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**COMMISSION STAFF WORKING PAPER**

**Internal Market Scoreboard n° 17**

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## EDITORIAL

In November 1997 the European Commission published the first Internal Market Scoreboard with an EU average transposition deficit of 6.3%. Member States recognized that the deficit had to be brought down and in 2001 the European Council set an average 1.5% transposition deficit as an interim target. Five years later, in December 2006, Member States reached this target for the first time. As a result in March 2007 the European Heads of State and Government decided to further reduce the transposition deficit to 1% by 2009 at the latest.

I am delighted to say that Member States have reached the 1% deficit target already in May 2008, well ahead of the deadline set by the European Council. This is a remarkable feat and deserves special praise. Moreover, it is striking that the deficit decreased on two consecutive occasions although the numbers of directives to be transposed actually increased in the last six months. More importantly, the positive trend over the last eighteen months gives reason to believe that this is not just a one-off or short-lived effort in Member States to improve on their track-record. It would appear that most Member States have put in place mechanisms which will ensure timely transposition of Directives on a more permanent basis. I can only hope that future Scoreboards will confirm this impression.

Let me highlight the very good performance of Bulgaria and Romania. Bulgaria is the first Member State to register a transposition deficit of 0%, in itself a remarkable achievement. With 0.4% Romania is not far behind. Among the Member States running high deficits the Czech Republic and Luxembourg deserve special mention even if they are still far off the target: the Czech Republic, ahead of its EU presidency next year, improved by 0.9%. Luxembourg did even better and improved by 1%.

However, it is not just timely transposition but also correct transposition and application across all Member States that is crucial for a well-functioning Internal Market. In the future we will put increasing focus on the proper implementation of EU law in Member States. The Commission strongly believes this should be done in partnership with the Member States. The "Pilot project" launched recently, bringing together 15 Member States who have agreed to look into cases of possible bad application of Community law and look for solutions, in an informal way, within ten weeks, is one attempt to step up cooperation with Member States in this area. But let there be no mistake: if needed, the Commission will continue to use the infringement procedures to ensure that Member States do implement Community law and allow businesses and citizens to benefit from the opportunities offered by the Single Market.

Charlie McCreevy  
Member of the European Commission  
responsible for the Internal Market

## MAIN FINDINGS

### *Transposition*

Member States have stepped up their efforts considerably to ensure timely transposition of Internal Market legislation. Only one year after the European Heads of State and Government agreed on the future deficit target of 1%, 18 out of 27 Member States are already in line with this target. In addition, 4 Member States meet the 1.5% target. That leaves only 5 Member States to have a transposition deficit above 1.5%: the Czech Republic, Portugal, Poland, Luxembourg and Cyprus. The recent progress achieved by Luxembourg and the Czech Republic shows that significant results can be achieved within a short period of time if the political will is there and the authorities give it sufficient priority. These two Member States are encouraged to build upon the current momentum to reach the 1% target next year. Important efforts are also required from Member States which have increased their transposition deficit since the last Scoreboard.

Bulgaria is the first Member State to achieve a deficit of 0%. 10 Member States in total achieved their lowest transposition deficit since 1997 or the year of accession for the new Member States (Bulgaria, Germany, Estonia, Greece, France, Ireland, Italy, Luxembourg, Romania, and Slovakia). 3 Member States have equalled their best result: Spain, Malta and Slovenia.

Most Member States have transposition delays in the area of financial services which is also an area where the proportion of directives not yet transposed is the second highest (4.5%). The highest transposition deficit is related to rules on free movement of persons (7.9%). The fragmentation of the Internal Market legislation is still 7% which penalises all Member States, in particular in those sectors with a particularly high fragmentation factor, e.g. the financial services area, where 10% of outstanding directives are not transposed by at least one Member State.

Looking ahead it would appear that Bulgaria and Slovakia are best prepared to transpose the Directives within the transposition deadline in the coming six months. On the other hand the Czech Republic, Poland, Portugal and Cyprus still have a lot of work ahead to reach the 1.5% target.

### *Infringements*

As the timeliness of transposition improves, the spotlight will turn to correct implementation of Internal Market rules. Member States will need to pay more attention to the quality of the transposition as well as the correct application of the rules on the ground, including Treaty rules governing the four freedoms in the Internal Market. Incorrect transposition and application of Internal Market rules remains a problem and EU citizens and businesses pay a high price whenever this arises.

The number of Internal Market related infringement procedures remains relatively high and it takes too long to resolve them. The efficient handling of infringement procedures depends to a certain extent on Member States themselves, in particular as regards their timely reply to the concerns set out by the Commission in its letters of formal notice and reasoned opinions. For example, in the period from 1 January 2005 to 31 December 2007, 11% of letters of formal notice and 7% reasoned opinions elicited no response at all from Member States. In this respect, Romania and Austria perform well while Hungary is the worst-performing Member State.

To get a better understanding of the areas which give rise to most concerns this Scoreboard provides more sector-oriented information on infringements. Future editions of the Internal Market Scoreboard will deepen the analysis in specific sectors as part of the Single Market Review<sup>1</sup> exercise to highlight the importance of enforcement and proper application of Community law.

The EU average number of infringement cases per Member States remains almost unchanged with 48 cases. Italy, Spain and France are still the Member States with most open infringement cases. However, they, as well as 12 other Member States were able to further reduce the number of infringement cases. Only 7 Member States saw an increase in the number of open infringement procedures against them.

When broken down by sector, infringements relating to the environment, taxation, energy and transport remain the source of most infringement cases.

### *Complementary problem solving*

Package meetings remain an efficient complementary problem-solving tool. 21 such meetings took place between July 2006 and July 2007. In almost 60% of cases, progress was made: within the six months following package meetings 38% of infringement proceedings were solved and a decisive step forward was taken in a further 19% of cases. Furthermore, two transposition meetings to assist Member States with the transposition of directives were also held (France and Italy).

SOLVIT's overall number of cases handled increased by 75%. 819 cases were considered suitable to be handled in SOLVIT representing around 20% of all queries received. The remainder was referred to other authorities or networks.

The average resolution rate for SOLVIT cases was 83%. Of all resolved cases, 77% were resolved within the deadline of ten weeks. Case handling time was maintained at an average of 58 days.

82% of SOLVIT cases were submitted by citizens. The major problem areas for citizens were social security (32%), recognition of professional qualifications (24%) and residence rights, especially for third country spouses of EU citizens (18%).

18% of SOLVIT cases were submitted by businesses. Their main problem areas are taxation (30%), market access for products (20%) and the provision of services and establishment (20%).

One third of all SOLVIT centres are understaffed.

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<sup>1</sup> COM(2007) 724 final, "Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the regions: A single market for 21st century Europe"; and its accompanying document SEC(2007) 1517, "Commission staff working document: Implementing the new methodology for product market and sector monitoring: Results of a first sector screening".

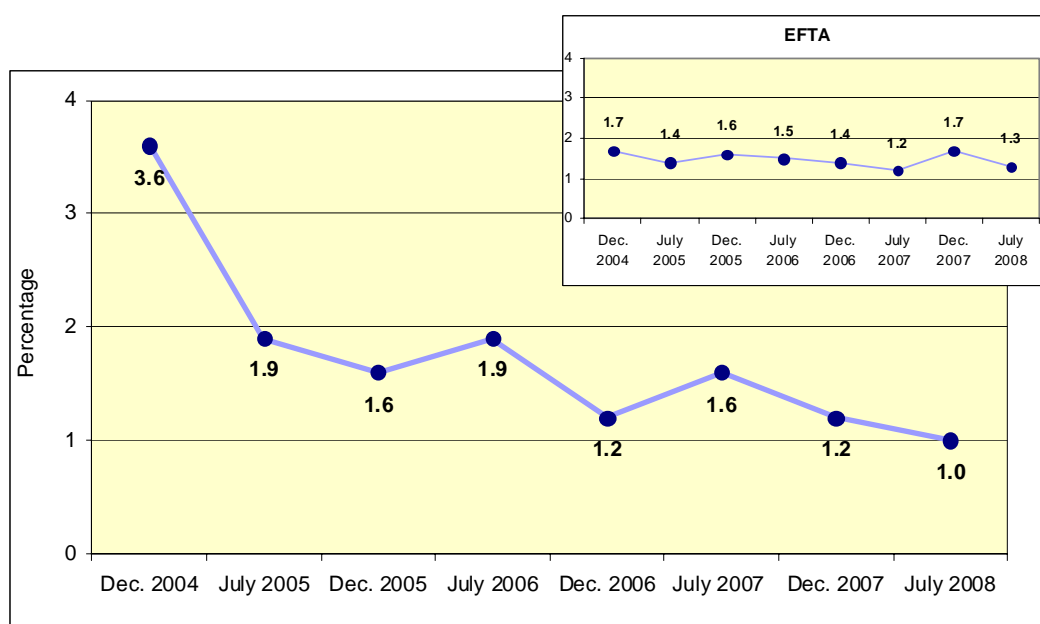
## 1. TRANSPOSING AND APPLYING INTERNAL MARKET RULES

### A. STATE OF TRANSPOSITION OF INTERNAL MARKET LEGISLATION INTO NATIONAL LAW

By December 2006 Member States had reduced their transposition deficit to 1.2% which is below the interim target of 1.5% set by the European Council in 2001. As a result, in March 2007 the European Council decided to set a new deficit target of 1% to be achieved by 2009 at the latest<sup>2</sup>. **18 Member States have achieved the new 1% target already by May 2008.**

#### Average transposition deficit in May 2008

*Figure 1: The 1% target is met*



*The transposition deficit shows the percentage of Internal Market directives not yet communicated to the Commission as having been transposed, in relation to the total number of Internal Market directives which should have been transposed by the deadline. As of 30 April 2008, 1687 directives and 820 regulations relate to the Internal Market as defined in the EC Treaty.*

**This is a very encouraging development and a reflection of the serious commitment shown by Member States in recent years to address late transposition of Internal Market directives.**

As a result 10 Member States achieved their best result so far: Bulgaria, Germany, Estonia, Greece, France, Ireland, Italy, Luxembourg, Romania, and Slovakia. 3 Member States have equalled their best result: Spain, Malta and Slovenia.

However, this overall positive result cannot hide the fact that Member States move at a different speed. If the Member States still above the 1.5% deficit target managed to reduce their deficit to just 1.5%, the average EU deficit would be below 1%. Some of these Member States have made very good progress in recent months and they

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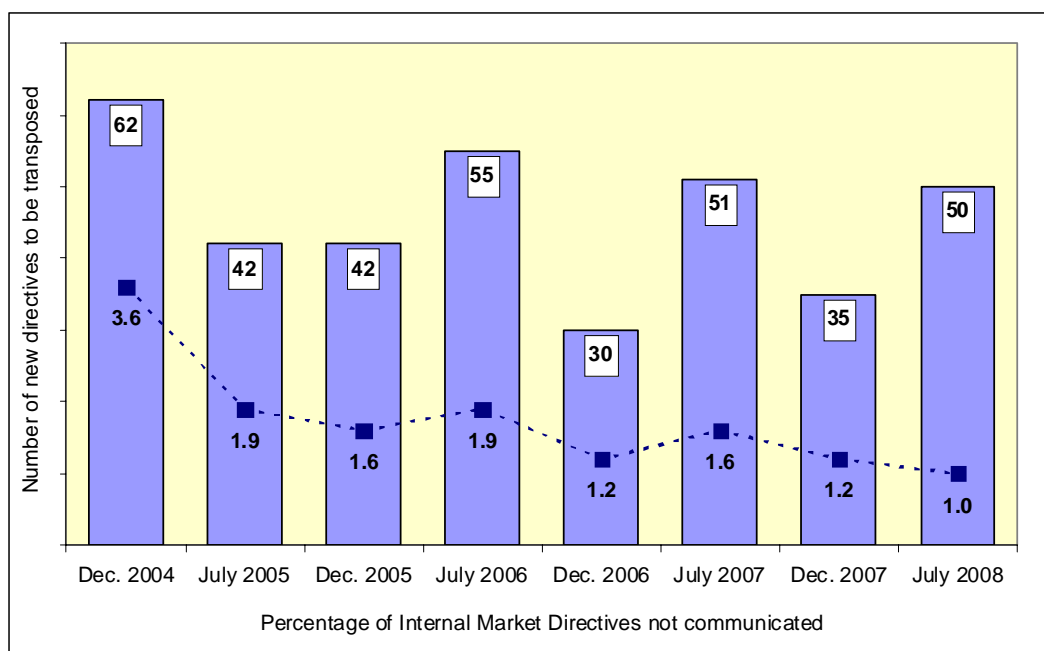
Conclusion of the European Council summit of Brussels on 8/9 March 2007.

should build on these efforts to further reduce the problem. Others are moving in the wrong direction which is a particular cause for concern. They should step up their efforts to reverse this trend and bring down the deficit to the level agreed by the European Council.

### Relationship between new directives to transpose and the transposition deficit

Even if the trend has been decreasing over the last 5 years, the average deficit has fluctuated somewhat from one Scoreboard to the next. However, this Scoreboard represents a second consecutive reduction in the deficit. This is remarkable as the number of directives to be transposed within the last six months actually increased compared to the previous Scoreboard in December 2007. It seems to illustrate that Member States have introduced working methods which are sufficiently efficient to cater for fluctuations in the workload. It gives hope that in the medium-term Member States will also keep up the good performance.

**Figure 2: Successive improvement**

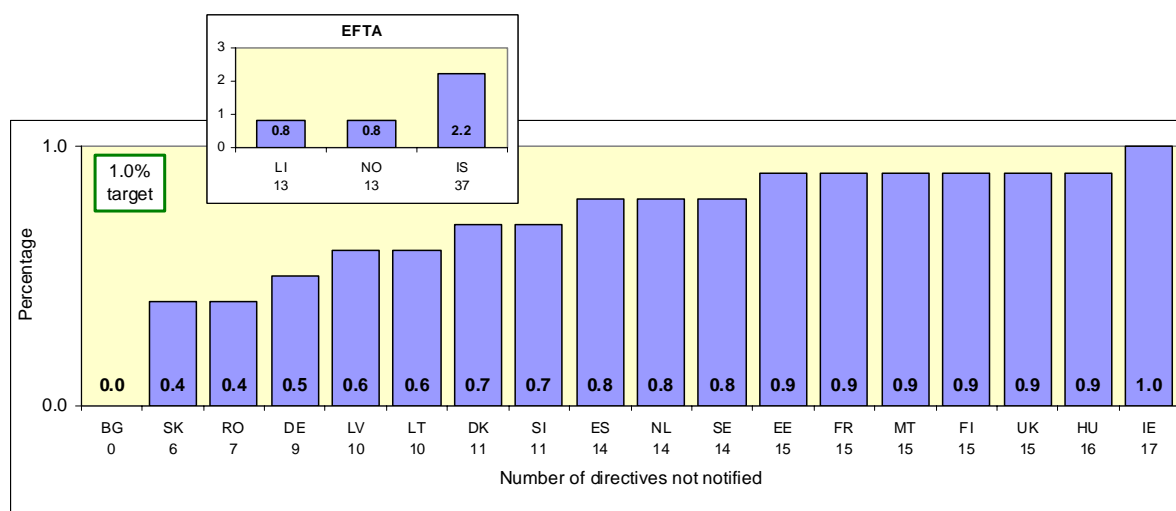


*Number of new directives to be transposed between two Scoreboards compared to the final transposition deficit. For example, 50 new directives needed to be transposed between November 2007 (Scoreboard 16 bis) and May 2008 (Scoreboard 17). The final score for Scoreboard 17 is a 1% transposition deficit.*



## Performance measured against the 1.5% transposition deficit

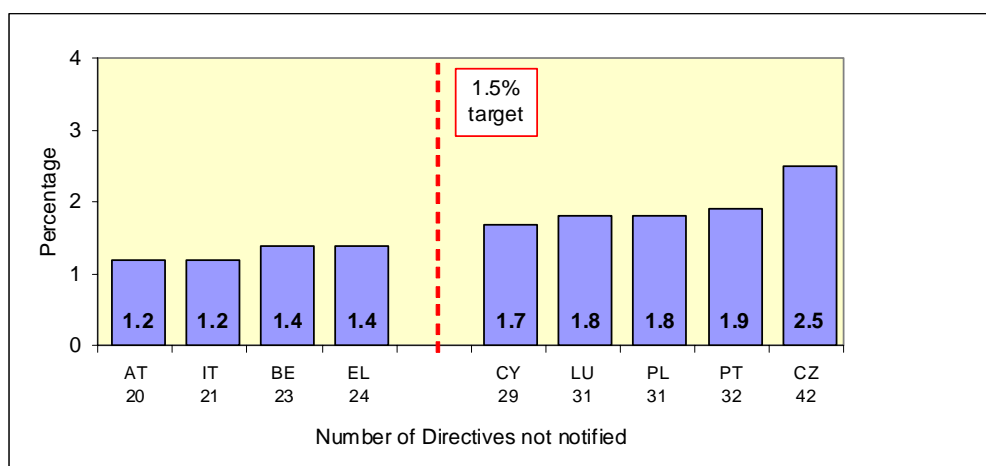
**Figure 3: 18 Member States have already hit the 1% future target**



*Transposition deficit of the Member States that hit the 1% target as of 13 May 2008.*

- In December 2007 (Scoreboard n° 16 bis) 15 Member States were in line with the future deficit target of 1%. This number is going up and, today, 18 Member States are in line with this target.
- 5 out of the 6 top performers are recent Member States, thus underlining their commitment to adjust rapidly to the Internal Market legal framework. Bulgaria is in first position with a transposition deficit of 0%. Slovakia, Romania, Germany, Latvia and Lithuania are no more than 10 directives away from that perfect score.
- Bulgaria is the first Member State that has ever achieved a transposition deficit of 0%. This shows that it is actually possible to reach the 0% score whereas the current EU27 average transposition delay remains at 9.5 months.
- 4 Member States that missed the future 1% target six months ago have now reached it: France, Finland, Hungary and Ireland
- Bulgaria and Germany have especially made spectacular progress in their relative position over the last six months. Bulgaria improved from seventh position to the top and Germany from ninth to fourth.

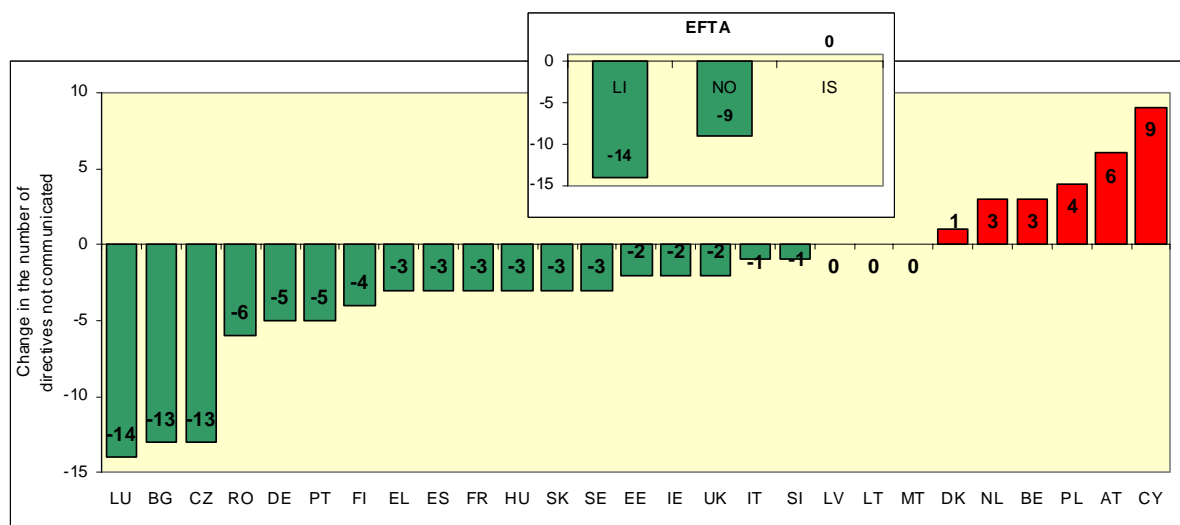
**Figure 4: 4 Member States are in line with the 1.5% target and 5 are above this target**



*Transposition deficit of the Member States that hit or missed the 1.5% target as of 13 May 2008.*

- Greece managed to reduce its deficit under the 1.5% for the first time ever. Italy improves its good result of December 2007. Belgium's and Austria's deficits have slightly increased by 0.2% and 0.3% respectively. Austria is the only Member State that was in line with the 1% target six months ago and slipped back above this ceiling.
- In reverse order, the Czech Republic, Portugal, Poland, Luxembourg and Cyprus still fail to reach the 1.5%. However, Luxembourg, the Czech Republic and (to a lesser extent) Portugal have made significant progress in reducing their deficits the past half year. In reducing its deficit by 1% Luxembourg has made the most significant progress. Although the Czech Republic remains in last position it has managed to reduce the deficit by 0.9% which is encouraging. Portugal has built on its remarkable achievements from last year and continues to reduce its deficit. This is to be particularly welcomed and shows that a sustained effort does pay off.
- On the other hand it is worrying to note that Cyprus' transposition deficit increased for the third consecutive time and as a result its 1.7% deficit is the same as three years ago. Poland also saw a slight increase in its transposition deficit compared to last time, from 1.7% up to 1.8%.

**Figure 5: Luxembourg, Bulgaria and the Czech Republic in particular have made good progress over the last 6 months, while 6 Member States are sliding back**



*Change in the number of outstanding directives since Scoreboard 16 bis (December 2007).*

- Luxembourg, Bulgaria and the Czech Republic post the greatest improvement.
- 18 Member States have made progress, while 6 Member States have increased their backlogs and 3 Member States equalled their previous result. Belgium, Denmark, the Netherlands, Austria and Poland reversed their positive trend from six months ago.
- A particular cause for concern are the Member States which have increased their deficit since the last Scoreboard and are today above the 1.5% target (Cyprus and Poland). Furthermore Cyprus is the only Member State that has further added to its already significant backlog.

### **Breakdown of the overall transposition deficit (by Member States and by sectors)**

The next two figures provide more detail about the overall transposition deficit by looking at the pattern for each Member State (figure 6) and by showing in which sectors timely transposition is most difficult (figure 7).

**Figure 6: The pattern of transposition varies between Member States...**

	Capital goods (65)	Chemicals (89)	Consumers (18)	Energy + Transport (136)	Environment (96)	Financial services (96)	Food legislation (122)	Free movement of persons (16)	Intellectual property (11)	Motor vehicles (217)	Pharmaceuticals + cosmetics (79)	Public procurement (8)	Social Policy (73)	Taxation (70)	Veterinary + plant health legislation (478)	Others (113)	TOTAL
CZ				3	2	8	3	1		6	2		9		7	1	42
PT				4	2	6	2	2		6	3		3		2	2	32
PL				4	3	10	1	3			5		1		1	3	31
LU	1	1		6	4	4	2	3	1			3	3			2	31
CY	1			4		2	2	2		1	2		2	2	8	3	29
EL				4	4	6	1	3					2	2		2	24
BE				3	3	7	1	2					6	1			23
IT	1			2	2	5		1			3		2	2	2	1	21
AT	1			4	2	3		2		1			5	1		1	20
IE	1			1	2	4		2		3			1	2		1	17
HU			1	1	3	4	1	1							5		16
UK		1		3	3			1		2					5		15
FI	1		1	2	1	5							2		1	2	15
MT				2		5							1		6	1	15
FR				2	2	5		2					4				15
EE				3	5	1		1					4	1			15
SE			1	2		4	1	1	1				3			1	14
NL			1	1	1	8		1		1						1	14
ES			1			6	2	2	1					1	1		14
SI				1	1	2		1			1		3	1		1	11
DK				2	4	1		1						2	1		11
LT				1		4		1					3			1	10
LV	1					8							1				10
DE			1	1	2	2		1	1				1				9
RO				1		4							1			1	7
SK	1			2		3											6
BG																	0

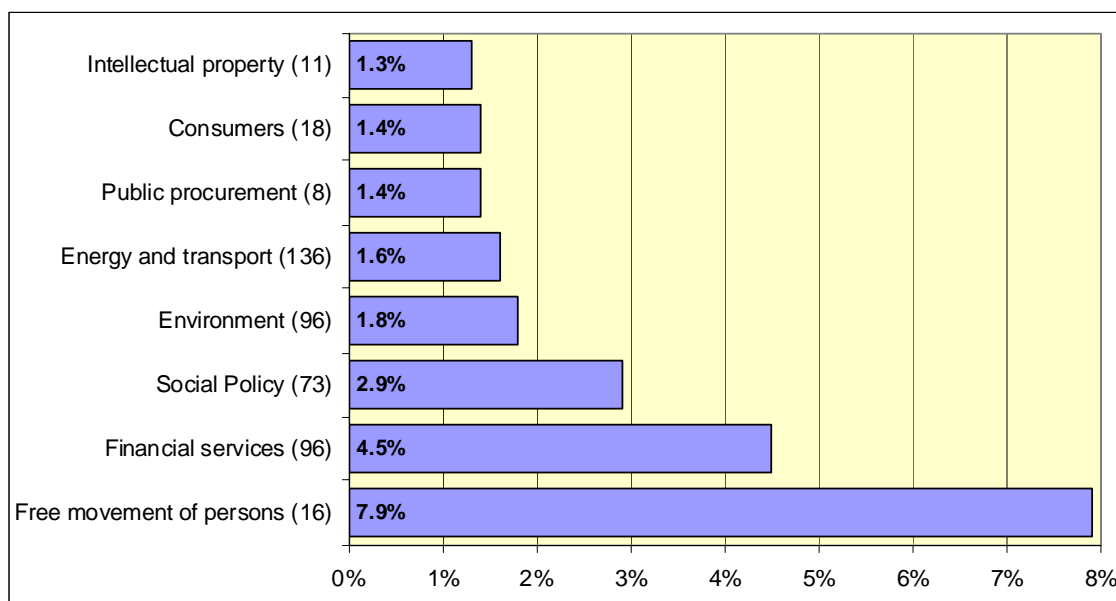
*Breakdown by Member States of the backlog of non-transposed directives and sector concerned – Situation as of 13 May 2008. The highlighted figures show, for each Member State, the sector(s) with the most outstanding directives.*

(#) Number of directives in the sector

- Figure 6 reveals that most Member States have particular transposition delays in the area of financial services (96 directives), especially Poland (10), Latvia, the Netherlands, the Czech Republic (8) and Belgium (7).
- The Czech Republic has the highest number of directives still to transpose. The majority of these directives are found in the area of social policy (9), followed by financial services (8) and veterinary and plant health legislation (7).
- Moreover, there are important delays in some other areas:
  - Luxembourg (6 out of its total of 31) and Austria (4 out of its total of 20) have a high deficit in the energy and transport sector.
  - Cyprus still needs to transpose a high number of Directives in the veterinary and plant health legislation (8 out of its total of 29); this is also the case for the United Kingdom (5 out of 15) and Hungary (5 out of 16).
  - Around one third of Denmark's (4 out its total of 11) and Estonia's (5 out of 16) total number of outstanding directives is in the area of environment.
  - One quarter of Austria's total number of directives to transpose (5 out its total of 20) is found in the area of social policy, as is the case for Belgium (6 out of 24).

As this leads to a particularly fragmented Internal Market in those sectors, Member States need to take action to reduce that gap rapidly.

**Figure 7:... and between sectors**



*Transposition deficit by sector – Situation as of 13 May (sectors that have a transposition deficit below 1% are not included).*

*(#) Number of directives in the sector*

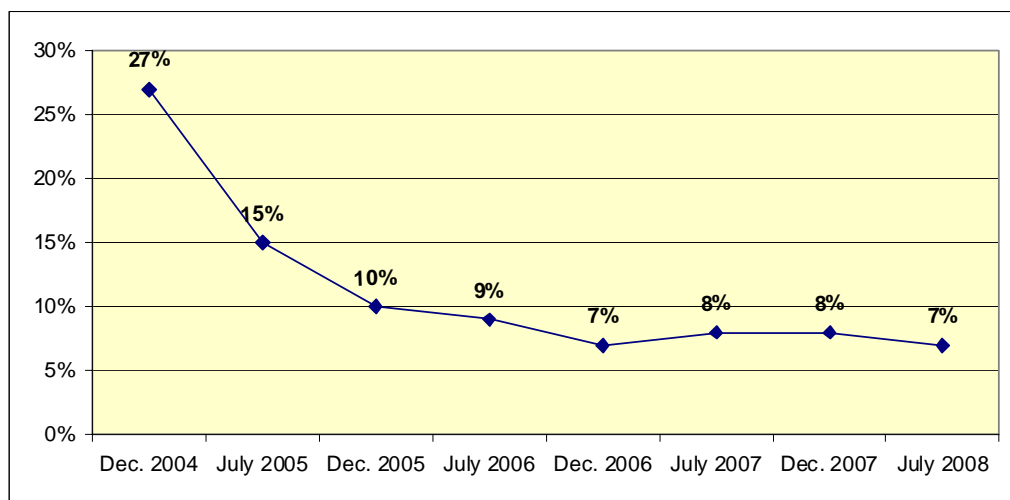
Each failure by one Member State to transpose a directive means that Internal Market directives do not achieve their full effect. Figure 7 indicates in which sectors Internal Market directives fail to deliver their full potential.

The breakdown of the transposition deficit according to sectors shows that the rules on free movement of persons are the source of the highest proportion of directives not yet transposed (7.9%). The EU rules on financial services come second with 4.5%. As a result these are two sectors where citizens and businesses are particularly deprived of the full potential of the Internal Market.

## Fragmentation of the Internal Market

Whenever one or more Member States fail to transpose directives on time they leave a gap in the Community's legal framework. Instead of an Internal Market covering all Member States it remains a fragmented Internal Market.

*Figure 8: Fragmentation factor decreased slightly*



The so-called 'fragmentation factor' records the percentage of the outstanding directives which one or more Member States have failed to transpose with the consequence that the Internal Market is not a reality in the areas covered by those directives.

The fragmentation factor has come down to the level of December 2006, which is the lowest level we had so far.

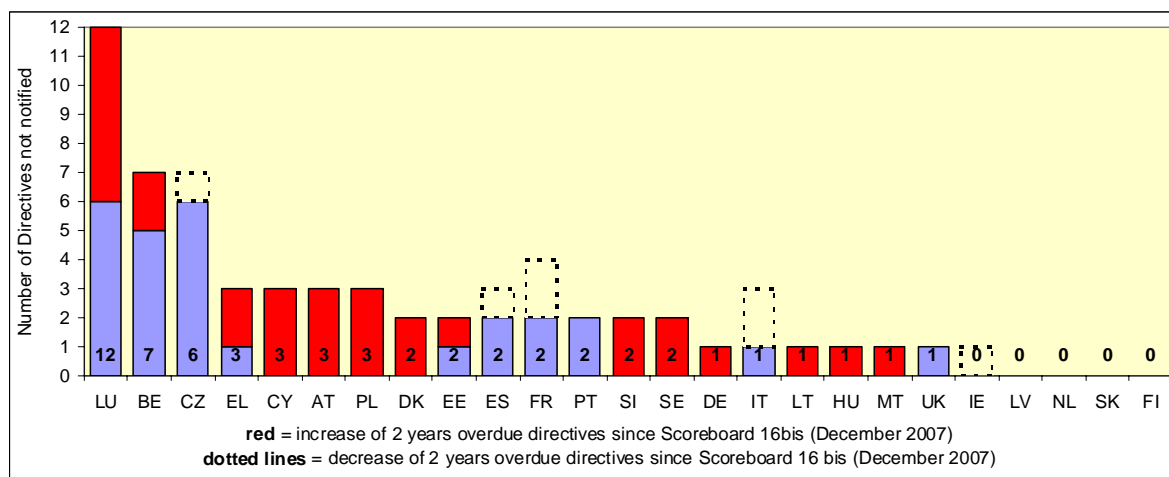
However, a fragmentation factor of 7% means that this percentage of Internal Market directives do not achieve their full effect in the Internal Market. In total, 113 Internal Market directives have not been transposed on time in at least one Member State.

This penalises all Member States, in particular in those sectors with a particularly high fragmentation factor, e.g. the financial services area where 15 out of 96 directives (15%) are not transposed by at least one Member State.

## Long overdue directives

The Barcelona European Council of March 2002 agreed on a 'zero tolerance' target for directives whose transposition deadline is overdue by 2 or more years. Only 5 Member States achieved the target.

**Figure 9: Only Ireland, Latvia, the Netherlands, Slovakia and Finland hit the 0% target for directives 2 years or more overdue**



Number of directives with a deadline for transposition into national law before 1st May 2006, which have not been transposed by 13 May 2008. As Bulgaria and Romania have joined the Union on 1st January 2007, they do not have directives overdue by 2 years or more.

- Although Luxembourg improved its transposition deficit, on this criterion it is the worst offender by far and urgently needs to address this problem. The number of directives whose transposition is over two years late has doubled within the last six months.
- Only 5 Member States are in line with the 'zero tolerance' target. Half a year ago 14 Member States met this target. This negative trend needs to be reversed.
- The Czech Republic, Spain, France, Italy and Ireland are the only Member States to improve their performance. Ireland reduced its deficit to zero.
- On the other hand, the position of 14 Member States got worse.

**Figure 10: Overview of the 10 directives long overdue where at least two Member States missed the target**

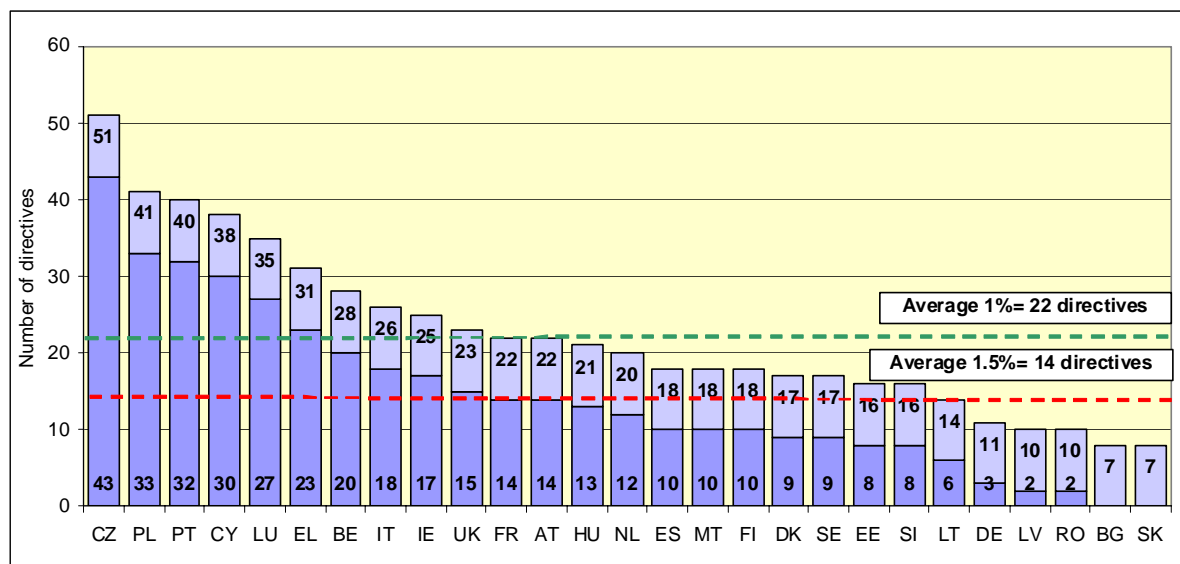
Directives	Not yet fully transposed by
1996/74/EC: textile names	CY, PL
2000/60/EC: water policy	IT, LU
2002/14/EC: informing and consulting employees in the EC	BE, EL
2002/73/EC: equal treatment for men and women	BE, LU
2002/91/EC: energy performance of buildings	BE, EL, FR, CY, LU, HU, MT, AT, SI
2003/35/EC: plans and programmes relating to the environment - public participation	BE, LU, UK
2004/12/EC: packaging and packaging waste	BE, EE
2004/23/EC: human tissues and cells - standards of quality and safety	BE, CZ, EE, FR, LT, AT, PT, SI, SE
2004/48/EC: enforcement of intellectual property rights	DE, LU, SE
2005/28/EC: investigational medicinal products for human use - good clinical practice	CZ, PL

Directives with a transposition deadline before 1<sup>st</sup> May 2006, which are not (fully) transposed by at least two Member States (21 other directives are not transposed by one MS) - Situation as of 13 May 2008.

## Looking ahead

**Figure 11: Most Member States are well on their way for the next Scoreboard**

The figure below sets out the total number of directives that each Member State needs to transpose by November 2008 to reach the targets of 1.5% and 1% respectively.



This figure sets out the number of directives that each Member State needs to notify by 10 November 2008 to reach the target of 1.5% or 1% transposition deficit by the next Scoreboard.

- Half a year ago, the average number of directives Member States had to transpose in order to reach the 1.5% target in the upcoming Scoreboard was 25. This time the number is 14 directives. To reach the 1% target 22 directives on average have to be transposed by November 2008.
- The Czech Republic reduced its backlog significantly since the last Scoreboard. Only six months ago it needed to transpose 66 directives to get in line with the 1.5%. Now, 43 are needed to achieve this target and 51 directives to meet the 1% target. Despite this improvement the challenge is substantial and will require a very serious commitment from the Czech Republic.
- Fortunately most of the Member States have decreased the number of directives to transpose to be in line with the 1.5% target. This trend is very positive and Member States are strongly encouraged to maintain their commitment to respect the targets set.
- On the other hand, Bulgaria, Slovakia, Romania, Latvia, Germany and Lithuania are well on their way to comply again with the 1% target in 6 months' time. 11 other Member States are also very likely to succeed. The 10 remaining Member States have to step up their efforts, especially those Member States still above the 1.5% target (Portugal, Poland, Cyprus and Luxembourg).

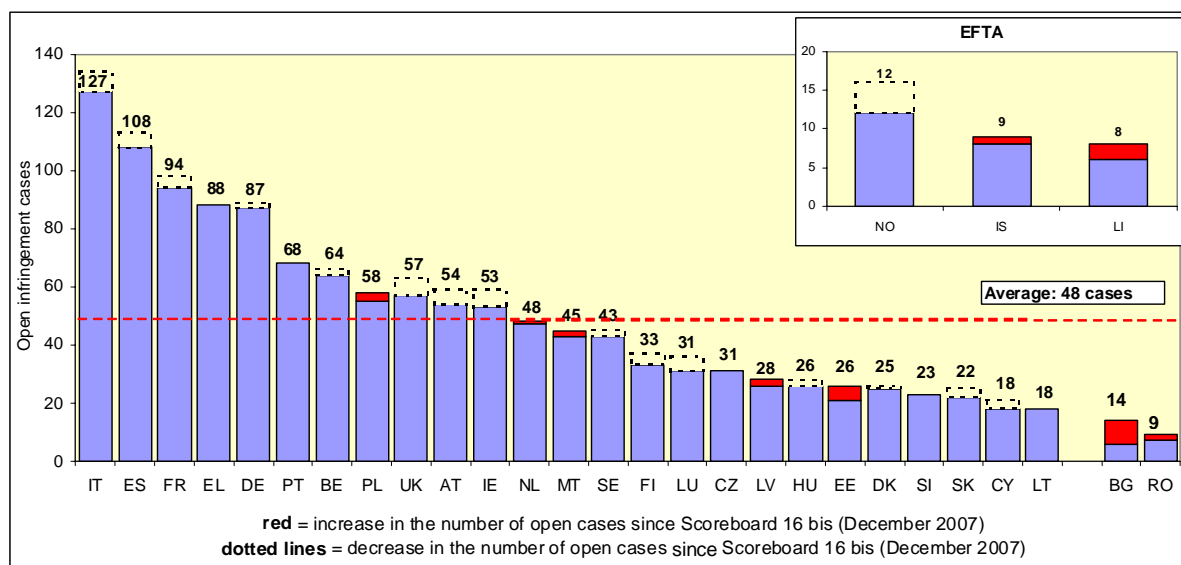


## B. INFRINGEMENT PROCEDURES FOR INCORRECT IMPLEMENTATION OF INTERNAL MARKET RULES

Community rules must not only be transposed into national law in each Member State, but also applied effectively. It is crucial for the credibility of the Internal Market that Member States ensure correct transposition and application of EU law. As guardian of the Treaty the Commission has to ensure that both Treaty provisions and decisions taken by Community Institutions are correctly implemented. Where the Commission considers that Internal Market rules are not properly applied, it may open infringement proceedings against the Member States in question. The infringement procedure provides for a dialogue between the Commission and the Member State concerned. Only the Court of Justice can rule definitively that a breach of Community law has occurred. Until the Court renders its judgement, the fact that an infringement procedure has been opened shows only that, in the Commission's opinion, the Member State has failed to fulfil its obligations under the Treaty. This should be kept in mind when interpreting statistics on infringement procedures.

### Number of infringement proceedings per Member State - compared to the last Scoreboard

*Figure 12: Slight decrease in the number of infringement proceedings*



Open infringement cases as of 30 April 2008 compared to the situation in December 2007. "Infringement cases" in the above figure include: cases where the transposition is presumed not to be in conformity with the directive it transposes or cases where Internal Market rules (both rules contained in the EC Treaty and in Internal Market directives) are presumed to be incorrectly applied and where a letter of formal notice has been sent to the Member State concerned. Cases of non-communication, i.e. concerning directives counted in the transposition deficit are excluded from this chapter in order to avoid double-counting.

- The ranking of Member States according to the number of infringement cases remains almost unaltered compared to December 2007 with Italy accounting for the highest number of cases.
- Despite the fact that the EU average of 48 open infringement procedures almost equals the result of 49 cases half a year ago, the overall trend is positive.

15 Member States managed to reduce the number of infringement cases, compared to 10 Member States last time. The highest reduction in open infringement procedures has been recorded in respect of Italy (7), followed by the United Kingdom and Ireland (6).

- 7 Member States recorded an increase of their cases and 5 Member States display the same result as six months ago.
- In doubling the number of cases, Bulgaria has seen the biggest increase. However, taking into account that it is a Member State that only joined the EU around one year ago, this is not unusual and the overall number is still very low.

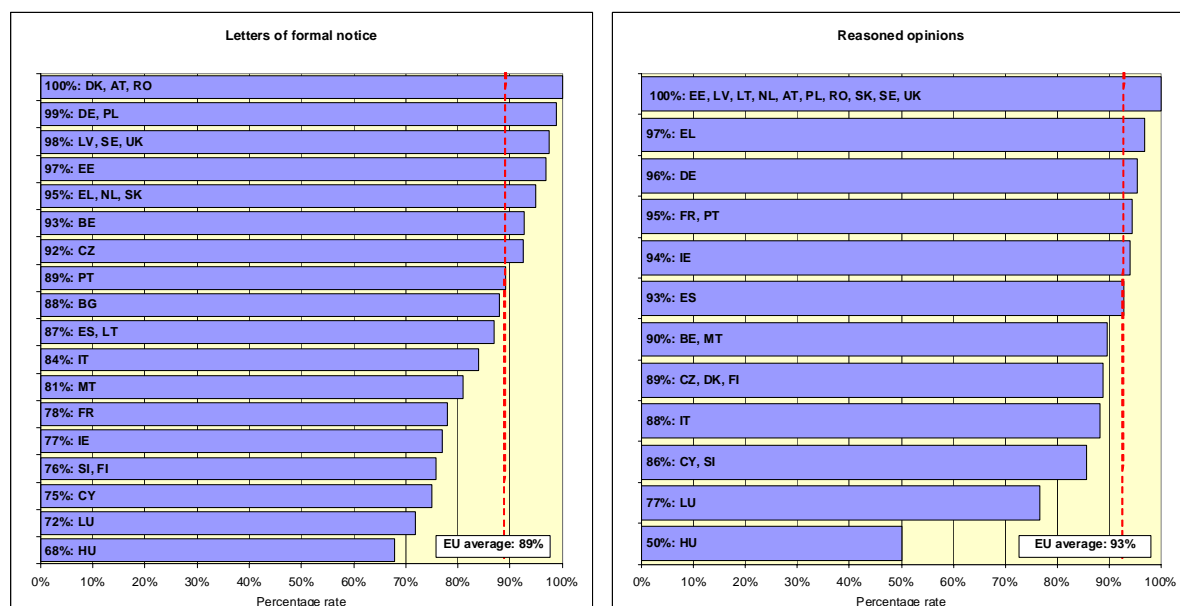
### **The flow of infringement procedures**

There are significant differences between Member States as to their handling of infringement cases. Early resolution of legal disputes between the Commission and the Member States remains crucial to the efficient functioning of the Internal Market. The infringement procedure provides for a dialogue between the Commission and the Member States concerned. After careful consideration of the facts and the applicable law, the Commission may decide to open the infringement procedure by sending a letter of formal notice to the Member State, inviting its comments on the alleged breach of Community law. If the Commission is confirmed in its view that there is a breach of Community law, it will deliver a reasoned opinion to the Member State in which it sets out its concerns in legal terms and again invites the Member State to respond. After examining the Member State's answer, the Commission decides whether it should refer the case to the Court of justice.

A constructive handling of the infringement procedure depends in part on the active participation of the Member States and upon their respect of the time limits for reply. At present, the time limits are not respected in all cases. Even worse, within the last three years, about 11% of letters of formal notice and 7% of reasoned opinions elicited no response at all. Only 3 Member States always replied to a letter of formal notice and 10 Member States to the reasoned opinion.

It appears that Member States give more attention to the second step of the formal procedure (reasoned opinion) while an early resolution would be desirable for both parts.

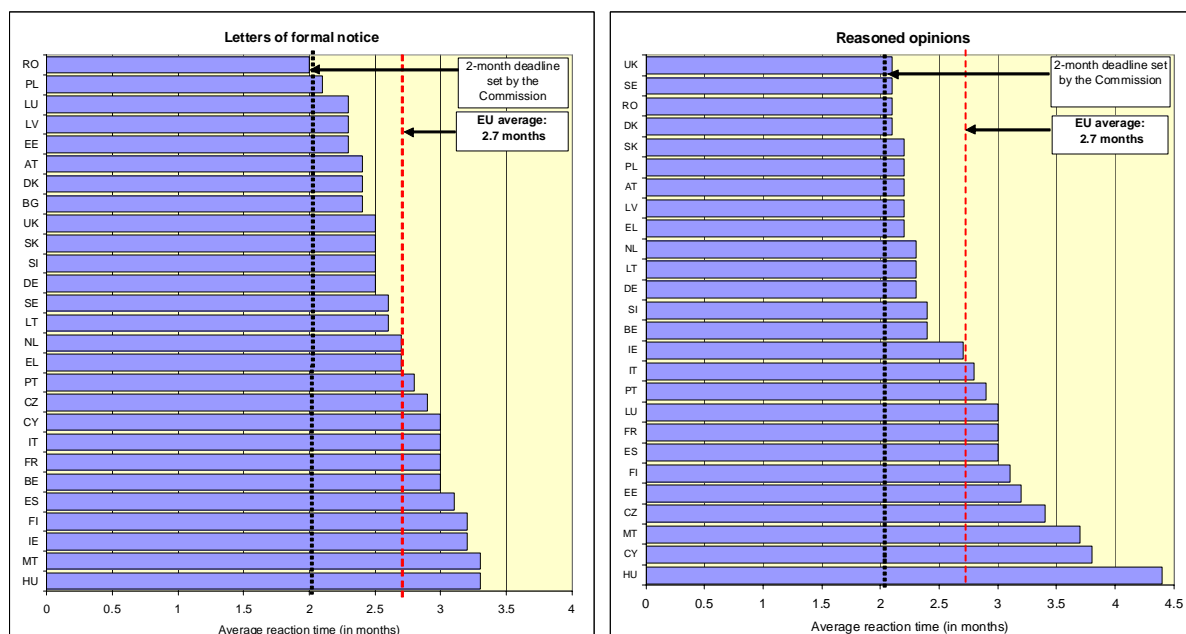
**Figure 13: The pattern of response to formal procedures varies**



Recorded rate of response (%) to letters of formal notice and reasoned opinions sent between 1 January 2005 and 31 December 2007. In total, 1551 letters of formal notice and 674 reasoned opinions in relation to Internal Market rules have been sent to Member States

**Figure 14: Only a few Member States comply with the deadline set by the Commission**

The average time taken to respond to letters of formal notice and reasoned opinions takes almost 35% longer than the normal 60-day limit set by the Commission. The average time varies for a letter of formal notice up to 100 days and a reasoned opinion up to 135 days.

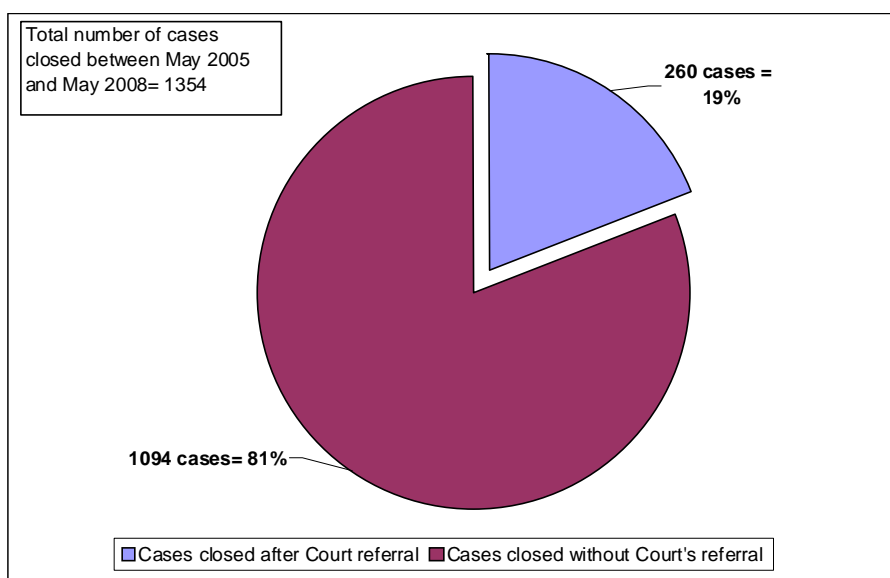


Average recorded response time (in months) to letters of formal notice and reasoned opinions sent between 1 January 2005 and 31 December 2007

- Romania and Poland perform well with a rate of response near to perfect (100% for Romania and 99% for Poland). Moreover, in most cases they respect the deadline set.
- On the other hand, with a response rate to the letters of formal notice of 68% and to the reasoned opinions of 50%, Hungary is the worst-performing Member State. Furthermore, it has the longest delays when responding.

**Figure 15: Court referral**

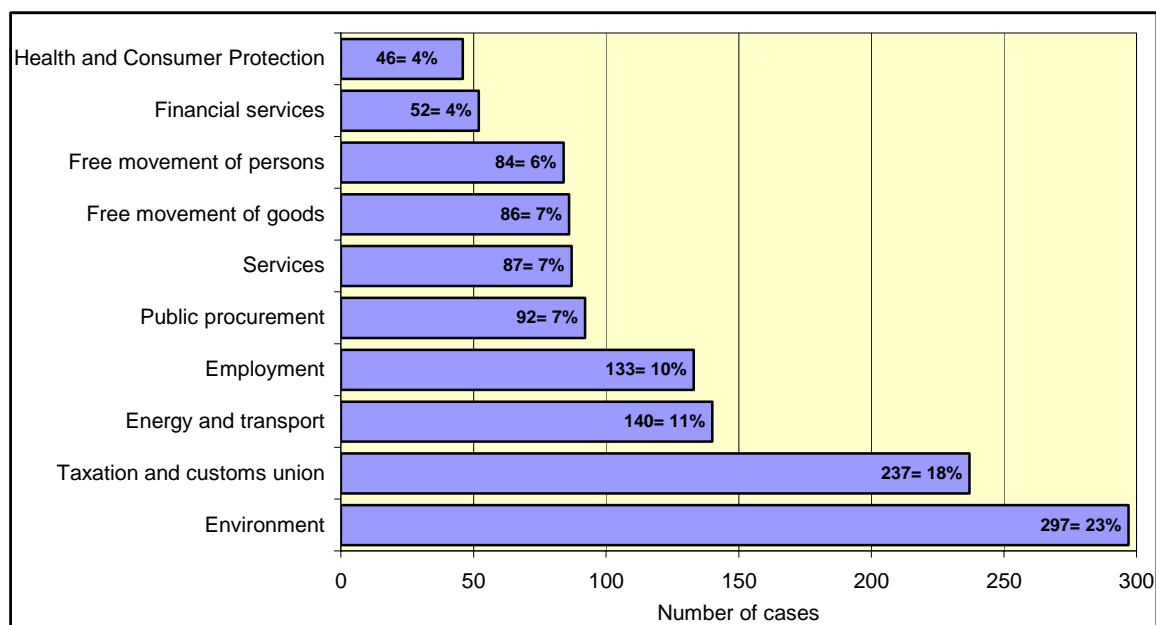
The main purpose of the infringement procedure is not to bring Member States before the Court of Justice, but to bring national law and practices in line with Community law. Indeed, the infringement procedure frequently enables the Commission and the Member State to resolve their differences without going to Court. Only a small proportion of the cases investigated by the Commission are eventually referred to the European Court of Justice.



Between May 2005 and May 2007, of the 1354 closed infringement procedures in relation to Internal Market rules, 1094 were closed without Court referral and only 260 after Court referral. Out of the 260 cases referred to the European Court of Justice, the Court ruled in more than 90% of the cases that Member States did not (fully) comply with EU law.

## Breakdown of infringement proceedings by sectors

**Figure 16: 'Environment', 'taxation and customs union' and 'energy and transport' remain the biggest sources of infringements**

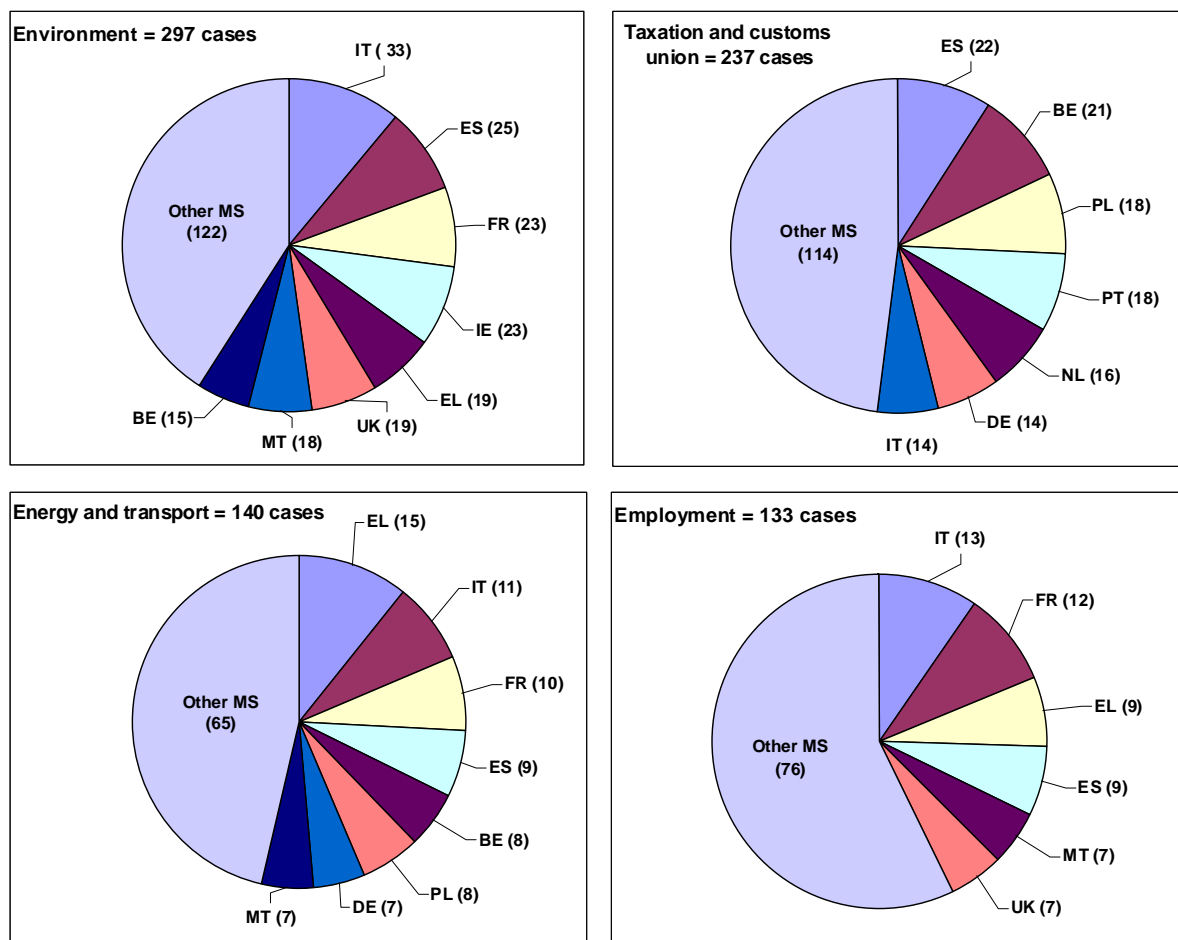


*Infringement cases per sector – Situation as of 30 April 2008.*

Compared to the situation in December 2007, there are almost no changes in the ranking of the most important sources of infringements against EU law. Environmental rules are still the source of the highest number of cases (23%), followed by taxation and customs union rules (18%). That number increased by a further 1% in the two aforementioned sectors and in health and consumer protection within the last six months. The areas of energy and transport, public procurement and services saw a reduction in the number of cases by 1%. The proportion of all remaining sectors is unchanged.

## Breakdown of the main sources of infringements and Member States concerned

*Figure 17: Member States pattern varies on infringement sources*



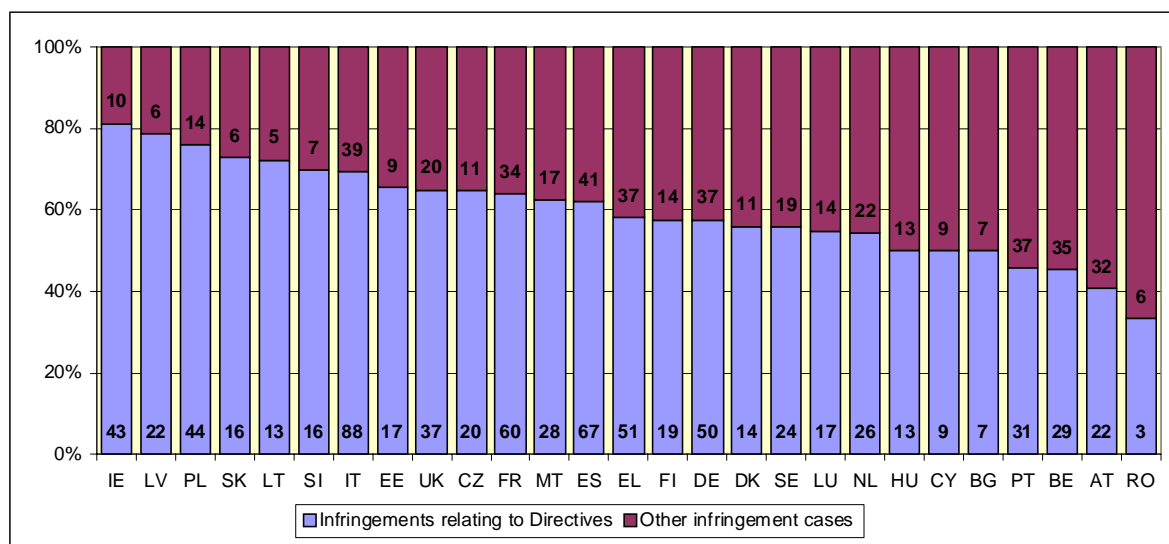
*Breakdown by area and by Member State of the number of infringement cases – Situation as at 30 April 2008. The four sectors analysed here covers more than 60% of the total number of cases.*

- A breakdown of the environment sector shows that one third of all 297 infringement cases have their origin in only 3 Member States: Italy with 33 cases, followed by Spain and France with 25 and 23 respectively.
- In taxation Spain is the Member State with most cases, closely followed by Belgium and to a lesser extent Poland and Portugal.
- In energy and transport Greece, Italy and France have the biggest number of infringements cases. Likewise in the area of Employment.

## Breakdown of infringement proceedings per Member State

Timely transposition is important but Member States must also ensure that the rules are correctly applied. Infringement proceedings are opened against a Member State either because it violates a directive or because it violates another source of EU law, such as a provision of the EC Treaty, a Regulation or a Decision.

**Figure 18: Timely transposed directives are not always correctly implemented...**



Number of infringement cases as at 1<sup>st</sup> May 2008.

The figure above shows the proportion of these two causes for each Member State. It appears that more than 60% of the infringement cases relate to incorrect transposition or incorrect application of directives. For instance, out of the 53 Irish infringement proceedings, 43 (81%) are linked to EU directives and only 10 to an alleged breach of another source of EU law.

## 2. SPEEDING UP THE RESOLUTION OF INTERNAL MARKET PROBLEMS FOR BUSINESS AND CITIZENS

### A. PACKAGE MEETINGS AND TRANSPOSITION MEETINGS

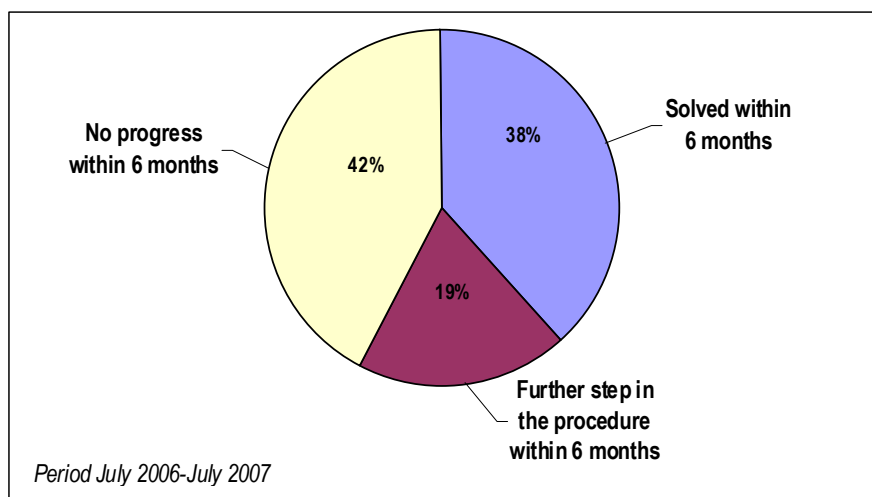
'Package' meetings involve Commission experts and their counterparts in a Member State who meet informally to examine a 'package' of infringement cases with a view to solving them without the need for further legal action.

Such package meetings are organised on a regular basis but involve mostly those Member States whose track records on timely and correct application of Internal Market directives are particularly problematic.

Between July 2006 and July 2007, a total of 21 package meetings took place.

**Figure 19: Quick results in almost 60% of cases**

Package meetings are a useful tool to solve infringements or for accelerating the handling of such cases via the formal proceedings. More than a third of cases discussed on this occasion are resolved within the subsequent six months. In 19% of cases the infringement procedure has speeded up. In these cases, the Member State either receives a letter of formal notice, a reasoned opinion or is brought before the European Court of Justice within six months following the meeting.

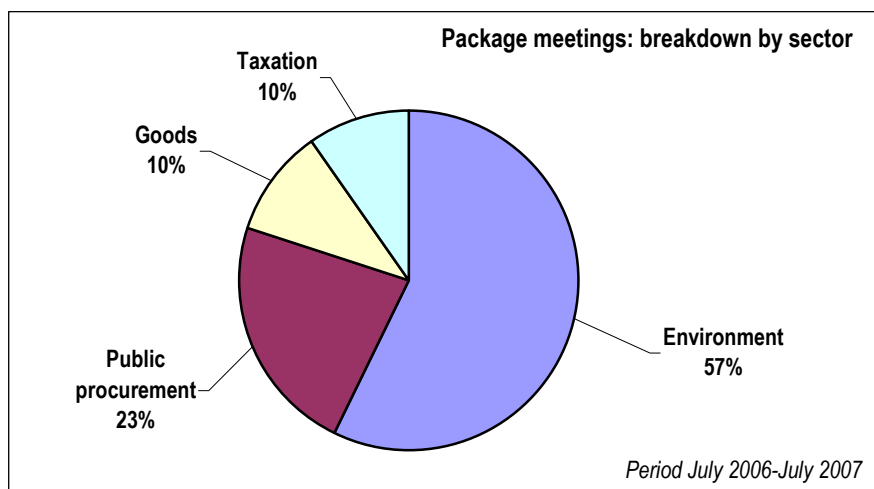


*Results of the package meetings after six months.*



**Figure 20: Most package meeting cases are related to environmental law**

From July 2006 till July 2007 most of the discussed cases in package meetings took place in the field of environment (57%), followed by public procurement (23%), good and taxation (both 10%).



Due to the encouraging results of package meetings, the Commission started in 2002 to organise transposition package meetings on a regular basis. These transposition meetings are devoted to assist Member States in transposing Internal Market legislation by anticipating possible transposition problems of a political, legal or technical nature. Other examples of assistance are informal bilateral contacts or meetings between the officials concerned and informal scrutiny of draft transposition measures.

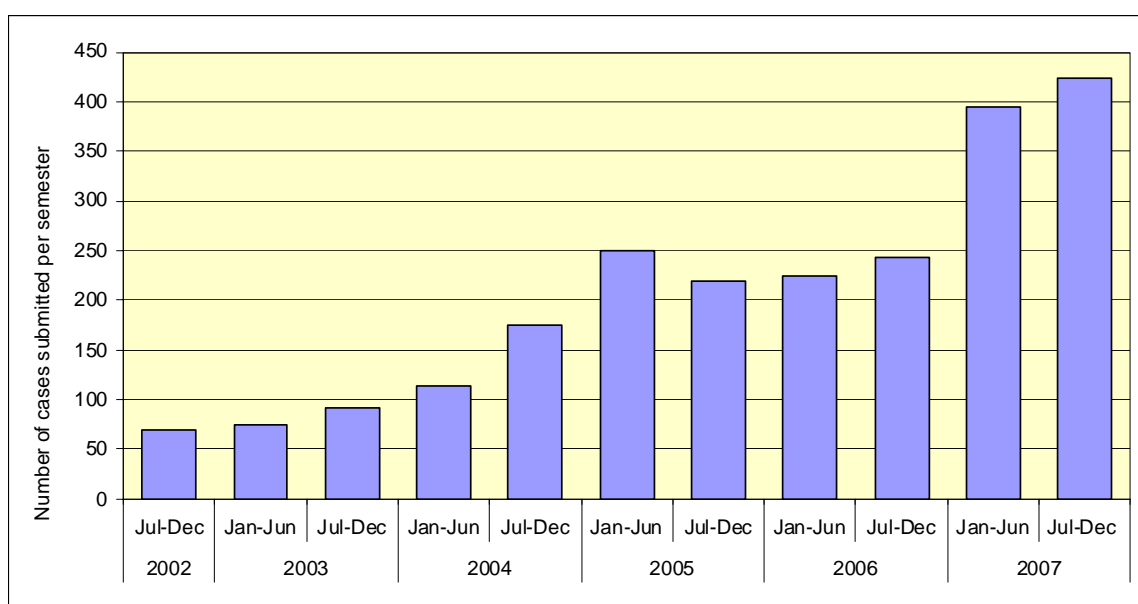
2 such meetings took place between July 2006 and July 2007, in Italy and France.

## B. SOLVIT

### Sharp increase in overall SOLVIT case flow in 2007

Although case flow in 2006 was at the same level as in 2005, SOLVIT handled around 75% more cases in 2007. Part of this increase (15%) is due to the extension of the network to Romania and Bulgaria, but the main sources of additional cases was awareness raising activities around SOLVIT's fifth anniversary and the introduction in December 2006 of a new on-line complaint form to submit a problem. The latter made it much easier for citizens and businesses to submit their problems to SOLVIT and also increased transparency in respect of incoming problems for the network as a whole.

**Figure 21: Many more citizens and business found their way to SOLVIT in 2007**



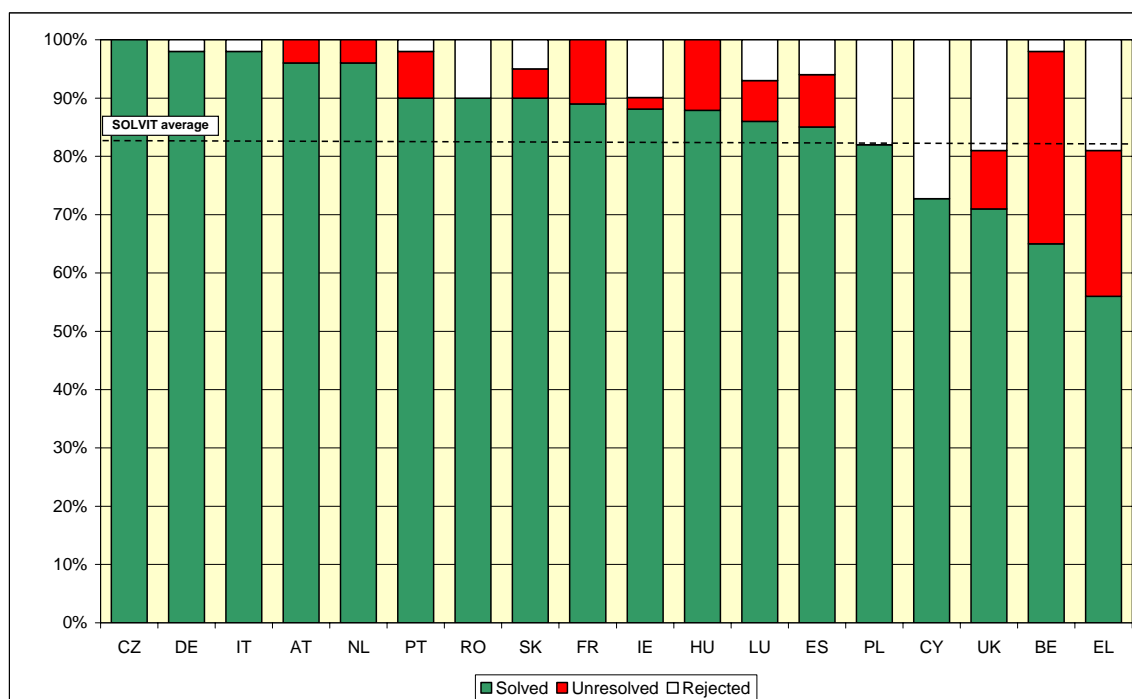
*Trend in SOLVIT case flow 2002-2007*

Spain, Germany, France, Poland, the United Kingdom and Italy had the highest case flow (i.e. both cases submitted to and cases received from other SOLVIT centres) in 2007. SOLVIT Ireland experienced the steepest increase in cases, up from 18 in 2006 to 77 in 2007.

## Resolution rates remain high

The network as a whole achieved a resolution rate of 83% of all cases accepted by SOLVIT. Many SOLVIT centres have managed to achieve impressive resolution rates. SOLVIT centres in the Czech Republic, Germany, Austria, the Netherlands, Italy, France, Portugal and Romania resolved more than 90% of all problems submitted to them.

**Figure 22: A large majority of SOLVIT centres achieved very high resolution rates in 2007**

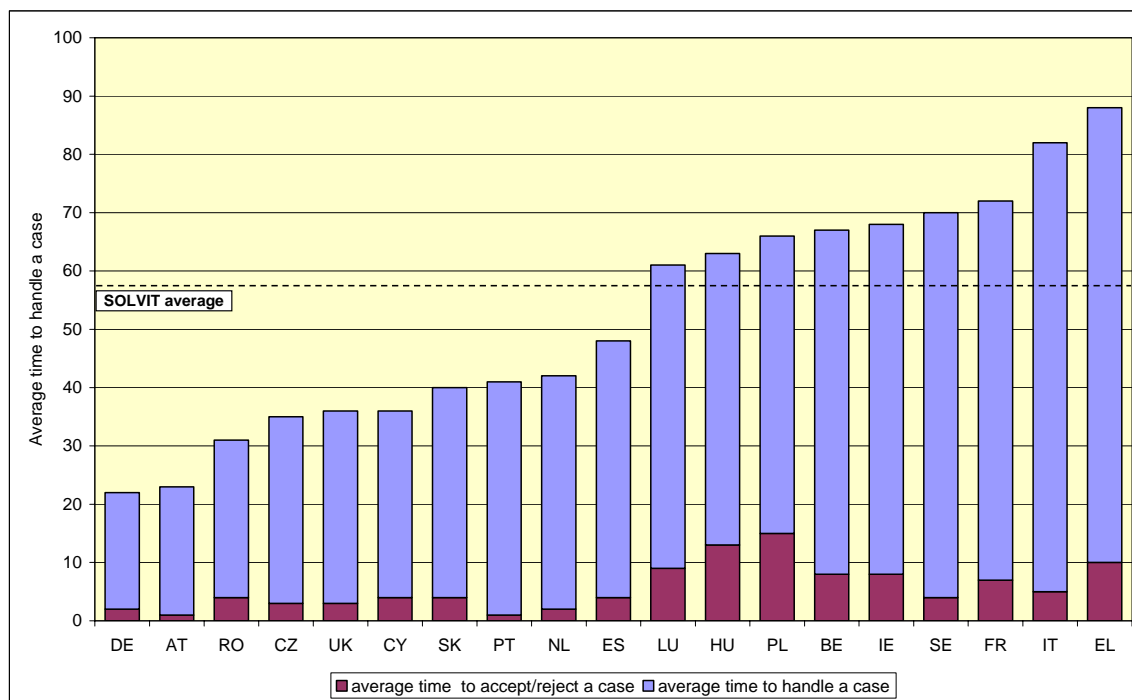


Case resolution rates of SOLVIT lead centres 2007 (SOLVIT centres which received 10 cases or more).

## Higher case handling speed

The fastest SOLVIT centres in 2007 were those of Germany and Austria, handling cases in just over three weeks on average. Eight further SOLVIT centres stayed within seven weeks. At the other end of the spectrum, two SOLVIT centres - Italy and Greece - needed more than eleven weeks on average to deal with their cases. Nevertheless, it should be noted that Greece has almost halved its average case handling time of more than twenty weeks in 2006.

**Figure 23: Case handling time still far too long in Italy and Greece**



*Average time taken by SOLVIT lead centres to accept/reject and handle cases (SOLVIT centres that received 10 cases or more)*

## Shortage of staff in SOLVIT centres is still a problem

On average, SOLVIT centres spent 16.5 man-months on SOLVIT tasks in 2007, the same as in 2006. As in the previous year, almost half of all SOLVIT centres reported that they need more personnel or have experienced continuity problems in 2007. Furthermore, while a SOLVIT centre may have sufficient staff 'on paper', they often have to combine their SOLVIT tasks with other, high(er) priority work. In such situations there is obviously a strong incentive to keep SOLVIT work within limits and not to attract more cases through awareness-raising. In most cases staff shortages have not resulted in lower resolution rates or longer case handling times, but they do seem to have an impact on case handling quality and are slowing down the further expansion of SOLVIT. The majority of SOLVIT centres report that they would like to do more about awareness-raising, but are unable to do so because they do not have the staff for it.

**Figure 24: More than one third of SOLVIT centres are understaffed**

<b>Adequate</b>		<b>Low</b>	
Bulgaria	Liechtenstein	Austria	Lithuania
Belgium	Luxembourg	Cyprus	Malta
Czech Republic	Netherlands	Finland	Norway
Denmark	Portugal	France	Poland
Estonia	Slovakia	Germany	Romania
Greece	Spain	Ireland	Slovenia
Hungary	Sweden	Italy	
Iceland	United Kingdom		
Latvia			

*Staffing levels in SOLVIT centres during 2007*