

Public consultation on services markets

**Why is there a need for a service
passport? How integrated are our
services markets?**

Overview

Why is there a need for a services passport?

- What is a services passport?
- How can it help to reduce administrative burden for service providers?

In which services sectors might there be a need for addressing regulatory obstacles to deepen the single market?

Why is there a need for a services passport (1/3)?

- 83% of businesses say that complex procedures are a significant barrier to doing business in the single market¹
- Procedures to access other Member States often not electronic
- Service providers need to provide numerous documents, in many cases translated or certified
- Procedures are often without clear timelines
- Lack of information about applicable rules and procedures and limited trust between home and host Member States

Why is there a need for a services passport (2/3)?

Examples of feedback from service providers

- *"We do not know which the competent authority in the host Member State is"*
- *"There is lack of transparency regarding host Member States' requirements (proof of professional qualifications is not the main problem)"*
- *"Rules to provide services on a temporary basis in the host Member State are unclear. It seems not possible to do so."*
- *"It takes me at least two months before I can start my project abroad"*

Why is there a need for a services passport? (3/3)

- A **key** to be offered to service providers in their first step to start operating in another Member States
- Aim is in particular to help **SMEs** in key services sectors to expand cross border
- Build a relation between home and host Member States based on more **trust** through increased transparency and communication between the two

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What is a services passport?

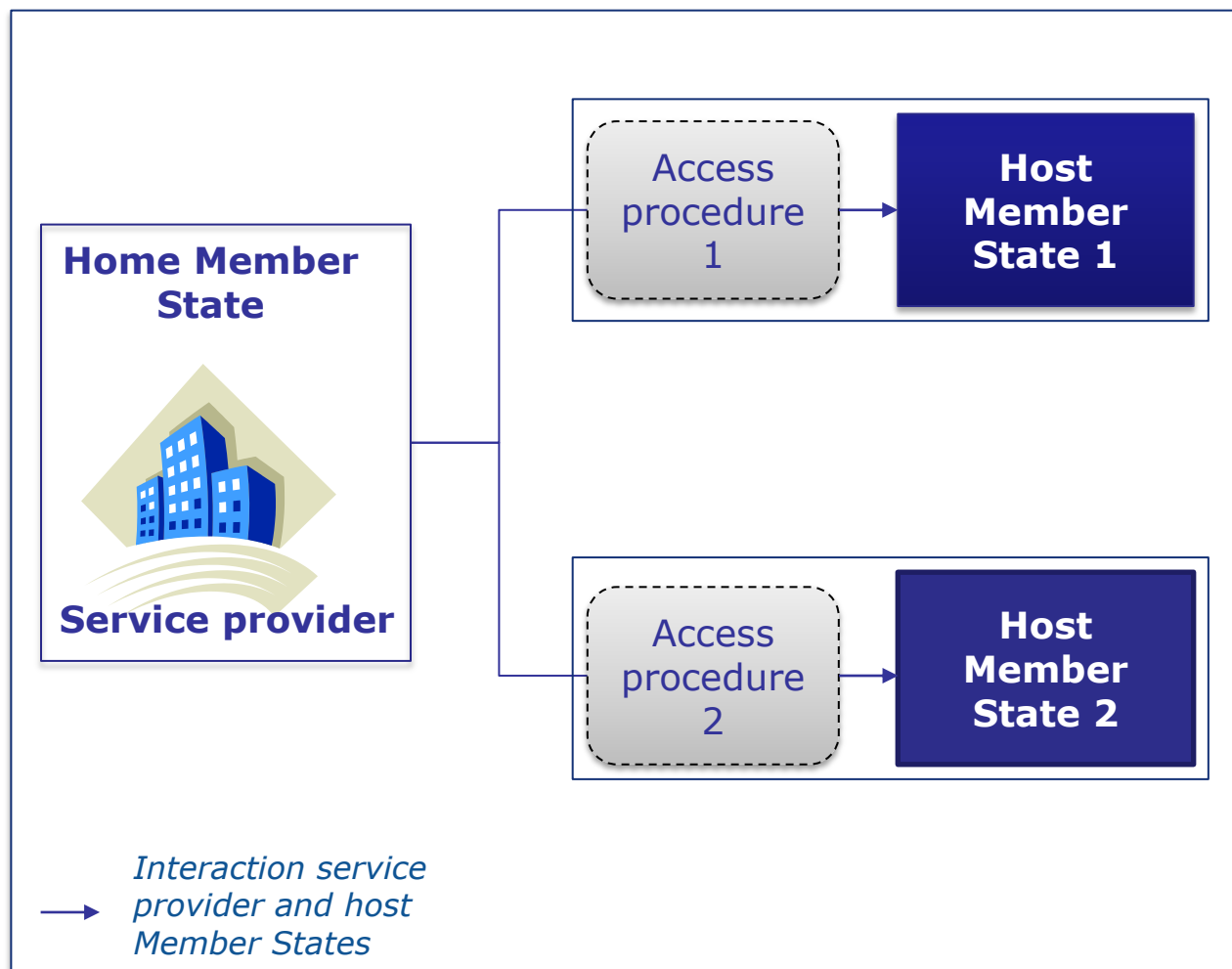
Consider the following example:

- *A service provider has so far been active in its home Member State only*
- *To exploit opportunities in other Member States, it wants to expand its activities*
- *It decides to establish branches in 2 other EU Member States*

Situation today

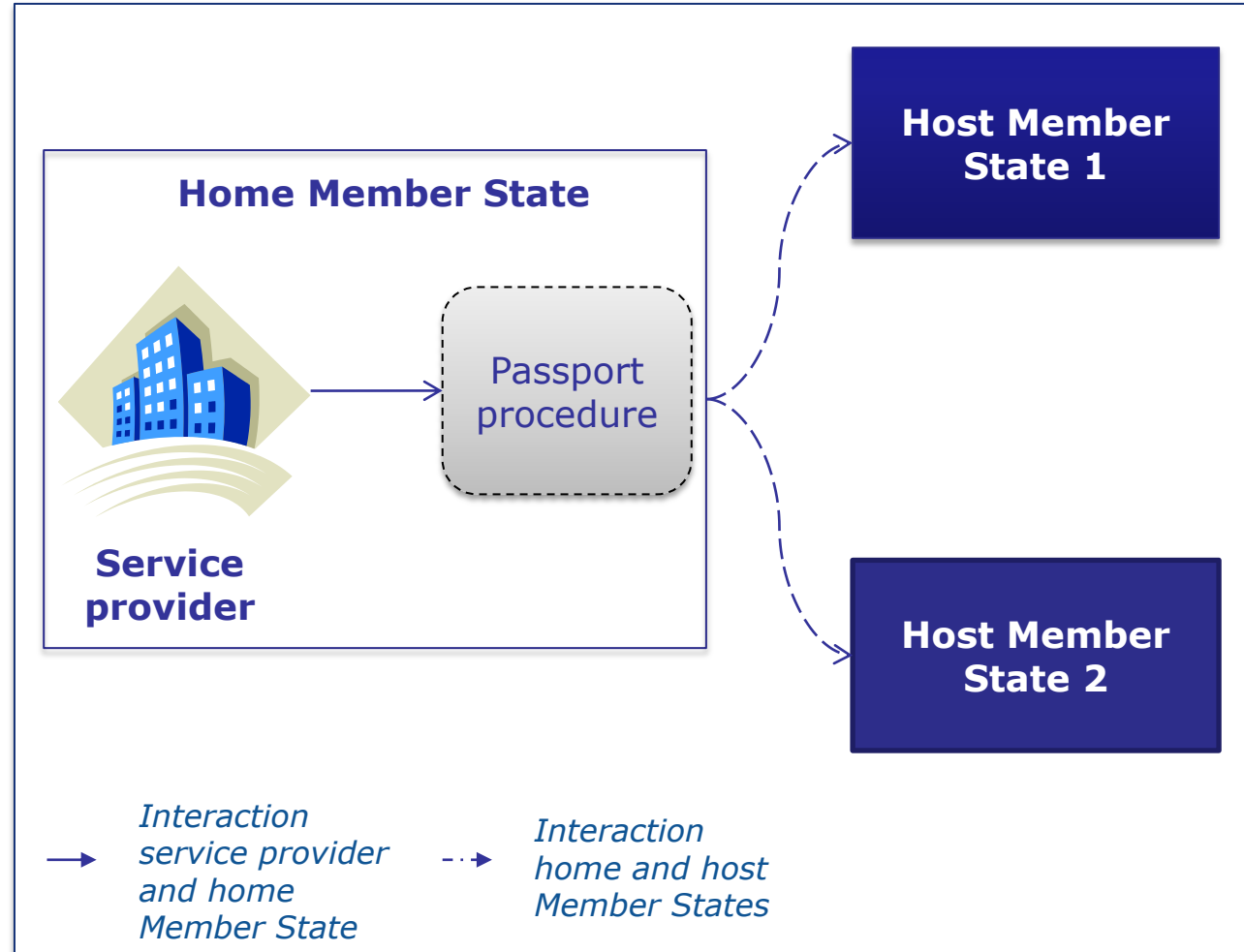
Service provider has
to complete 2
different procedures

No interaction
between home and
host Member States



Situation with a services passport

Service provider has to convey information through a single European workflow



What is a services passport?

It could offer:

- one single interlocutor in the home Member State for the service provider
- secure electronic transmission of information from the home Member State to authorities in the host Member State
- one single common EU procedure
- clear timeline for the service provider with short and reliable deadlines

What would the services passport not change?

Host Member States would continue to carry out inspections and controls after a business starts operating in a Member State on for example:

- Payment of taxes, salaries and social security in the host Member State
- Compliance with standards of the host Member State
- On-site health and safety requirements of the host Member State

Overview

Why is there a need for a services passport?

➤ What is a services passport?

➤ **How can it help to reduce administrative burden for service providers?**

In which services sectors might there be a need for addressing regulatory obstacles to deepen the single market?

How could it reduce administrative burden for service providers?

- It relies on communication between **coordinating authorities** in home and host Member States
- The different steps are supported by **electronic harmonised procedures**
- The entire procedure follows a **clear timeline** with set deadlines for authorities to complete the different steps
- The service provider faces the **same online interface** regardless of the Member State it wants to enter
- The service provider will **not have to duplicate formalities** already completed when applying to enter into other Member States

The services passport could therefore reduce administrative burden in several ways

Situation today

Service provider faces different host Member State authorities

Service providers need to complete different procedures

Procedures often complicated, lengthy and not electronic

Service provider needs to re-submit same documents several times

No or limited communication between home and host Member States

Situation with a services passport

Service provider would deal with its familiar home Member State

Service providers would face a single EU-wide common procedure

Electronic procedure with clear timelines to process applications

Formalities should not have to be repeated when documents are still valid

Increased trust through facilitating interaction between home and host Member States



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Where do Member States stand on national reforms of services markets?

- Commission evaluation on the implementation of the Services Directive (2012): It depends on individual Member States to remove barriers beyond the minimum required by the Directive. This offers potential gains of up to 1.8% of additional EU GDP growth.
- Commission evaluation (2015): Only little of the identified economic potential (0.1% out of 1.8%) has been realised through national reforms adopted over the period 2012-2014

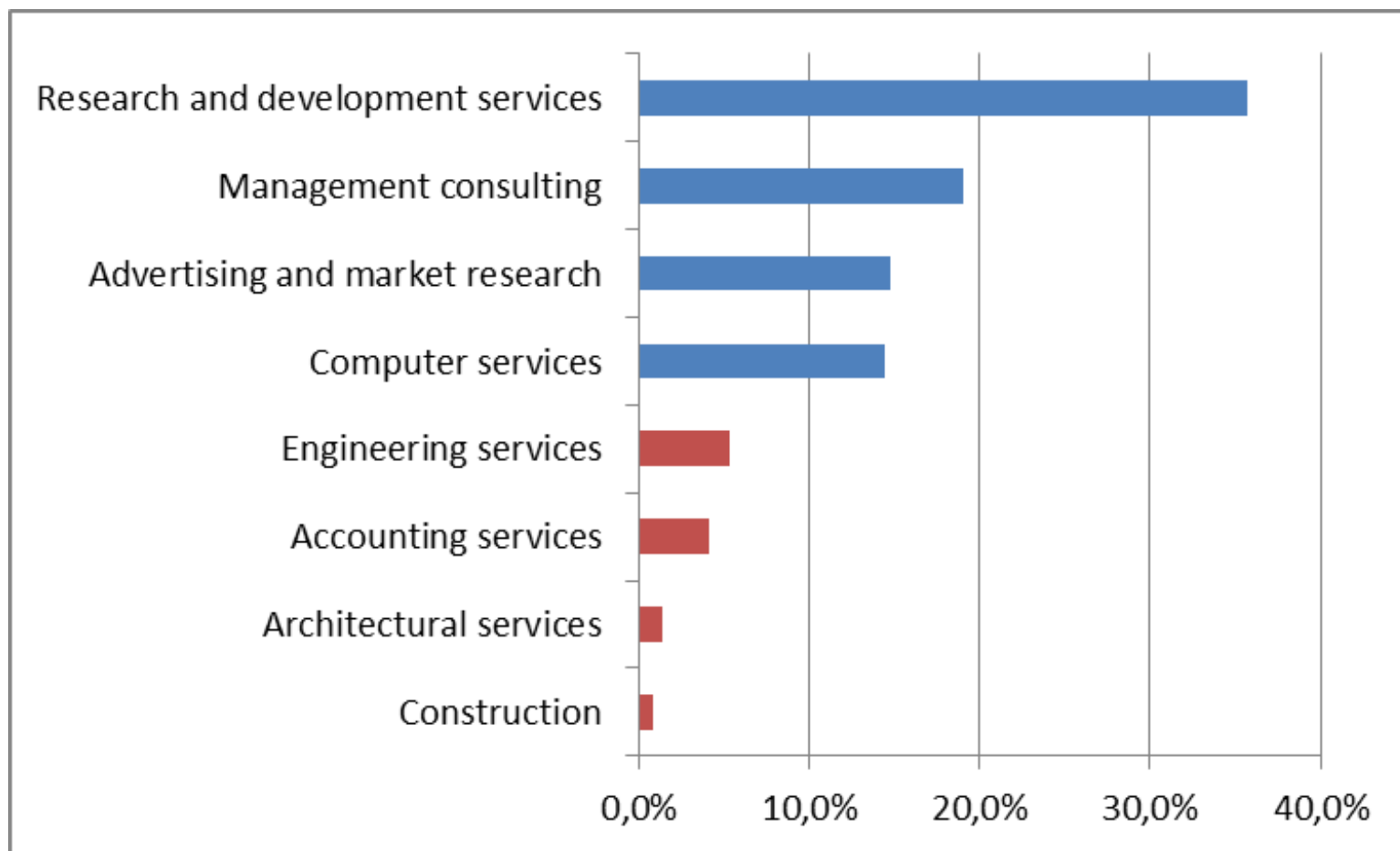
Member States did not seize the opportunity of national reforms in services markets to create more growth and more jobs. This leaves up to 1.7% of EU GDP growth unexploited to date.

In which services sectors might there be a need for addressing regulatory obstacles? (1/4)

- Some important services sectors are still showing very low levels of cross-border activity across Member States
- This is the case for business services (in particular sectors such as architectural, engineering and accounting services) and construction services
- These sectors are characterized by low levels of cross-border trade and low levels of cross-border investment
- Why given that these are tradable services?

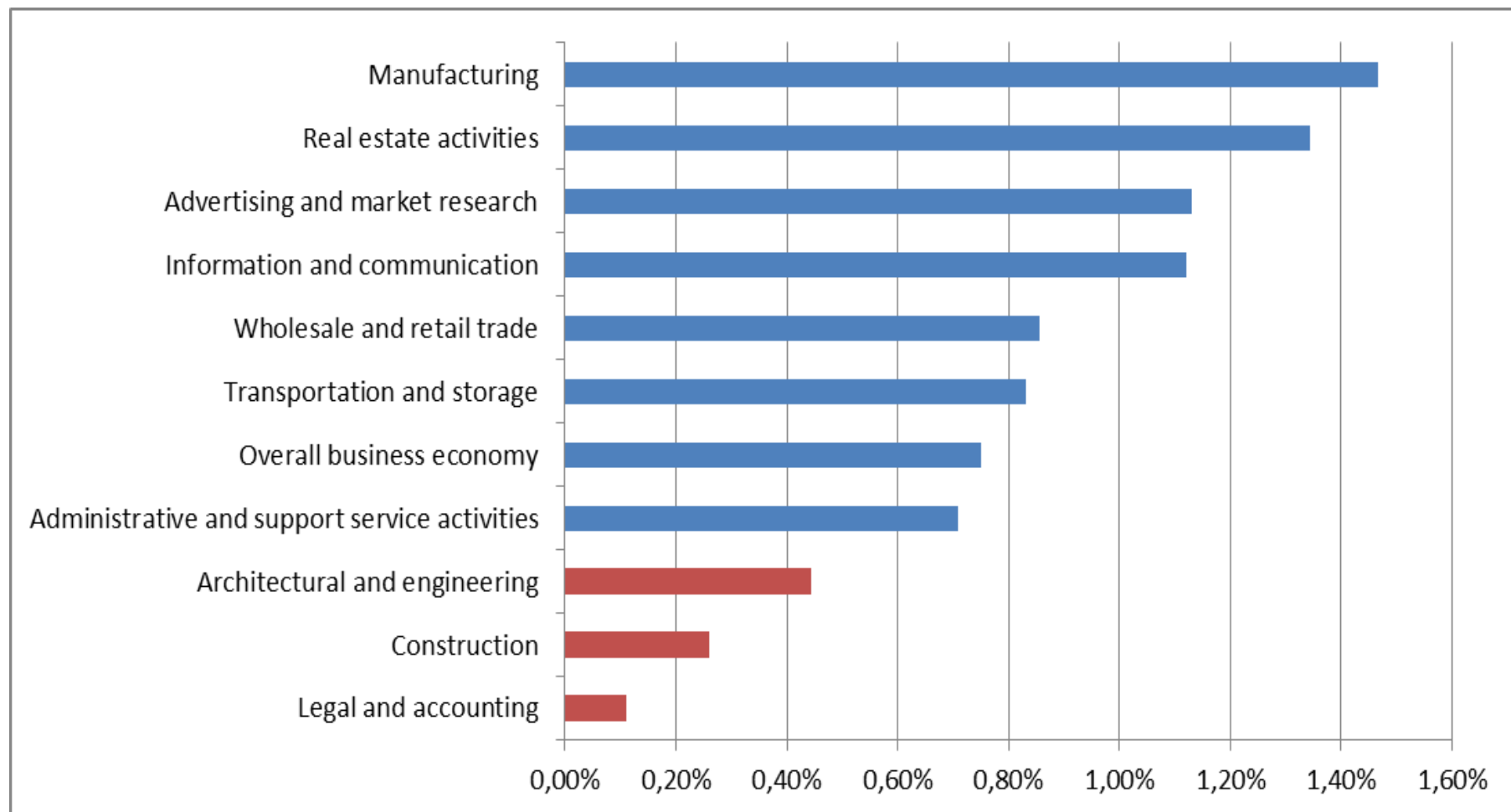
Very few SMEs in these sectors are able to expand their activities across the EU. Need to make better use of the Single Market for growth.

Case in point: comparison of cross-border trade intensity



Graph shows average of intra-EU imports and exports compared to the total size of the sector in terms of turnover (source: Eurostat)

Case in point: comparison of cross-border establishment intensity



Graph shows number of intra-EU foreign affiliates compared to total number of companies active in the sector (source: Eurostat)

In which services sectors might there be a need for addressing regulatory obstacles? (2/4)

- The current situation in business services and construction has the following consequences:
 - Low number of new companies entering the market
 - Low productivity growth for existing companies
 - Limited choice for consumers
- Important spill-over effects:
 - Industry is an important consumer of services – low performance in services has therefore a negative impact on industry as well
 - This is the case in particular for the business services sector which accounts for more than 12% of the value of manufactured exports in the EU

In which services sectors might there be a need for addressing regulatory obstacles? (3/4)

- Need for more mutual recognition and/or targeted harmonisation in business services?
- Focus might be on requirements for shareholding structures, restrictions on legal forms, rules on management and restrictions on multidisciplinary activities
- In particular for companies and partnerships offering accounting, architectural or engineering services

In which services sectors might there be a need for addressing regulatory obstacles? (4/4)

- Need for more mutual recognition and/or targeted harmonisation in the construction sector?
- Focus might be on organisational requirements, rules on professional and technical capacity and requirements regarding certifications of quality management systems

Example 1: Access to the market of accounting services

Description

- A company providing accounting services wants to set up a professional accounting firm
- The provision of accounting services in that Member State is only allowed for companies of which two thirds of voting rights are held by natural persons qualified as accountants

Result - Situation today

- The company is unable to change its corporate structure to comply with the requirement on voting rights
- The company's application is denied by the national authorities and it therefore fails to establish in the market

More integrated services markets? – Access to insurance

- It is often not easy for SMEs to obtain insurance cover for cross-border activities
- What could be done to allow for better access to insurance?
 - Should the difficulties be addressed at EU level?
 - Should minimum conditions of access to insurance be harmonised?
 - Should insurers offer insurance products adapted to cross-border service activities?

Example 2: Access to insurance for a construction project in another Member State

Description

- A construction company is awarded a building contract in another Member State
- The company needs to obtain a mandatory liability insurance before starting the project
- No insurance company in the home Member State is willing to provide this type of insurance. Neither is the construction company able to buy such a policy from insurers in the host Member State.

Result - Situation today

- After 5 months during which the construction company tried in vain to secure liability insurance for the project, the customer decided to award the project to a local company at a much higher price