implementing public procurement rules;

22. also agrees with the principle of launching a voluntary ex-ante public procurement mechanism for large-scale infrastructure projects but wonders why the Commission has set such a high ceiling of EUR 700 million. suggests therefore that the ceiling be significantly lowered in particular against the backdrop of the European Court of Auditors' special report 10/2015 on "Efforts to address problems with public procurement in EU Cohesion expenditure should be intensified", in which the Court examined more than 1 400 transactions over the 2009-2013 period co-financed from the EU budget through European Structural and Investment Funds, including verification of public procurement procedures relating to nearly 700 projects, and detected errors relating to public procurement in around 40% of all these projects; draws attention to the fact that in a survey carried out for this audit only 40% of the audit authorities expressed the view that the new public procurement directives could help to reduce errors, in particular with regard to choosing a public procurement procedure, publication of the call for tenders, definition of selection criteria and assessment of bids;

In relation to the Services and the Services Directive

23. supports the intention to bring forward a legislative proposal to improve the notification procedure under the Services Directive to allow for a more upstream verification by Member States of the justification and proportionality of new national regulations restricting the free movement of services;
24. welcomes the Commission's efforts to continuously assess EU countries' implementation of the Services Directive and carry out a number of evaluation exercises ("peer reviews") in order to remove remaining barriers to the cross-border trade of services in the EU; considers, however, that the outcome of these exercises should not be precluded by the Commission stating that there are no plans to review or amend the Services Directive. Such a position would contradict both the review clause contained in Article 41 of the Services Directive and the Commission's announcement that it will come forward with a proposal to improve the notification procedure under the Services Directive;
25. considers that the services passport initiative should be limited to services regulated by Directive 2006/123/EC on services in the internal market, i.e. not be applicable to public service operators as long as they do not carry out commercial activities;

In relation to the Social Economy and Services of General Economic Interest (SGEI)

26. regrets that the Commission's Communication does not announce any proposal in relation to the social economy although it plays a key role in the EU's social and economic development, accounting for two million enterprises including associations, cooperatives and mutual societies and providing 11 million jobs, i.e. 10% of all businesses in Europe and 6% of the employed population; recalls against this background that the CoR has "(urged) the European Commission to present, a legal framework, which would encompass a body of common definitions applying to the different forms of social economy in Europe, i.e. cooperatives, foundations, mutual

societies and associations in order to enable social economy enterprises to operate on a legally certain basis and thus enjoy the advantages of the internal market and free movement (...)”³;

27. regrets that the Commission's Communication does not put forward any proposal relating to SGEI, e.g. in relation to quality requirements notably with regard to social and territorial cohesion, although Article 14 of the Treaty on the Functioning of the EU would provide the legal basis for it; expresses concern that, with regard to SGEI, the Commission has a focus that is restricted to state aid issues only although these services play a key role in the internal market;
28. notes that the Commission's Communication does not mention any proposal to review the Postal Services Directive (Directive 2008/6/CE) although a public consultation was held in summer 2015 on the cross-border delivery of parcels, with a focus on the regulation of services and price transparency, and indications were given that the Commission would come forward with an initiative in early 2016. Also regrets against this background that the Report on the application of the Postal Services Directive presented in November 2015 (while Article 23 of the directive envisaged its presentation by 31 December 2013) does not address the Directive's impact on territorial cohesion.

Brussels, ...

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See CoR Opinion on the role of the social economy in restoring economic growth and combating unemployment, 3-4 December 2015, point 12.

PROCEDURE

Title	Upgrading the Single Market
Reference(s)	Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions <i>Upgrading the Single Market: more opportunities for people and business</i> COM(2015) 550 final
Legal basis	Article 307 TFEU
Procedural basis	Rule 41(a) of the Rules of Procedure
Date of Commission letter	17 July 2015
Date of President's decision	6 November 2015
Commission responsible	Commission for Economic Policy (ECON)
Rapporteur	Alessandro Pastacci (IT/PES), President of the Province of Mantova
Analysis	18 December 2015
Discussed in commission	29 February 2016
Date adopted by commission	Scheduled for 29 February 2016
Result of the vote in commission (majority, unanimity)	...
Date adopted in plenary	Scheduled for 7-8 April 2016
Previous Committee opinions	<ul style="list-style-type: none"> – Opinion of the Committee of the Regions – The local and regional dimension of the Sharing Economy, CdR 2698/2015 Rapporteur: Benedetta Brighenti (IT/PES) – Opinion of the Committee of the Regions – Better governance for the Single Market, CdR 1529/2012⁴ Rapporteur: Markku Markkula (FI/EPP) – Opinion of the Committee of the Regions – Public Procurement Package, CdR 99/2012⁵ Rapporteur: Catarina Segersten Larsson (SE/EPP) – Opinion of the Committee of the Regions – Modernisation of EU public procurement policy: Towards a more efficient European procurement market, CdR 278/2011⁶ – Opinion of the Committee of the Regions – Single Market Act, CdR 330/2010 fin⁷ Rapporteur: Jean-Louis Destans (FR/PES)
Date of subsidiarity monitoring consultation	/

⁴ [O.J. C 62, 2.3.2013, p. 39–43.](#)

⁵ [OJ C 391, 18.12.2012, p. 49–83.](#)

⁶ [OJ C 192, 1.7.2011, p. 4–9.](#)

⁷ [OJ C 166, 7.6.2011, p. 52–58.](#)