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COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

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Subject: COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY
OF THE IMPACT ASSESSMENT Accompanying the document Proposal
for a Directive of the European Parliament and of the Council on the legal
and operational framework of the European services e-card introduced by
Regulation ... [ESC Regulation] ...

Delegations will find attached document SWD(2016) 438 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a Directive of the European Parliament and of the Council on the legal and operational framework of the European services e-card introduced by Regulation ... [ESC Regulation] ...

{ COM(2016) 823 final }

{ SWD(2016) 437 final }

Executive Summary Sheet

Impact assessment on the proposal for a Directive of the European Parliament and of the Council on the legal and operational framework of the European services e-card

A. Need for action

Why? What is the problem being addressed?

A number of services sectors are continuing to show a lack of internal market integration. This is the case in particular for construction services and several business services. Firstly, there is administrative complexity when service providers go cross-border. Secondly, there is a lack of well-structured cooperation mechanisms under the Services Directive. Thirdly, SMEs often encounter difficulties to access the required insurance coverage for activities in other Member States. Finally, the regulatory environment across Member States is still highly divergent for a number of business services. As a result of these drivers, only few service providers provide services cross-border or set up a secondary establishment. Competition on these markets remains limited, leading to an inefficient allocation of resources, limited choice for consumers and high prices. Because of important knock-on effects, underperforming business services also carry an important cost in terms of the competitiveness of the EU's industrial economy. Progress made by Member States to implement the Services Directive has slowed down – and even reversed in certain instances – over recent years with no signs of recovery.

What is this initiative expected to achieve?

The general objectives of this initiative are to enhance market integration in business services and construction and improve productivity growth in both sectors. The specific objectives of this initiative are to:

- Make it easier and less costly for companies to provide services in other Member States;
- Inspire more confidence in the market from foreign service providers by increasing transparency and available information;
- Inject increased market dynamics and competition leading to more choice and lower prices for customers, including industrial customers.

What is the value added of action at the EU level?

The current situation is characterised by insufficient common trust between national authorities and strong vested interests at national level, as a result of which Member States continue to impose their domestic requirements on incoming service providers with little or no regard to the regulatory framework already applied to the service provider in their home country. EU action would ensure that service providers can benefit from a consistent and coherent approach across Member States in expanding across borders. Action at EU level would also bring national authorities together and help increase trust between them.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

A range of policy options have been described in the impact assessment. In addition, a number of packages have been considered, combining these policy options:

- Package 1 would allow the service provider to obtain a certificate regarding legal establishment in the home Member State and confirmation of existing insurance coverage for activities also in the home Member State;
- Package 2 would allow the service provider to make use of an EU-level procedure to actually gain access to the market of another Member State. In addition, it would address obstacles related to insurance in cross-border situations;
- Package 3 would in addition to package 2 reduce regulatory disparity in a number of key business services through harmonisation of regulatory obstacles for foreign and domestic service providers;
- Package 4 would in addition to package 3 introduce specific solutions to address regulatory disparities in the case of secondary establishment (branches and agencies), exempting foreign service providers from certain requirements while allowing the host Member State to introduce alternative safeguards.

Package 2 is assessed as the preferred choice.

Who supports which option?

The Commission has engaged extensively with stakeholders and Member States over the past years. A majority of stakeholders from the business services sector, whether being service providers, business organisations or other organisations, expressed support for solutions taken at EU level to address barriers. Industrial customers of business services are also in favour of increasing the efficiency of the sector. A number of the stakeholders of

the construction sector had reservations, suggesting that construction is essentially local in nature.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

Overall, package 2 is expected to have a positive and significant impact by reducing administrative barriers in a comprehensive way for cross-border service providers and providing additional information and transparency to consumers. This package is therefore expected to lead to significant cost savings for service providers going cross-border. It is liable to generate an increase in market dynamics and competition levels, hereby increasing choice and value added for consumers.

What are the costs of the preferred option (if any, otherwise main ones)?

Package 2 is not expected to generate additional costs for service providers or consumers. The European services e-card would not be mandatory for service providers, but rather a voluntary tool at their disposal in all Member States.

How will businesses, SMEs and micro-enterprises be affected?

The initiative is specifically targeted at SMEs since they are most impacted by administrative complexity when expanding abroad. It will provide a one-stop shop for providers in the sectors of business services and construction, while increasing legal certainty about the requirements applicable to them. A reduction of administrative burden would allow them to save time and costs when going cross-border.

Will there be significant impacts on national budgets and administrations?

Package 2 would generate limited costs for Member States' authorities. These would not exceed 2 million EUR per year across all Member States. The existing Internal Market Information (IMI) system – set up, managed and funded by the Commission – would serve as the back office for the European services e-card.

Will there be other significant impacts?

Package 2 would have a range of positive impacts related to reducing administrative burden for service providers, improving the functioning of the single market, increasing competition and creating more choice for consumers. It shall also enhance administrative cooperation between Member States authorities within a clear procedural framework with a view to facilitating mutual recognition of requirements met already in the home Member State where applicable.

D. Follow up

When will the policy be reviewed?

The Commission would pursue its regular dialogue with Member States and stakeholders. In the mid-to-long-term Member States would be invited to evaluate the functioning of the initiative, involving also where applicable national social partners (in particular as regards the construction sector). An evaluation report could be issued 3 years after the end of the transposition period.