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Standardization and Certification

- Important tools in ensuring the free movement of services -

Baltic Sea Strategy and the Internal Market
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The Service directive notes how increased standardisation and certification can bring about positive effects to the Internal Market for services

Art. 26

Member states.... take accompanying measures to encourage providers to take action on a voluntary basis in order to ensure the quality of service provision, in particular through use of one of the following methods:

- certification or assessment of their activities by independent or accredited bodies;
-
- encourage the development of voluntary European standards with the aim of facilitating compatibility between services

32006L0123

Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market

Official Journal L 376, 27/12/2006 P. 0036 - 0038

Directive 2006/123/EC of the European Parliament and of the Council

of 12 December 2006

on services in the internal market

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the first and third sentence of Article 47(2) and Article 55 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Economic and Social Committee [1],

Having regard to the opinion of the Committee of the Regions [2],

Acting in accordance with the procedure laid down in Article 258 of the Treaty [3],

Whereas:

(1) The European Community is seeking to forge ever closer links between the States and peoples of Europe and to ensure economic and social progress. In accordance with Article 17(1) of the Treaty, the internal market comprises an area without internal frontiers in which the free movement of services is ensured. In accordance with Article 41 of the Treaty the freedom of movement of services is essential for the development of the internal market. Article 49 of the Treaty establishes the right to provide services within the Community. The elimination of barriers to the development of service activities between Member States is essential for the integration of the economies of Europe and to promote balanced and sustainable economic and social progress. By eliminating such barriers it is essential for the development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life and a cohesion and solidarity among Member States.

(2) A competitive market in services is essential in order to promote economic growth and create jobs in the European Union. At present numerous barriers within the internal market hinder, particularly small and medium-sized enterprises (SMEs), from extending their operations beyond their national borders and from taking full advantage of the internal market. The worldwide competitiveness of European Union providers, a free market which compels the Member States to eliminate restrictions on cross-border provision of services while at the same time increasing transparency and information for consumers would give consumers wider choice and better services at lower prices.

(3) The report from the Commission on 'The State of the Internal Market for Services' drew up an inventory of a large number of barriers which are preventing or slowing down the services between Member States, in particular those provided by SMEs, which are predominant in the field of services. The report concludes that a decade after the envisaged single internal market, there is still a huge gap between the vision of an integrated European Union economy and the reality as experienced by European citizens and providers. The barrier variety of service activities across all stages of the provider's activity and have a number of common features, including the fact that they often arise from administrative burdens, the associated with cross-border activity and the lack of mutual trust between Member States.

(4) Since services constitute the engine of economic growth and account for 70% of GDP and employment in most Member States, this fragmentation of the internal market has a negative impact on the entire European economy, in particular on the competitiveness of SMEs and the movement of workers, and prevents consumers from gaining access to a greater variety of cheap services. It is important to point out that the services sector is a key employment sector for women in particular, and that they therefore stand to benefit greatly from non-discriminatory competition of the internal market for services. The European Parliament and the Council have emphasised that the removal of legal barriers to the establishment of a genuine internal market is a priority for achieving the goal set by the European Council in Lisbon of 23 and 24 March 2000 of improving employment and social cohesion and achieving sustainable economic growth to make the European Union the most competitive and dynamic knowledge-based economy in the world by 2010, with more and better jobs. Removing those barriers, while ensuring European social models, is thus a basic condition for overcoming the difficulties encountered in implementing the Lisbon Strategy and for reviving the European economy, particularly



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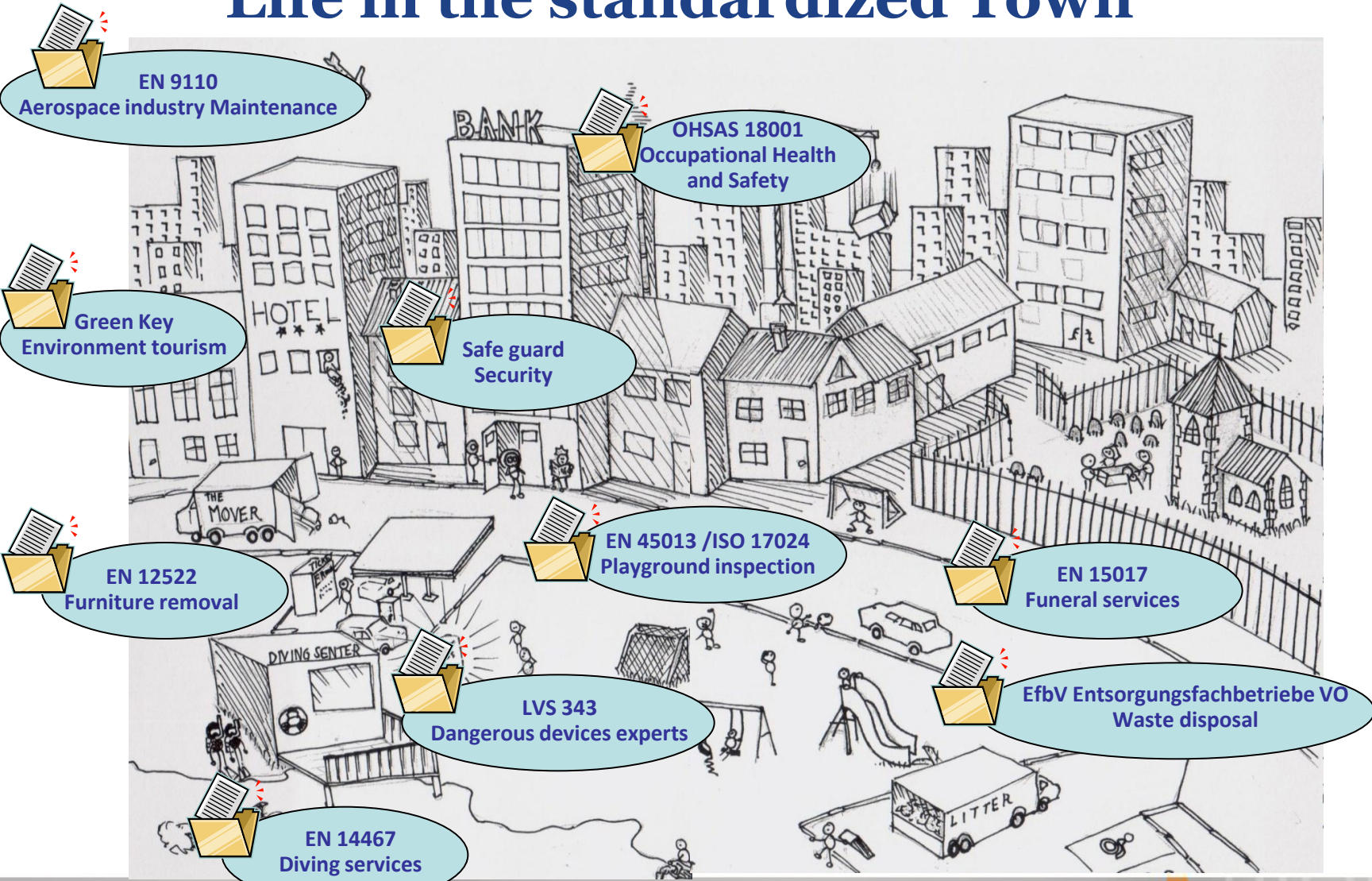
What are the practical challenges of using voluntary standards and certification in order to ensure the quality of different services?



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Life in the standardized Town



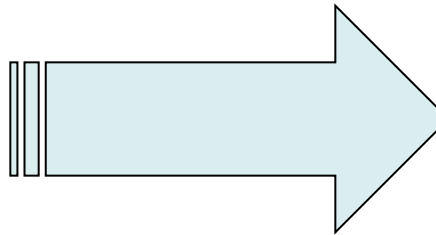


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Standards? What is it?



STANDARD

- **What is it?**
 - A standard basically provide predictability about what is performed, by whom, how and when and the possible outcomes.

CERTIFICATION

- **What is it?**
 - Is a third party attestation related to products, services, processes, systems or persons.
 - The certification is usually based on a specific standard

The vast majority of standards and certificates relate to tangible goods



So, is it possible to standardize a service???

Yes... but is more complicated

- **The heterogeneous nature of the service makes it more difficult to standardize in comparison to tangible products**
 - Produced and consumed simultaneously
 - Services are typically non storable or non durable
 - The consumer is often integrated in the service provision process
 - Human capital plays an important role in the provision of services
 - Intangible and contain a high level of information
- **The service industry seems to be less informed and more sceptic towards standardization**
 - Fear of losing their uniqueness and competitive advantage



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And what conclusions do we draw...

- **Service companies have other needs than the established industry**
 - Management/process related standards as apart from technical standards
- **"Little knowledge of service standardization" + "Creating voluntary standards" is not a good combination**

Someone has to take the lead in order to establish service standards!

A window of opportunity for leading Nordic service industries
(Do we want to be standard makers or standard takers?)



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There is a certification industry out there...



- Which carries out a perfectly legitimate business: profit/expansion
- At national level, European level, international level
- Industry very often need them
- Legislators often need them,

but.....

- .. their interest is not always identical to that of the lawmakers building the Single Market – a risk of fragmentation of the Single market



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Are we going towards a growing fragmentation of the internal market?

Several national standards
+ several national certificates

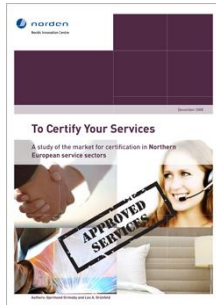
One European standard
+ one European certificate





Study on certification of services

SUPPLY



Map the universe of certificates issued to service providers in 11 Northern European countries

Find the main obstacles and potentials for cross border certification and international recognition of certificates

Estimate the trade effects of increased certification amongst these countries

DEMAND



Do certificates add value for the service company

- Focus on four sectors: Elderly care, Accommodation services, E-learning and Fundraising services

What role do certificates play in home market compared to international markets



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Main findings from the supply side

- **Half of the schemes identified were national level**
- **Most schemes not part of a system for cross-border recognition**
- **Few certificates within leisure services, but plans for growth**
- **Competing schemes within environmental certification**
- **Differing prices among countries**
- **Increasing demand for certification of services**





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Main findings from the demand side



- **Promotion of quality is the main reason for seeking certification**
- **Views on certification depend on internationalization ambitions**
- **Increased use of certification when asymmetric information is more pronounced**
- **Certification is financially more challenging for SMEs.**
- **A majority of the interviewed service providers preferred voluntary certification to government regulation**
- **Industry associations are the most common promoters of certification**



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Services Directive 2006/123– Article 26 on certification and marks

- **Where does it take us?**
 - National solutions?
 - European solutions?
- **What do we want, what do we need in the Single Market with regard to standardization/ certification of services?**



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Our answer...

- **Need for government coordination**
 - Promote a policy towards harmonisation
 - Work towards cross border harmonized standards (ISO, CEN)
 - Public authorities should enter into dialogue with national industry associations
 - Aim for services where there is a clear need and demand
- **Need for European or international certification solutions**
 - Focus on existing rather than additional schemes
 - i.e. introduce coordinated public authority measures for environmental certification



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Thank you for your attention!

Please find more information here:

<http://www.nordicinnovation.net/>