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EDITORIAL

Considerable progress is being made to reduce the cost of non-cash cross-border payments in Europe. The European Parliament has given its backing to the legal framework of the proposed Payment Services Directive and this lifts the last major obstacle for Member States to implement the new rules into national law by November 2009. The Directive underpins the Single European Payment Area (SEPA) which aims to ensure that cross-border payments - in particular credit transfer, direct debit and card payments - become as easy, efficient, and secure as domestic payments within a Member State (see page 4).

Europe's current patent system is considerably more expensive than the U.S. and Japanese systems. A more efficient system for the EU's companies is urgently needed though the development of a system of patent protection acceptable to all has been difficult. To revitalise the debate on this issue, the Commission has published a Communication setting out its vision for improving the patent system in Europe. The Commission believes that a truly competitive and attractive Community patent can be achieved provided there is political will to do so. Many sectors of industry both large and small believe it is imperative for the patent system in Europe to be more accessible and less expensive (see page 6).

The celebration of the 50th Anniversary of the EU has been a good moment for all of us to reflect on the achievements that have been made since 1957. The progress made in the development of the EU's Single Market and the benefits this has brought to its businesses and citizens clearly stand out as one of the foremost successes. A market of almost half a billion people, 27 member states, open borders and a common currency in 13 of them is a huge achievement and is delivering benefits to European citizens every day. But the Single Market will never be finished and much remains to be done. The Single Market Review which will be published later this year, will set out our priorities for future action (see Special Feature on page 11).

Bank loans, mortgages, insurance and investments are an essential part of the everyday lives of EU citizens but they are areas where cross-border integration has yet to be fully developed. In some of them there appears to be insufficient competition, preventing EU consumers from taking full advantage of the benefits of the Single Market. The Commission wants to open up a full public debate on future policy in these areas and has published a Green Paper setting out its broad objectives for financial products which are provided to individual consumers. Through a wide public consultation process we want to identify the best track to integrating these services across EU borders to deliver tangible benefits of the Single Market to the consumers. (See page 18).



Jörgen Holmquist
Director-General for
Internal Market and Services,
European Commission

Green light for cheaper cross-border payments by 2010

The European Parliament gave the green light in April to the proposed Payment Services Directive and lifts the last major obstacle for Member States to implement the new rules in national law by November 2009. The Directive underpins the Single European Payment Area (SEPA) which aims to ensure that cross-border payments - in particular credit transfer, direct debit and card payments - become as easy, efficient, and secure as domestic payments within a Member State.



The Parliament's decision follows a general agreement reached by the EU's finance ministers in March on the text of the Payment Services Directive (PSD). The draft legislation has now been forwarded to the EU Council for final adoption. EU Member States will then have until 1 November 2009 at the latest to transpose the Directive into national law.

Easy, cheap euro transfers

The Payment Services Directive (formerly the New Legal Framework) was

proposed in December 2005 and is an important step towards the creation of a Single Market for Payments, in the EU.

The legislation sets out to unify payment rules across all EU member states and at the same time increase competition among payment services providers.

By lowering cross-border payment costs and allowing e-invoicing to take off, the Commission expects the new rules could generate savings of between 50-100 billion euros every year for both businesses and consumers (see SMN40).

The proposals provide the necessary legal platform on which the banking industry initiative to create a Single European Payments Area (SEPA) covering the euro currency zone could be built.

The SEPA initiative was launched in 2002 by the banking industry and is led by the European Payments Council (EPC). The overarching objective of SEPA is to ensure that non-cash payments within the eurozone - in particular credit transfer, direct debit and card payments - become as easy, efficient, and secure as domestic payments within a single Member State.

SEPA is strongly supported by the EU and the European Central Bank (ECB) which want to see a more efficient payment systems using advanced payment technology serving to deliver benefits for

EU citizens including a reduction in price divergences.

Progress with SEPA

With the proposal for the PSD now adopted by the European Parliament, the ECB and the European Commission is now urging the banking industry and all other stakeholders to maintain momentum and intensify preparation for the launch of the SEPA by 1 January 2008, and for its subsequent successful and timely implementation.

Banks will start to upgrade their systems in order to be ready to start marketing the first SEPA products from January 2008. As more and more banks make SEPA payment instruments available, customers will migrate to the new SEPA products with the aim of making SEPA a reality for everyone by the end of 2010.

Protecting rights

The legal framework provided by the PSD will reinforce the rights and protection of all the users of payment services including consumers, retailers, large and small companies and public authorities.

By harmonising the applicable legal framework, the Directive will greatly facilitate the operational implementation of SEPA instruments by the banking industry, as well as their adoption by end-users.

The Directive will also underpin consumer protection and enhance competition and innovation by establishing an appropriate prudential framework for new entrants to the retail payments market.

Early adoption by the Public sector

A high-level conference in Brussels on 8 May ("SEPA: An opportunity for Europe") focused on the important role which the EU's public sector can play in the successful implementation of the SEPA project.

Portugal's Secretary of State for Treasury and Finance, Carlos Costa Pina, stressed that public administrations are a catalyst for change. They will also be the beneficiaries of SEPA through more efficient,

position of the PSD into national legislation," he said.

Austria's Secretary of State, Ministry of Finance, Christoph Matznetter also confirmed that his country is committed to an integrated payment market and the introduction of SEPA. "All the payment activities of our ministries will be ready for SEPA and all Federal payments will run under SEPA," he explained.

Charlie McCreevy, Commissioner for Internal Market and Services stressed that the move to SEPA payments by public administrations is essential to get SEPA off to a good start.

"The technical, business and legal foundations of the SEPA project have been firmly established," he added.

"Now we need a robust and realistic timeline for completion of the project. And by completion, I mean wide-spread use of SEPA products by retail customers, SME's, corporates and the public sector.

"The public sector needs to give a clearer commitment to the banking sector that it is prepared to take up and use SEPA products. Assuming the performance requirements we all expect can be assured then the public sector should be early adopters of SEPA.

faster, safer and cheaper payments systems. "A modern public service depends on a modern payments infrastructure," he emphasised.

His own country, which takes over the Presidency of the EU in July, is embarking on a national migration plan for SEPA. "SEPA and the PSD are very important in guiding Portugal's policies. Our government is committed to a fast-track trans-



Commissioner Charlie McCreevy (left) flanked by Director-General for Internal Market and Services, Jörgen Holmquist, and Elemér Terták, Director Financial Institutions (right): "The move to SEPA payments by public administrations is essential to get SEPA off to a good start."



Commissioner for Internal Market and Services Charlie McCreevy addressed the high-level conference "SEPA: An opportunity for Europe - Role of the public sector".

"The public sector needs to give a clearer commitment to the banking sector that it is prepared to take up and use SEPA products..The public sector should be early adopters of SEPA."

Gertrude Tumpel-Guggerel, Board Member of the European Central Bank pointed out that in many respects the introduction of SEPA is more complex than the introduction of the euro.

"We need a better dialogue with the public sector and a number of institutions, not just the Ministries of Finance.

"The public sector which represents 40% of GDP in the EU can support the migration process towards the new payments system."

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The Commission sets out its vision for improving the patent system in Europe

The Commission has published a Communication setting out its vision for improving the patent system in Europe and for revitalising the debate on this issue. Making the Community patent a reality and improving the patent litigation system in Europe should, together with supporting measures, make the patent system more accessible and bring cost savings for all. The Commission believes that this can be achieved provided there is political will to do so.

In today's increasingly competitive global economy Europe cannot afford to lose ground in an area as crucial as patent policy.

Patents are a driving force for promoting innovation, growth and competitiveness, but the single market for patents is still incomplete.

The difficulties in making progress in the field of patents and especially on the creation of a Community patent led the Commission to launch, in 2006, a broad



"An average European patent designating 13 countries is 11 times more expensive than a U.S. patent and 13 times more expensive than a Japanese patent."

consultation of all interested parties on the future patent system in Europe. The results leave no doubt as to the urgent need for action to provide a simple, cost-effective and high-quality patent system in Europe.

The Communication is intended to draw operational conclusions from the stakeholder consultation and to allow the Council to launch deliberations on patent reforms, in particular on the Community patent and on jurisdictional arrangements. Moreover it addresses various supporting measures for an improved patent system, such as patent quality, knowledge transfer and enforcement issues.

A separate and comprehensive Commission Communication on Intellectual Property Rights (IPR) is planned for 2008, which will complement the Patent Communication and address the main outstanding non-legislative issues in all fields of intellectual property.

Current system is expensive and legally insecure

The Communication highlights the fact that Europe's current patent system is considerably more expensive than the U.S. and Japanese systems.

An average European patent designating 13 countries is 11 times more expensive than a U.S. patent and 13 times more expensive than a Japanese patent.

A Community patent would be far more attractive than legal models applied under the present system of European patents, which is essentially a bundle of national patents.

The existing system of patent litigation in the EU, with the risk of multiple patent litigation in several countries on the same patent issue, leads to unnecessary costs for all the parties involved and causes lack of legal certainty.

The Community patent

Many stakeholders continue to support the Community patent as the approach which will yield most added value for European industry under the Lisbon strategy. However they criticise the Council's Common Political Approach adopted in 2003* on the grounds of high costs of translation arrangements as well as the excessive centralisation of the proposed jurisdictional system.

The Commission believes that a truly competitive and attractive Community patent can be achieved provided there is the political will to do so. The concerns about an overly centralised jurisdiction should be taken into account in the work on the creation of an integrated EU-wide jurisdiction for patents.

On translation costs, the Commission will explore with Member States how to improve the language regime with a view to reducing translation costs while increasing legal certainty. Possible options could involve fee reductions for SME's or schemes allowing for flexibility in the

translation requirements. Moreover, pilot projects on machine translations of patent claims merit further consideration.

An integrated EU-wide jurisdictional system for patents

Recent discussions with Member States show polarised positions on patent jurisdiction arrangements with, on the one hand, Member States supporting the draft European Patent Litigation Agreement (EPLA) in the context of the European Patent Convention, which intends to create a unified system for litigation on European patents, and, on the other hand, Member States favouring the establishment of a specific Community jurisdiction for patent litigation on European and Community patents based on the EC Treaty.

Europe's current patent system is considerably more expensive than the U.S. and Japanese systems.

Under these circumstances, the Commission believes that consensus could be built on the basis of an integrated approach which combines elements of both EPLA and a Community jurisdiction.

The way forward could be to reflect on the creation of a unified and specialised patent judiciary, with competence for litigation on European patents and future Community patents. This system could be strongly inspired by the EPLA model but could allow for integration in the Community jurisdiction.

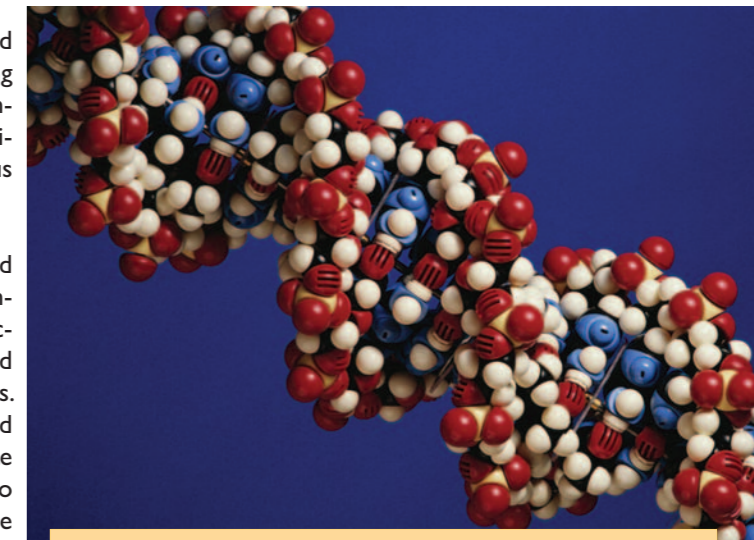
As a first step, work should concentrate on building consensus among Member States around principles on which consensus is emerging.

The patent judiciary would have competence for infringement and validity actions as well as for related claims such as damages. The jurisdiction should ensure an appropriate degree of proximity to the parties and comprise a limited number of first instance chambers as well as a fully centralised appeal court which would ensure uniformity of interpretation. The chambers could make use of existing national structures but should form an integral part of the single jurisdictional system. In the context of this single, yet multinational system of litigation, the allocation of cases would be handled by a registry of the judiciary on the basis of clearly defined and transparent rules.

The first instance chambers and the appeal court should work under common rules of procedure based on best practices in the Member States. This would be by using the knowledge and experience of specialised patent tribunals within the EU.

The patent jurisdiction should comprise legally and technically qualified judges who should enjoy full judicial independence.

Finally, the patent jurisdiction must respect the European Court of Justice as the final arbiter in matters of EU law, including questions related to the *acquis communautaire* (the body of EU law currently in force) and to the validity of the future Community patent.



A Community patent would be far more attractive than legal models applied under the present system of European patents, which is essentially a bundle of national patents.

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* Following the agreement in the Competitiveness Council of 3 March 2003, work continued at working party level to transpose the principles of the common political approach in the proposal for a Council Regulation on the Community patent. On this basis, the Commission presented two proposals concerning the establishment of a Community patent jurisdiction on 21 December 2003. Negotiations are stalled in the Council since 2004.

"The world is changing around us and we need to remain open to new ideas"

- Jörgen Holmquist

The new Director General for Internal Market and Services, Jörgen Holmquist has hit the ground running since January with an intensive programme of visits to national capitals and meetings with stakeholders. The energetic and engaging Swede talks to Single Market News about his first impressions and the perspective he wants to bring to Single Market policy.

“When I first came to the Commission from Sweden ten years ago I found myself working with what I would call the first generation of EU officials who were highly committed to building the post-War Europe but whose vision was totally focused on the internal process of building Europe without perhaps enough concern for the external dimension. What we find now is a new generation of officials coming to the fore who are open to the world outside Europe and sharply focused on the changes taking place in the more integrated, globalised economy beyond the EU’s frontiers” says the new Director General for Internal Market and Services, Jörgen Holmquist.

Things have indeed changed and rapidly, he stresses. In the space of 10-15 years the EU, now with half a billion citizens and 27 economies, is the world’s largest economy and a powerful force on the world stage. It is a key international player in all areas and stands on equal terms for the first time with the United States in discussions on regulatory issues.

“But,” he stresses, “the world is changing around us and we need to remain open to new ideas and be willing to re-examine our traditional ways and views.”

Tour of the capitals

Since taking over the post of Director General in January, Holmquist has found time in his busy schedule to tour EU cap-

itals meeting with top officials in national administrations. He has also scheduled meetings with stakeholders across the spectrum.

“I have set myself the task of visiting all the EU capitals in my first year. In the first three months I have been to seven capitals including that of the German presidency. “I believe it is essential to meet face to face government officials in national capitals at the top levels to get on first name terms and to discuss ideas on internal market policy issues.”

Holmquist stresses the importance of building up good working relationships. “These discussions are giving me a good idea of the priorities and concerns in national capitals and are enabling me to discuss at first hand some particularly sensitive issues. “In the future this direct personal contact may even help make progress on difficult issues.”

The new Director General admits to having had to do a lot of homework: “I have had a crash course in Single Market policy issues and have been absorbing complex briefing documents, covering all the key dossiers. I have had to learn very quickly.”

He has also spent time meeting all the individual departments of the Directorate General to get to know the staff on an individual basis.



New Director General for Internal Market and Services, Jörgen Holmquist

Changing world environment

Jörgen Holmquist is an economist by training and sees the new job in many ways as a return to his professional roots. He worked in Sweden’s Ministry of Finance (Budget Director) before moving to Brussels where he rose to become Director General for Fisheries.

“I am fortunate in taking over the fine groundwork of my predecessors as Directors General, Sir John Mogg and Alex Schaub, who did a remarkable job. I also benefit from working under the political

direction of a very capable and forthright Commissioner, Charlie McCreevy.

“What is clear is that Europe and the world have changed significantly since the Single Market blueprint was laid out in 1985 and we have to do a lot of re-thinking about our approach and priorities for the future.”

“Indeed”, he stresses, “the Internet, eCommerce and iPods were just not around when the first White Paper on building the European Single Market was drawn up by Commission Vice-President Cockfield in the mid-1980s. Twenty years later we have indeed built a Single Market and there are many positive results. But there are still gaps and shortfalls which have to be addressed. “I think it is an illusion to believe that the Single Market is a project that can ever be fully completed. This is not possible as markets are continually changing and we have to keep up with those changes. Furthermore we are now facing global markets where our economy is integrated in, is influenced by and is influencing other economies to a much greater extent than 10-15 years ago. There will always be more work to do on the Single Market”

Strengthening economic analysis

Given this changing environment, Jörgen Holmquist stresses the importance of continuously reviewing the economic assumptions underlying the Single Market.

“What we do in the Single Market area must be based on sound economic analysis. We should take some time to go back to basics and ask what recommendations for policy-making can be drawn from modern economic theory and how we can improve our economic understanding of how markets work in practice.”

He points out that the Directorate General for Internal Market and Services has always been one of the legal powerhouses of the Commission - understandably given the regulatory nature of the work

involved - but in the future should become a powerhouse of economics too.

Single Market Review

Over the course of 2006 the Commission consulted extensively on future Single Market policy and the Single Market Review strategy to be published after the summer will be one of the Commission’s most important policy documents of the year.

“The positive message we got from the consultation is that most people are in favour of the Single Market but do not yet see it as complete,” Holmquist explains. “Issues that require work are the services markets, retail banking, insurance, transport and energy, free movement of workers and intellectual property.”

Many business leaders believe that the Single Market is not sufficiently innovation friendly, he adds. They are also concerned that Single Market rules should not make EU businesses less competitive on the world stage. “These are issues that we will address,” he says.

Globalisation

“We must take the fears and concerns about globalisation very seriously,” Holmquist stresses. “Some sectors feel threatened but we should not overlook the fact that this changing market place represents massive opportunities for businesses in the EU. “The competitive threat of China and India is often cited but it should not be forgotten that as these economies grow they will be big importers and we are already seeing that in the case of China. There are economic cycles at work here and history shows us that countries which begin their success as low-cost exporters can eventually become major economic partners. “Economic development is not a zero-sum game. It is a dynamic process and can clearly be a win-win situation as far as the EU is concerned.”



Holmquist stresses the importance of building up good working relationships with national capitals: “In the future this direct personal contact may even help make progress on difficult issues.”

Regulatory Dialogue

Holmquist stresses the importance of the international regulatory dialogue which the EU is engaged in. He accompanied Commissioner McCreevy to meet the US Administration in March and will go with him to China and Japan in June. In the autumn he will be visiting India. “My predecessor Alex Schaub was instrumental in developing this relationship with the major economic players in the world and did an excellent job. Both sides feel that the other side takes them seriously. “We all realise that it is not enough to have a dialogue with the new economic powers, they must be fully involved.”

Priorities

“People have been asking me what my priorities are in Single Market policy. The problem I face is that they are all priorities! “The DG has a much more diverse range of economically important and politically sensitive portfolios than I perhaps anticipated. They range from postal services to patents, to financial services, copyright and defence procurement.

"And whilst the Services Directive has been given the green light, its effective implementation will require work and determination."

Implementation

In addition to new policy areas it is also clear that there is still work to be done properly implementing the measures that have been agreed. "DG MARKT has been making efforts on this for many years, but we plan to step up the pressure both through intensified cooperation with Member States and, where necessary, through decisive legal action," he says.

Better Regulation

Furthermore, seen from a horizontal angle, Better Regulation plays an essential role in the work of DG MARKT. It provides building blocks not only for improving the economic rationale for actions but also to achieve a better functioning Single Market.

"We take the Commission's Better Regulation commitments very seriously. We may not talk about it every minute, but we do it," Holmquist underlines.

"Proper preparation of policy initiatives includes the obligation to act responsibly and, on the basis of sound evidence, to consult with those who have an interest in a policy before putting a proposal on the table. Indeed the DG was an early pioneer in developing on-line consultation tools. And impact assessments are well embedded in the policy making process and have become mainstream practice. "We are trying to improve and deepen these methods - for instance by developing more systematic 'market monitoring', so that we can improve our economic base," he explains.

Cooperation with Member States

What is not widely recognised outside of Brussels, Holmquist explains, is that the Commission only has very small teams of people working on all these major policy issues. "We do not have the luxury of being overstaffed, quite the contrary. But one great advantage we have is the

ability to bring in national experts from the Member States to help us with our work. They bring in considerable technical knowledge. When they return they take with them a greater understanding of how things work in the EU context as a whole."

He explains that the best form of cooperation is for the Commission to work with

"I think it is an illusion to believe that the Single Market is a project that can ever be fully completed...markets are continually changing and we have to keep up with those changes." - Jörgen Holmquist



Member State specialists at the earliest stages, to benefit from their expertise and find the best ways forward. "We in Brussels greatly need the input and support of Member States," he says. "One considerable source of comfort for me is the extent to which our officials and specialists in the operational units of Directorate General are in regular contact with the key players involved in their subject areas. "The success of the implementation of the FSAP in record breaking speed has a lot to do with basic agreements on approach arrived at through direct contact and consultation at all levels. By the time the proposals reach ministerial level, the way is clear for agreement on many important issues."

Not that this is an easy process. Success in bringing through the MiFID legislation is a good example of a complex consultative process involving a vast array of different interests where the Commission and Parliament have been able to 'broker' the best compromises for the benefit of the EU as a whole."

Importance of listening

"I have been greatly impressed by the way this Directorate General consults stakeholders and experts," Holmquist says. "For us it is important to listen carefully to all concerned parties and take their input seriously. Everyone may not always get what they want, but the best interests of the EU economy as a

whole will be taken care of. "Maybe in the future we can also utilise think tanks and universities a little more. A good example of this approach has been set by the European Corporate Governance Forum."

As part as the Director General's 'induction programme' into Single Market policy he has been meeting with many stakeholders. "My aim is to establish contact with parties active in all areas of business, in all EU regions and in all centres of business, to ensure all viewpoints and interests are taken into account. "I have also met with trade union representatives and consumer groups and I aim to ensure they feel fully involved in the consultative process and ensure we have proper balance in what we do. "I want to extend our efforts to meet with those representing smaller sized firms. The importance of SME's in the EU economy is fully recognised and it is essential that single market policies represent their interests.

"The achievements already made in the Single Market area are immense and the challenges for the future are huge but I relish the task ahead of me. I can count on the support of my officials and they can count on me to bring the Single Market forward into the 21st century."

EU celebrates 50 years - Single Market success leads the way



In March of this year the EU celebrated its 50th Anniversary. In 1957, the founding Treaty of Rome was signed by its first six members. By 2007, the European Economic Community had developed into a European Union of 27 countries with a population of some half a billion people living in the largest economy in the world.

Today's world is very different from that of the founding fathers. The political priority of that era was to interconnect the economies of main powers of Europe to prevent a recurrence of the wars that had blighted the first half of the 20th century.

The 1957 Treaty's economic aims were focused on creating an area without frontiers to movement of goods, services and factors of production. The EEC moved to a full customs union in July 1968 with the abolition of all tariffs on trade between Member States.

Building on these initial achievements, the Single Market project really began with the Commission's 1985 blueprint, endorsed by the Member States in the Single European Act of 1986. This laid down a target date of 31 December 1992 for removing internal frontiers within the EU, allowing people, goods, services and capital to circulate freely.

The EU institutions and the Member States embarked on a seven year programme of drafting and adopting the hundreds of Directives needed to sweep away the technical, regulatory, legal, bureaucratic, cultural and protectionist barriers that were still holding back free trade and free movement within the EU.

Some fifteen years later, the old barriers are gone; people, goods, services and money move freely around Europe. Citizens can traverse the EU's internal frontiers as they wish for business and pleasure. If they choose they can stay at home and enjoy a vast array of products from all over the European Union.

Today the Single Market is generally hailed as one of the European Union's great successes. It has created 2.75 million new jobs since 1993 and generated over one trillion-euro in extra wealth.

Is all this appreciated by the consumer? Probably not as much as its founders would have wished. But surveys show that there is widespread appreciation of its benefits (see the Eurobarometer survey on page 15).

Milestones & Achievements

The Commission has been monitoring the progress made since the opening up of frontiers on 1 January 1993 and an analysis of the economic impact of the Single Market has been published by the Commission's DG for Economic and Financial Affairs*.

The Single Market has indeed made EU citizens more prosperous. There has been an increase in welfare of 480 euro per head in 2006 compared to a scenario with no Single Market. This corresponds to a 2.2% increase of GDP over the period 1992- 2006.

"The Single Market is one of Europe's greatest successes. Its principles – freedom of movement, open markets and effective competition – are the backbone of the European economy" - Charlie McCreevy.

* European Economy Economic Papers, No 271, January 2007



Firms selling in the single market know they have unrestricted access to a consumer base of 500 million people, enabling them to achieve economies and efficiencies of scale, which in turn translate into lower prices.

The ease of exporting has helped open up new markets to smaller firms who would previously have been deterred from exporting by

the cost and administrative time. The absence of border bureaucracy and the spread of the euro have cut delivery times and reduced costs. Before the frontiers came down, the tax system alone required 60 million customs clearance documents annually: these are no longer needed.

The use of the mutual recognition principle also means that in most cases, even where there is no harmonisation of technical specifications or other rules, companies need only one authorisation from their home Member State to provide a product or service anywhere in the EU.

It is now easier to start or buy a business. Bodies such as the European business support networks provide assistance to new entrepreneurs setting up their operations throughout Europe.

EU regional policy plays a direct role in the development of SME business support services such as access to finance, management and marketing etc.

EU competition law helps ensure a level-playing field regarding mergers and acquisitions within the EU. Mergers among European companies registered in different EU countries can also now be simplified by the creation of a 'European company'.

EU standards and labelling

Thanks to technical harmonisation and the work of standardisation bodies, goods complying with the required standards can move freely within the Single Market. This gives companies EU-wide market access, simplifies procedures and cuts costs, as well as ensuring technical interoperability and a high standard of safety.

Thanks to the opening up of the public procurement market, companies are now able to bid for contracts to supply goods and services to public authorities in other Member States. The expansion of electronic procurement is making it easier for smaller firms to participate in the procurement and bidding process.

The completion of the Financial Services Action Plan will provide further benefits for business. It will open the way to cheaper finance for businesses of all sizes and will liberate listed companies from having to comply with 27 divergent sets of national rules when they want to raise money.

In some areas operating costs have been reduced. Both small commercial users and larger businesses have benefited from lower telecommunications costs as well as from lower electricity costs in those Member States where these segments of the market have been opened up to competition.

Benefits for citizens

The opening of national EU markets has reduced the cost of many goods and products. It has, for example, brought down the price of national telephone calls to a fraction of what they were ten years ago.

Under pressure of competition, the prices of budget air fares in Europe have fallen significantly.

The removal of national restrictions has enabled more than 15 million Eu-

ropeans to go to another EU country to work or spend their retirement.

Although some temporary restrictions remain, the possibility of working in another Member State is seen as positive by 70% of European citizens. They can also vote and stand for office where they live. EU migrant workers enjoy the right to equality of treatment as regards employment, remuneration and other conditions of work, as well as social and tax advantages. They can be accompanied by their family members, irrespective of their nationality.

The creation of the European Health Insurance Card has facilitated reimbursement of **health care** during a temporary stay in another Member State. Several pieces of legislation and programmes are in place to facilitate the mobility of researchers and guarantee **recognition of diplomas** in a wide range of professions such as architect, midwife, pharmacist, doctor, nurse, dentist and veterinary surgeon.



EU citizens now enjoy a wider choice of high quality goods and services. Three out of four European citizens (75%) think that the possibility for products from other Member States to be marketed under the same conditions as domestic products has had a positive impact; 73% consider that the Single Market has contributed positively to the range of products and services on offer. The introduction of the euro has made easier it to compare prices across borders in the Eurozone.

The opportunities for **studying abroad** have expanded and this is considered positive by 84% of EU citizens. 1.2 million young people have completed part of their studies in another Member State with the help of the Erasmus programme.

Compared with ten years ago, the majority of citizens (72%) of Member States find **travelling** within the EU easier, notably in those countries that have signed the Schengen agreement.

Competition and prices

In many cases, the opening up of national markets and the resulting increase in competition has led to lower prices for goods and groceries: 67% of European citizens perceive the increased competition in areas such as transportation, telecommunications, banking and insurance services as a good thing.



Telephone prices charged by the old national telephone monopolies for national and international calls have been reduced by more than 40% on average between 2000 and 2006.

In the field of telecommunications, competition has stimulated the development of advanced innovative services and the deployment of broadband networks, which are now available to 85% of the EU population. Telephone prices charged by the old national telephone monopolies for national and international calls have been reduced by more than 40% on average between 2000 and 2006.

Shoppers also enjoy full **consumer rights** when shopping outside their own country. A majority of citizens (53%) consider that Single Market rules have increased consumer protection within the EU. Specific European legislation is in place to ensure high levels of product safety, to prevent and combat misleading advertising and unfair terms in contracts, to define air passenger rights or to open a bank account in another Member State.

Single Market of the 21st Century

While the initial focus of the Single Market exercise was on removing the main cross-border obstacles facing businesses, many now believe that the Single Market needs to evolve to make markets work better and deliver even more tangible benefits for European citizens, entrepreneurs, workers and consumers alike in an enlarged EU.

The EU Single Market needs to evolve and adapt in order to retain its relevance and its contribution to economic growth and social cohesion. It needs to position itself, by fostering the development of quality rules and standards which shape global norms, to allow European citizens and businesses to take advantage of the opportunities of globalisation.

Over the past 18 months the Commission has been engaged in a full review of Single Market policy to ensure it is fully attuned to the challenges of the 21st century.

The Commission's interim report on the Single Market was studied and endorsed by Heads of State and Government at the recent Spring Council.

Five priorities

The report outlines five priorities to guide the Single Market:

- **citizens and consumers:** more can be done to improve confidence in the quality of products and services and to pass on the gains accrued from the Single Market to consumers.
- **an integrated economy:** the spread of the Euro, the move towards a single European labour market and the integration of network industries should contribute to the further integration of the EU economy, making it easier for individuals and companies to engage in cross-border activities.
- **a knowledge society:** the Single Market should increasingly focus on making markets for knowledge- and technology-intensive goods and services work better and stimulate higher levels of innovation.
- **a well-regulated Europe:** the dismantling of barriers went hand in hand with the establishment of new rules. The benefits of the Single Market will be limited if the rules are not correctly applied, and if the rights created are not satisfactorily upheld and redressed.
- **a sustainable Europe:** recognising the social and environmental aspects of the Single Market are key

conditions for gaining public confidence, and both are investments in Europe's future quality of life.

New focus

The Commission proposes that the focus of the Single Market should shift from its initial emphasis of removing barriers to cross-border trade, to one of ensuring that markets function better to the benefit of citizens and business.

The interim report highlights new approaches to be explored:

- **more impact-driven and result-oriented:** the EU should act when markets do not deliver and where it will have maximum impact; it should better anticipate the effects of structural adjustment and assess its consequences;
- **more effective:** a more diverse and flexible mix of instruments should be employed, finding the right balance between harmonisation and mutual recognition of rules, and other tools such as self- and co-regulation;
- **more decentralised and network-based:** Brussels cannot deliver alone. We need to rethink how to improve the ownership of the Single Market in the Member States and the cooperation between the national and EU level;
- **more responsive to the global context:** a well functioning Single Market is essential to shape and exploit globalisation to Europe's advantage, and to allow its companies to compete in the global market place;
- **more accessible and better communicated:** a lot can be done to improve communication and publicise the opportunities offered by the Single Market, for instance through hands-on problem-solving mechanisms such as SOLVIT.

As the Commissioner for Internal Market and Services, Charlie McCreevy says: "The Single Market is one of Europe's greatest successes. Its principles – freedom of movement, open markets and effective competition – are the backbone of the European economy."

Europe in the 21st century, he points out, is indivisible from the world economy. Its prosperity has and will continue to flow from dismantling barriers and creating open markets.

"I want to see a Single Market focused on results. The EU should act when markets do not deliver and where it will have maximum impact. I want to see a more effective Single Market policy."

"Legislation is not always necessary or sufficient on its own. In some cases the best approach will be combining regulation with other tools – such as infringement action – or promoting effective self-regulation."

The interim Single Market Review report which was presented to the Spring European Council will be followed this autumn by a final report with concrete proposals for action.



Charlie McCreevy: "I want to see a Single Market focused on results. The EU should act when markets do not deliver and where it will have maximum impact. I want to see a more effective Single Market policy."

How do citizens and business view the Single Market?

A survey of EU citizens was carried out by Eurobarometer in February-March 2006 among 25,000 respondents. Its main findings show that EU citizens are, in general, satisfied with the opportunities the Single Market offers and perceive a positive effect on competition (67%), range (73 %) and quality (58 %) of products.

The majority of citizens in every country (except Germany) believe that increased worker mobility can help to better fight unemployment. Some 72% perceive travelling between Member States to be easier. A considerable number of EU citizens (36%) have contemplated living in another Member State.

Measures with the most positive impact:

- elimination of customs documentation;
- abolition of border controls;
- VAT procedures for sales within the EU;
- European product standards;
- the liberalisation of capital movements;
- labelling and packaging rules;
- public procurement rules;
- rules for establishing a business in other EU countries.

More widespread Internet access is believed to be having a positive effect on cross-border shopping, although citizens expressed concerns regarding security issues when buying products and services across the EU online.

By contrast, however, only a small minority of citizens have considered buying financial services (mortgages, insurance etc.) from other Member States.

Less than half of citizens of every Member State feel well informed about their rights in the Single Market. Seven out of ten citizens are not familiar with the information services provided by the European Union about the Single Market.

Businesses attitudes

A survey of business attitudes was carried out in July-August 2006 in the 10 Member States that joined the EU in 2004 (EU-10), and a further survey in January-February 2006 in the 15 "older" Member States (EU-15). In total nearly 7,500 executives were interviewed. Some interesting comparisons can be made between EU-10 and EU-15 businesses:

35% of company executives in EU-10 consider that the Single Market has had a positive impact on their firm's activities, 27% say there was no impact and only 5% that this impact was negative. In EU-15, 30% consider that the Single Market has had a positive effect and only 7% a negative effect, while an average of 51% sees no influence.

The measures seen as having the most positive impact include, in decreasing order: elimination of customs documentation, abolition of border controls, VAT procedures for sales within the EU, European product standards, the liberalisation of capital movements, labelling and packaging rules, public procurement rules and rules for establishing a business in other EU countries.

More than one company in four in EU-15 has already recruited staff from other Member States (the highest proportion is found in Luxembourg with 66%, lowest in Greece with 2%), whereas only 10 % of companies in EU-10 confirmed they have done so (Cyprus: 26%; Latvia: 3%).

A majority of firms in EU-15 state that the 2004 Enlargement has had no impact on their companies' strategies regarding access to markets, productivity, costs of materials and wages, etc. In EU-10, the answers relating to positive experience outnumber those based on negative ones. Interestingly, while one in four companies in EU-15 is engaged in trade with EU-10 countries, 54% of the companies in EU-10 are EU-15 countries.

In the view of many companies from both EU-15 and EU-10, the level of competition from companies in other EU countries has risen as a result of the Single Market (by 49% in EU-10 and 46% in EU-15), whereas 23% (EU-10) and 30% (EU-15) perceive that there is a rise of competition from non-EU countries.

Experts discuss financial education for consumers

To raise awareness of the need to provide high-quality financial education to consumers, the Commission hosted a conference on 'Increasing Financial Capability' in Brussels in March 2007. High profile speakers from public authorities, the financial services industry, consumer organisations and academics came together to look at best practices in this important area of consumer understanding of financial products.

This high-profile conference brought together a wide cross-section of specialist speakers on financial education ranging from financial regulators to consumer associations and from academics to financial industry associations.

The conference programme looked at financial education through the progressive stages in a consumer's life: from educating young people; through life issues such as mortgages, credit and debt handling; to long-term savings and pension provision. The conference was organised as part of the Commission's commitment in the White Paper on Financial Services Policy

(2005-2010) to increasing transparency and comparability and helping consumers understand financial products.

This conference also served as a forum to exchange best practices and facilitate networking between existing providers of financial education.

The Commission attaches great importance to financial education as a tool to ensure that EU consumers and investors are equipped with the knowledge they need to make crucial financial decisions for themselves and their families, in areas such as planning for the costs of a child's

education, managing credit sensibly, ensuring an adequate level of insurance cover and making provisions for retirement.

The issues at hand

Financial products are inherently complex. The long-term nature of products such as mortgages means that people don't get very many chances to make repeat purchases, to make mistakes and

"The Commission attaches great importance to financial education as a tool to ensure that EU consumers and investors are equipped with the knowledge they need to make crucial financial decisions."

'learn by doing', as they might do with other items such as buying a car.

The range of products on offer increases all the time, and the degree of choice can be overwhelming.

At the same time, given the growing pressure on the public financing of some aspects of social systems, and the fact that citizens have to take on an ever-greater responsibility for their financial welfare,

the need for increased awareness and direct involvement of citizens in financial issues is even more acute.

Better informed and better educated

To put it simply, improving people's ability to make financial decisions is in everyone's interest, and goes hand-in-hand with our wider financial services policies.

By helping to develop better informed, better educated and more confident citizens, we can empower them to take more responsibility for their financial affairs and play an active role in strengthening the consumer demand side of financial services markets. Empowering Europe's consumers is a core objective contained in the Green Paper on Retail Financial Services (see page 18).

Key messages from conference participants

- Low levels of financial capability are common throughout the EU and need to be addressed on a long-term basis;
- Tackling low financial capability gives a win-win for industry, consumers and governments; and political support is crucial;
- Continued pressure should be maintained on national and regional education curriculum authorities to include financial issues in the education curriculum. "Teaching the teachers" will be a key issue here;
- Financial education programmes can work effectively when carried out in co-operation between relevant parties, such as state authorities, financial services providers, consumer groups, NGOs working with the disadvantaged etc.;
- Financial education programmes should be simple, and targeted to their audience.



Jürgen Holmquist, Director-General for Internal Market and Services (centre), and Commissioner McCreevy's Head of Cabinet, Martin Power (left), greet Consumer Protection Commissioner Meglena Kuneva. The conference brought together a range of high profile speakers from public authorities, the financial services industry, consumer organisations and academics to look at best practices in this important area of consumer understanding of financial products.

Future plans

Among the options put forward by participants in the conference for further work on financial capability were bringing practitioners together in a structured network and actively promoting best practices in the delivery of financial education programmes.

The Commission stresses that its thinking is still at an early stage and that it will be interested in feedback on this issue in the context of the public consultation on the Green Paper on Retail Financial Services. This conference has shown, it believes, that there is already growing interest from stakeholders in this area.

Internal Market and Services Commissioner Charlie McCreevy stressed that: "Today there is a huge range of financial products and services on offer and financial education can help to give consumers the essential knowledge they need to

make appropriate choices and I believe can often be superior to regulation from the perspective of protecting consumers and investors alike."

"Those Member States that decide to take consumer financial education really seriously...will be the ones that carve out a real competitive advantage in the medium term. These policies are not add-ons. They are essential."

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Green Paper launches debate on future policy on retail financial services

The Commission has launched a public debate on its future policy on retail financial services. In a Green Paper just published the Commission has set out its broad objectives for financial products such as bank accounts, loans, mortgages, investments and insurance provided to individual consumers. In launching a wide public consultation on retail financial services the Commission aims to deepen its understanding of the problems faced by consumers and industry in this area and identify the best track to make retail banking and insurance services cheaper for consumers.

Retail financial services - bank loans, insurance, investments etc. - are an essential part of the everyday lives of EU citizens. Despite significant progress in recent years, studies show that integration in these areas has not yet reached its full potential. And in some areas there appears to be insufficient competition, preventing EU consumers from taking full advantage of the benefits of the Single Market.

It presents in greater detail the actions necessary to bring the benefits of integrated EU financial market to users, and invites stakeholders to give their feedback on the approaches being taken.

Three directions

The Commission has three main approaches to promoting greater integration in retail financial services markets:

- ensuring that properly regulated open markets and strong competition deliver products that meet consumers' needs, offering choice, value and quality;
- enhancing consumer confidence by ensuring that consumers are properly protected where appropriate, and that providers are financially sound and trustworthy;
- empowering consumers to make the right decisions for their financial circumstances through improved financial literacy; clear, appropriate and timely information; high-quality advice; and a level playing field between products perceived as having similar characteristics.

Work to do

The Green Paper presents a blueprint for the integration of Europe's retail banking markets. It builds on the strategy of the White Paper on Financial Services 2005-

2010 which identified the completion of the retail financial services market as one of its key priorities.

Despite the increased mobility of the population and the growth of cross-border retail financial service provision (including more recent direct channels such as the Internet), most consumers still opt for products distributed locally through branches, subsidiaries, and intermediaries.

Studies indicate that only 1% of retail financial services business are currently conducted across borders.

The Commission considers that further reforms may be needed to make retail financial services markets work better for consumers.

Reforms may focus on facilitating the supply of financial services to consumers in their home Member State by enabling financial services providers to operate across borders or by making it easier for European consumers to accept offers from providers regardless of their location.



Latest developments

The Green Paper reports on recent developments and next steps for many ongoing initiatives such as those on investment funds, payments, insurance, mortgage credit, bank accounts and credit intermediaries.

The Green Paper also identifies some areas, such as pensions, lifetime savings and financial literacy, where work is at a more preliminary stage and new initiatives might be envisaged.

The Commission emphasises that it will consider the full range of policy tools, including those of a non-legislative nature, and will act where appropriate. Action will only be pursued where there is evidence of clear and concrete benefits for citizens and a strong economic rationale.

Public hearing - 19 September

The Commission will hold a public hearing in Brussels on 19 September 2007 to analyse the conclusions of the consultation launched by this Green Paper and discuss with all stakeholders which initiatives are needed to bring about a more efficient internal market for retail financial services. The results of the consultative process will be incorporated into the Single Market Review, to be published autumn 2007.

Further details at:

http://ec.europa.eu/internal_market/finservices-retail/policy_en.htm#hearing

info http://ec.europa.eu/internal_market/finservices-retail/policy_en.htm

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Under the spotlight is EU policy for retail financial products such as mortgages, insurance, bank accounts, loans, investments etc. provided to individual consumers.

The Green Paper on Retail Financial Services published in May by the Commission builds on the findings of its sector inquiry into retail banking and the interim report on business insurance, and sets out the overarching objectives of the Commission's policy in this area. The Green Paper is an important contribution to the Commission's current review of the Single Market to ensure that its policies are fit for the 21st century



Commission consults on minimum standards for shareholders' rights

The Commission has launched a public consultation on minimum standards that should apply to shareholders' rights in listed companies - particularly voting rights - in order to remove certain practical and legal obstacles that currently hinder the exercise of these rights in a cross-border context.



Responses will be taken into account in a forthcoming proposal for a possible future directive, forming part of the Commission Action Plan on Corporate Governance. The deadline for responses is 15 July 2005.

Respondents to an earlier consultation in this area, launched September 2004,

supported the introduction of minimum standards at EU level for the organisation of General Meetings and the exercise of shareholders' rights.

Key issues

The main issues on which the Commission is seeking responses are:

- the transparency of stock lending agreements and the status of depositary receipt holders;
- the dissemination of relevant information before General Meetings, notably to ensure that all shareholders, irrespective of their residence, obtain information in time and are able to cast an informed vote;
- the removal of share blocking as a prerequisite to vote and its replacement by a record date;
- the rights to ask questions and table resolutions, taking into account the fact that many shareholders are non-residents;
- various methods of voting at a distance (by post, electronically, or by proxy);

- the availability to all shareholders of voting results following General Meetings.

Action Plan

The Commission's May 2003 Action Plan to modernise company law and enhance corporate governance contains a set of initiatives aimed at strengthening shareholders' rights, reinforcing protection for employees and creditors, increasing the efficiency and competitiveness of European business and boosting confidence on capital markets.

The public consultation on the Action Plan as a whole, which ended in mid-September 2003, showed a strong consensus behind the main measures. This exercise on minimum standards for shareholders' rights is the sixth consultation arising from the Action Plan.

Internal Market and Services Commissioner Charlie McCreevy said: "Shareholders must be able to exercise their rights easily and receive appropriate information, no matter where in the EU they are based.

"If there are undue obstacles preventing this in the Single Market, then we need to remove them, by setting minimum standards and making full use of new technologies to reduce distances and improve communication. This will help to ensure that companies are well run across the EU. I encourage all interested parties to respond to the consultation and give us their views on what these minimum standards should be."

Responses should be sent by 15 July 2005 to DG Internal Market and Services - Unit F2, European Commission, B-1049 Brussels, or to:

Markt-COMPLAW@ec.europa.eu.

info http://ec.europa.eu/internal_market/company/shareholders/index_en.htm

Obstacles to provision of sports betting services: Denmark, Finland and Hungary



The Commission has taken action to put an end to obstacles to the free movement of sports betting services in Denmark, Finland and Hungary. The Commission has formally requested these Member States, by means of reasoned opinions, to amend their laws following consideration of their replies to letters of formal notice sent in April 2006, in which the Commission sought to verify whether the restrictions in question are compatible with Article

49 of the EC Treaty, which guarantees the free movement of services. The Commission considers that the restrictions in question are not compatible with existing EU law and that the measures taken by these Member States to restrict the free movement of sports betting services have not been shown to be necessary, proportionate and non-discriminatory. Furthermore, in the Commission's view, existing national operators cannot be regarded as non-profit operations, given that they are subject to strict annual revenue targets and often rely on commercial retail outlets to market their various gambling services.

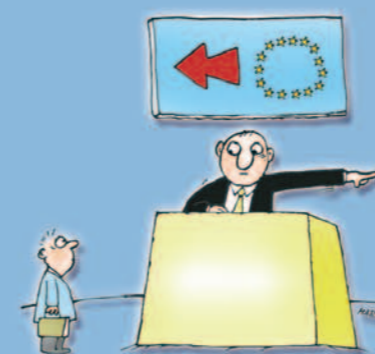
French Law on current account interest

The Commission has decided to refer France to the European Court of Justice as it has not yet completely amended its legislation ('Code Monétaire') that formally

prohibits banks from offering interest on current accounts to their customers.

SOLVIT★

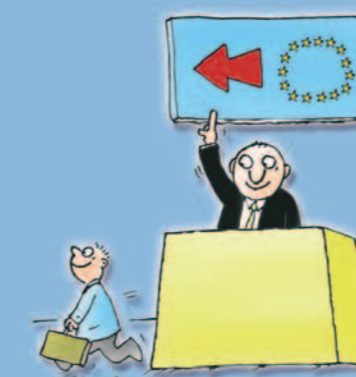
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Legislation excluding certain companies from public procurement: Greece

Having sent the Greek Government a letter of formal notice on 18 October 2006 and a reasoned opinion on 15 December 2006, the Commission has decided to take legal action against Greece before the European Court of Justice concerning the compatibility of Joint Ministerial Decision No 24014/2005 on the evidence required for the application of Law No 3310/2005, as amended by Law No

3414/2005. That act provides that both participants and other so-called "interconnected" persons operating in the media market must systematically submit to the Greek National Council for Radio and Television a series of 'extracts from the judicial record' as well as other certificates and statements, otherwise they will be disqualified.

Free movement of services: Austria, Spain and the United Kingdom

The Commission has taken action to put an end to obstacles to the free movement of services in Austria, Spain and the United Kingdom. The Commission has decided, under Article 228 of the EC Treaty, to send a letter of formal notice asking Luxembourg for full information on its implementation of a European Court of Justice judgement concerning the posting of workers from non-EU countries. The Commission has also decided, under Arti-

cle 228 of the EC Treaty, to send Spain a further reasoned opinion requesting it to comply immediately with a Court judgment concerning private security services. Finally, the Commission has sent a formal request in the form of a reasoned opinion to the United Kingdom concerning the recognition by pharmacies of prescriptions from other Member States.

Freedom of establishment: Austria

The Commission has decided to formally request Austria to modify its Animal Breeding law, which in the Commission's view contains conditions that hinder the provision in Austria (Tyrol and Salzburg provinces) of bovine artificial insemination services by foreign artificial insemination stations. This decision takes the form of a reasoned

opinion. The Commission has also decided, under Article 228 of the EC Treaty, to send a letter of formal notice asking Austria for full information on its implementation of a European Court of Justice judgement concerning the provision of services by foreign boiler inspection bodies in Austria.

Public procurement: Czech Republic, Germany, Greece and Italy

The Commission has decided to refer Italy to the European Court of Justice over the tendering procedure followed by the Municipality of L'Aquila for the procurement of trams. The Commission has also decided to send a formal request to Greece concerning a forestry project in Thessaloniki; to Germany regarding the long-standing practice of German public broadcasting organisations

to award works, supply and service contracts without conducting European-wide competitive tendering procedures; and to the Czech Republic regarding the award of contracts for forestry services. These requests take the form of reasoned opinions.

Public procurement: six Member States referred to ECJ over non-implementation

The Commission has decided to refer Belgium, Greece, Luxembourg, Portugal, Spain and Sweden to the European Court of Justice over their continued non-communication of national measures implementing certain EU public procurement Directives.

tion of national measures implementing certain EU public procurement Directives.

Public procurement - closed cases: Germany

The Commission has decided to close four infringement cases against Germany relating to the following areas: transport of works of art for temporary exhibitions by public museums; bus transport services in the city of

Worms; legal services in Brandenburg, Mecklenburg-Vorpommern, Sachsen, Sachsen-Anhalt and Thüringen; and waste disposal services and municipal cooperation in four municipalities in North Rhine-Westphalia.

Professional qualifications: France and Luxembourg

The Commission has decided, under Article 228 of the EC Treaty, to send a letter of formal notice asking Luxembourg for full information on its implementation of a European Court of Justice judgement relating to the establishment of lawyers. The Commission has also decided,

under Article 228 of the EC Treaty, to send France a further reasoned opinion requesting it to comply immediately with a Court judgment concerning implementation of a Directive on professional qualifications.

Round-up of other cases

The Commission has decided, under Article 228 of the EC Treaty, to send a reasoned opinion to Portugal and letters of formal notice to Italy and Spain asking those Member States for full information on their execution of Court judgements relating to implementation of a Directive on rental and lending rights. The Commission has also

decided to formally request the Czech Republic and Hungary to implement fully in national law a Directive on the activities and supervision of institutions for occupational retirement provision. This formal request takes the form of a reasoned opinion.

More information on infringement proceedings relating to the Single Market is available at:
http://ec.europa.eu/internal_market/infringements/index_en.htm

The latest information on infringement proceedings concerning all Member States is available at:
http://ec.europa.eu/community_law/eulaw/index_en.htm

INFRINGEMENT PROCEDURES

If the Commission obtains or receives convincing evidence from a complainant that an infringement of EU law is taking place, it first sends the Member States concerned a letter of formal notice. If the Member State does not reply with information allowing the case to be closed, the Commission sends a reasoned opinion, the second step of the infringement proceedings under Article 226 of the EC Treaty. If there is no satisfactory response within two months, the Commission may then decide to refer the case to the European Court of Justice in Luxembourg.