



**European Economic and Social Committee (EESC)
Section for the Single Market, Production and Consumption
Single Market Observatory (SMO)**

**Follow-up of the European Commission – DG MARKT – Mr Barnier
on the EESC opinion on "Key Actions towards a Single Market Act II"**

Exploratory opinion at the request of the European Commission – [CESE 1575/2012](#) - INT/648 – adopted on 12 July 2012

Rapporteur general: [Mr Ivan Voleš](#) (Gr. I - Employers – Czech Republic)

General comments

The Commission thanks the EESC for its exploratory opinion "Key actions towards a Single Market Act II". While finalising its Communication "Single Market Act II Together for new growth", the Commission took due note of EESCs' considerations and suggestions in the present opinion, as well as in the opinion INT/548 Single Market Act.

The Single Market Act (SMA) 2 maintains the balanced political vision promoted by the SMA I that was widely welcomed by the stakeholders, European Parliament and Member States. Like the SMA 1, the objective of the SMA 2 is to focus political attention on a limited number of key actions and to fast-track their adoption. In the SMA 2 the Commission announces 12 key proposals for new growth in the single market, in four key areas: developing fully integrated networks in the single market; fostering mobility of citizens and businesses cross-border; supporting the digital economy across Europe; and strengthening social entrepreneurship, cohesion and consumer confidence. The priorities were chosen taking into account their social, employment and growth impact, as well as their feasibility. Therefore, a number of initiatives did not find their place in the final set of actions. The Commission continues however its work according to the priorities set out in its wider Work Programme.

Main points of the EESC Opinion

The EESC calls for proposals which include medium and long-term measures guaranteeing sustainable development.

Proposals to enhance the Single Market should take into consideration the views of all stakeholders.

The EESC urges the Commission to take measures mainly in the field of services, access to finance, removal of administrative burden for SMEs, e-commerce, digital Single Market and mobility. They should be accompanied by actions which reinforce consumer protection and support the social economy.

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The Commission's vision for smart, inclusive and sustainable growth by definition requires the promotion of measures stimulating long-term, as well as short and medium-term, growth. The (SMA 2) proposes measures to encourage long-term investment, for example, by facilitating SME access to long-term investment funds.

The Commission remains committed to its policy of consulting stakeholders and interested parties on its policies. Stakeholders have been consulted during the preparation of both the SMA 1 and the SMA 2.

The Commission acknowledges the EESC's concerns and points out that these are all addressed in the SMA 1 and 2.

Main points of the EESC Opinion

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The EESC considers communicating on the advantages and raising awareness of the issues of the Single Market for citizens and businesses is crucial.

The Commission shares the view that raising awareness of Single Market issues is essential. The Single Market Week held across the EU in October 2012 and the Generation 1992 competition are examples of on-going efforts in this matter.

The EESC intends to draft an own-initiative opinion on the missing measures from the Single Market Act 1.

The Commission welcomes input from the EESC and looks forward to continuing our close dialogue in the future.

Services

The EESC urges the Commission to make basic payment accounts available to all citizens, combined with increased transparency of bank fees and ease with which consumers switch accounts.

The key actions announced in the SMA 2 include a legislative proposal to grant all EU citizens access to basic payment accounts, increase transparency and comparability of bank account fees and the ability to switch accounts easily.

The Commission should consider parcel delivery in e-commerce a priority.

Efficient parcel delivery services for goods ordered online constitutes a priority and further steps will be taken in 2013, following a public consultation on the basis of a Green Paper just adopted.

The Commission should consider cross-border insolvency proceedings a priority.

Modernising EU insolvency rules is among the priorities of the SMA 2.

Measures concerning the operation of the Single European Payments Area should be included in the Act.

As a follow-up to its Green Paper on card, internet and mobile payments (COM(2011)941 final), the Commission will present a proposal for a revised Directive on payment services as well a legislative proposal on multilateral interchange fees for card payments. These combined actions should contribute to reinforce and expand SEPA.

The EESC reiterates its support for the extension of the standards on services.

A corresponding Commission legislative proposal was adopted by the European Parliament and the EU Council in October 2012.

Digital Single Market

The EESC considers that the completion of the digital Single Market will be “a key plank in the re-launch of the Single Market”.

The Commission recognises the huge growth and societal potential that a fully integrated EU digital single market presents. This is reflected in the prominence given to digital single market policy in both SMA 1 and 2. The SMA 2, for example, focuses on reducing the costs and increasing the efficiency associated with the deployment of high speed broadband. A legislative proposal is to be presented during the first quarter 2013.

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The EESC calls for action in the following areas: "data protection, open internet, net neutrality, removal of barriers based on nationality/residence, e-signature, e-payment, broadband investment, universal access, accessibility of hardware and software for everybody and legislation for online services accompanied by a consistent consumer policy."

The EESC calls for the opening of e-government services through generalised use of IMI and to consider the advantages of e-invoicing.

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Pursuant to the SMA 1, the Commission presented a legislative proposal on 4 June 2012 for the adoption of legislation on eSignature, eIdentification and trust services. It also adopted a broad action plan for the development of eCommerce and online services on 11 January 2012. The SMA 1 also targets data protection, removal of barriers based on residence and universal access. E-payments are addressed in the SMA 2. The other areas mentioned by the EESC are also considered important by the Commission, which has already addressed some of them with specific proposals or activities, or is assessing options for future action.

The Commission agrees that e-invoicing presents many advantages and for this reason will propose to introduce electronic invoicing in public procurement. This is one of the twelve SMA 2 key actions. The Commission is in the process of extending the use of IMI.

Networks

The EESC accords special attention to the creation of a Single Railway Area and a Single European Sky, and the revision of European seaport policy.

The Commission agrees that developing fully integrated networks is essential. Four of the twelve key actions in the SMA 2 concern further development of European transport and energy infrastructure. The Commission will present a legislative proposal in Q4 2012 on the adoption of a fourth railway package improving quality and cost efficiency of rail passenger services. The Commission is working on improving the availability, efficiency and reliability of seaport services and will also table a "Blue Belt" package designed to reduce administrative burden on intra-EU maritime transport. A package of legislative and non-legislative measures in this regard will be presented in Q2 2013. The Commission is preparing an action plan to accelerate the implementation of the Single European Sky which will be presented in Q2 2013.

The EESC endorses the Commission's recent initiatives aimed at pressing ahead with interconnection and completing the internal energy market, and supports the principle of creating a European Energy Community (EEC).

The Commission welcomes the support of the EESC.

The EESC believes a critical assessment of the liberalisation of the energy market is required in light of the fact it has not delivered lower prices.

The Commission is constantly assessing the functioning of the internal energy market (IEM). The Communication on the IEM of 15 November 2012 is the latest proof of that. It highlights challenges that urgently need to be tackled in order to make the market function to its full potential, in order to deliver maximum benefits to consumers. But it also highlights benefits that are already being achieved. One of those benefits is that market opening, increased cross-border trade, market integration and stronger competition, all fostered by EU

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legislation, are keeping energy prices in check. While prices of primary energy commodities have increased annually by 14% for crude oil, almost 10% for gas and 8% for coal in recent years, wholesale electricity prices in the EU have risen much less, namely by 3.4% thanks to increased cross-border trade and market integration. However, the energy bill paid by consumers consists of more than just its energy component, which makes this price effect less visible. Transmission and distribution networks charges make up a substantial part of the total bill, as do taxes and levies. These charges, taxes and levies are not always spread evenly over all customer groups, burdening household consumer bills in particular. They are all determined at Member States level and subject to national policies. In some Member States taxes and levies constitute around 50% of final energy bill.

Access to finance

The EESC urges the Commission to develop SME-targeted bond platforms and explore ways to improve mezzanine finance.

The Commission has adopted in December 2011 an Action Plan on SME access to finance that has addressed some of the issues mentioned in the opinion. Among other issues, the Commission will support through the COSME programme, significant intervention by the EIF in favour of financial instruments for SMEs. In its regulatory reform, the Commission is also proposing to introduce an SME label to increase visibility and attractiveness for SME markets, be they equity or bond markets.

The EESC recommends that negotiations with Member States on future structural funds take into consideration the need for the creation of financial instruments supporting guarantees for SME loans.

The Commission proposal for future Common Provisions Regulation includes not only detailed provisions on use of financial instruments in cohesion policy, but also offers certain incentives for Member States to use more financial instruments. In the negotiations of operational programmes, the discussion on the form of support and possible use of financial instruments will take place. Improving access to finance for SMEs is one of the areas where the Commission sees particular opportunity for the use of repayable assistance (loans, guarantees, equity).

Taxation

The EESC calls for actions addressing divergent tax rules and administrative burdens which negatively affect expansion of SMEs. In particular the EESC urges the Commission to address double taxation and the complicated VAT recovery system in cross-border trade and services. In respect of the latter, the EESC recommends the introduction of a standard EU VAT declaration.

The need to reduce the administrative burden on SMEs is addressed in the SMA 1 and 2. The CCCTB, which is among the complementary actions of the SMA 1, will allow companies to benefit from a "one-stop-shop" system for filing their tax returns and will be able to consolidate all profits and losses they incur across the EU. The Commission has already taken several initiatives to revise the VAT system with a view to streamlining the procedures relating to cross-

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The EESC warns against the negative effects on the European economy of tax havens resulting from Member State tax legislation.

border transactions. A new directive allowing for a fully electronic cross border VAT refund scheme is in force since January 2010. A proposal on a VAT One Stop Shop was put forward in 2004. At the end of 2013, the Commission will also present a proposal giving businesses the option of using a standard VAT declaration form rather than a different VAT form in every Member State.

In the event that a financial sector tax based on cash flows or other similar factors is to be introduced, the EESC urges the Commission to consider its creation within the VAT framework.

The Commission shares concerns over the use of third countries not obeying EU standards on good governance in tax matters, usually referred to as tax havens. On 6 December, the Commission presented a comprehensive package of immediate, short term and long term action against tax fraud and evasion. The package includes a recommendation which builds on the standards currently already applied by all (transparency, exchange of information and no harmful tax measures). The recommendation specifies measures that MS should take against non-compliant countries and in favour of compliant third countries and in certain cases those that are committed to compliance, in order to promote full compliance by all third countries.

The EESC calls for an introduction of general rules to pay VAT only when an invoice has been paid by the customer.

Reference is made to Commission proposals COM(2011)594, COM(2012)631 and COM(2013)71. The Commission proposal for a financial transaction tax is not based on a cash-flow approach.

A new directive (Directive 2010/45/EU) making it possible for all MSs to introduce cash accounting schemes on an optional basis for SMEs entered into force in January 2013.

Business Environment

The EESC stresses the need to reduce the administrative burden further and expects the proposal of new Commission targets in 2013.

The Commission supports the need to reduce the administrative burden. A key action in the SMA 1 is the simplification of the Accounting Directives. A legislative proposal in this respect was presented on 25 October 2011. One of the complementary actions in the SMA 1 was the simplification of the financial reporting obligations specifically for micro-enterprises. Directive 2012/6/EU amending Council Directive 78/660/EEC achieved this goal. Further legislative proposals regarding the adoption of the European Private Company Statute, the adoption of a Regulation simplifying cross-border recovery of debt and the introduction of an optional European contract law instrument have all been put forward by the Commission.

The EESC urges the Commission to pay more attention to issues not sufficiently covered by EU legislation and support programmes, such as self-employed people.

The Commission reassures the EESC that although not the subject of legislative action, issues such as mentioned are not side-lined. The Commission points out

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that the [Europe 2020 strategy](#) recognizes entrepreneurship and self-employment as key for achieving smart, sustainable and inclusive growth, and several flagship initiatives address them such as the Agenda for New Skills and Jobs.

Social Entrepreneurship

The EESC stresses the need to develop a methodology for the measurement of the impact of social businesses on the community.

The Commission considers the promotion of social business within the European Union a priority. The Commission is committed to developing a methodology to measure the socio-economic benefits created by social enterprises in the EU and has created a sub-group to the Expert Group on Social Business (GECES) which will work on the development of such a methodology.

The European Foundation proposal and all other European corporate forms must be assessed in the context of the consultation on the renewal of EU company law.

The Commission does not agree that the European Foundation proposal should be assessed in the context of the consultation on the renewal of EU company law. This proposal has been presented by the Commission and is being dealt with by the EU legislator. The European Foundation proposal would not create a company form.

Consumers

The EESC calls for a collective redress mechanism providing protection for SME, consumers, workers and citizens against unfair commercial practices.

Pursuant to the SMA 1, the Commission is assessing policy options for the development of a European approach to collective redress.

The EESC calls for an integrated Single Market for cards, Internet and mobile payments

The SMA 2 proposes among its 12 priorities a revision of the Payment Services Directive and a legislative proposal on multi-lateral interchange fees for card payments making payment services in the EU more efficient. These proposals are to be presented in Q2 2013.

The EESC calls for European product safety rules to apply the principles of life cycle philosophy and 'cradle to grave' approach.

The Commission agrees on the importance of improved product safety rules and included this as key actions in the SMA 2. The Commission intends to improve product safety in the EU through the Product Safety and Market Surveillance Package adopted on 13 February 2013 which contains, among others, a proposal for a Consumer Product Safety Regulation, a proposal for a new single Regulation on Market Surveillance of products and a flanking action plan for the period 2013-2015.

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Mobility of citizens

The EESC calls for the modernization of the system for recognising professional qualifications.

The modernization of the system for recognising professional qualifications is among the 12 priorities of the SMA 1.

Regarding the portability of pension rights, the White Paper focuses too much on improvement of individual third pillar pensions. First and second pillar schemes need to be improved in order to guarantee structural benefits, also for people moving throughout Europe.

In order to facilitate mobility, statutory social security pensions (often referred to as 'pillar I' pensions) earned in different Member States are co-ordinated under Regulation 883/2004/EC. This ensures that if a person works in more than one Member State they do not lose out when it comes to their statutory social security pension entitlements. However, occupational pensions (so-called 'pillar II' pensions) are subject to no such arrangement which means that people who move jobs (including within Member States if this involves changing occupational pension schemes as is often the case) may lose out.

Recognising the need to close this gap, the Commission has sought to introduce a solution for supplementary pension schemes. As we set out in the White Paper¹ "In 2012, the Commission will, in close cooperation with the Council and the European Parliament, resume work on a pension portability Directive setting minimum standards for the acquisition and preservation of supplementary pension rights." The European Parliament has made clear its support, see for example the European Parliament Resolution of February 2011². The European Council reiterated its support for action in this area in June 2012, calling for "the acquisition and preservation of cross-border pension rights and other social security rights for EU workers" to be strengthened³. Discussions in Council have accordingly recommenced under the Cypriot Presidency.

Social Cohesion

The EESC is of the opinion that there is a need to clarify the enforcement rules and the reference to article 3.3 of the Lisbon Treaty.

Article 3.3 of the Treaty on European Union states that the objective of the single market is a highly competitive social market economy. The balanced approach of the SMA 1 and 2, with its priority actions to boost new growth and strengthen confidence is fully supportive of this objective.

¹ COM(2012) 55 final WHITE PAPER An Agenda for Adequate, Safe and Sustainable Pensions

² "Towards adequate, sustainable and safe European pension systems" P7_TA(2011)0058

³ Conclusions of the European Council of 28/29 June 2012. EUCO 76/12

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Public Procurement

The EESC considers that criteria other than best price must be incorporated into public procurement rules on an equal footing and calls for increased e-procurement to accelerate administrative procedures.

The Commission recognises that a revised public procurement legislative framework has the potential to boost demand for goods and services which are environmentally sustainable and social responsible. The Commission presented a legislative proposal for the revision of Public Procurement Directives on 20 December 2011 (key action under SMA 1). In this proposal, the Commission has proposed the full transition to pre-award e-procurement by mid-2016. A key action of the SMA 2 aims to make electronic invoicing the standard invoicing mode for public procurement.

The EESC expresses concern at the opening of EU public procurement markets to third countries citing an uneven playing field and the protection of human rights as justification

The Commission is of the opinion that opening up public procurement generates benefits at global and European levels. A legislative proposal on this issue was presented on 21 March 2012.

Intellectual Property Rights

The EESC calls for the clarification of the current IPR legal framework and for legal sanctions and enforcement to be proportionate to the offence.

The Commission is conducting an extensive public consultation process on the functioning of the national IPR enforcement systems concerning civil law measures and will, in the light of the results of this consultation, assess the need for improvements regarding the EU legal framework. The Commission agrees that IPR enforcement has to focus on efficient actions against the most harmful commercial scale infringements; civil enforcement procedures should not be used as means to punish consumers or try to alter their behaviour. We need an efficient, but balanced legal framework, that fully respects fundamental rights.
