

Single Market Strategy



ARCHITECTS' COUNCIL OF EUROPE
CONSEIL DES ARCHITECTES D'EUROPE

Ian Pritchard, Secretary General
ACE General Assembly, Brussels, 2 December 2016



Single Market Strategy

Positives

- Help for SMEs, Start-ups
- Further work proposed on Procurement
- Possible solutions for insurance
- Help with VAT



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Negatives

- **COM claims:** Professional mobility hindered by regulatory differences and reserves of activity leading to “limited consumer choice, less entrepreneurship & employment, and higher prices”;
- **Yet:** regulatory differences (ex post / ex ante) are not matter if they lead to the same objective – and 96% of registration requests are satisfied;
- **Further review of architects:** totally unnecessary



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Reserves of activities

2012 DG MARKT study to provide an inventory of Reserves of Activities & assessing their economic impact”

- ***“... the economic analysis ... does not show that there is a clear impact of reserved activities on economic performance in the three sectors examined”***
(Business Services, Construction Services, Tourism)



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Improving access to the professions

Purpose? Meaning?

- There is no real shortage of architects
- There are no restrictions on access to any / all who meet the requirements of the PQD
- There is no *numerus clausus*
- Number are increasing – though unemployment / underemployment is still high, and earnings low



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Improving access (contd.)

Better “churn” rates?

- More unemployment
- Lower standards
- Reduce ability to compete internationally



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IMCO reports (Dalton)

Non-tariff barriers

- 25% of regulated professions are regulated in only one Member State
- the architectural profession is regulated in ALL MS
- ex ante regulation (title) in most countries
ex post regulation (practice) in others



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IMCO reports (Comi)

Amendment

- ***“different approaches to regulation do not, per se, constitute an obstacle to the deepening of the internal market; ... rules on access to and the exercise of professions may be necessary for the protection of the public interest and consumer protection, and their evaluation makes sense only in the national context”***



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IMCO reports (Dalton)

Only 2% of SMEs have undertaken cross-border expansion through Foreign Direct Investment (FDI)

- Architects do not invest – they follow the investment
- 7% were mobile in better economic times
- Their movement is not inhibited by regulation



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Intra-EU mobility

Main concerns of architects (ACE Study):

- Inability to find work;
- Insufficient language skills
- Lack of knowledge of planning / building regulations
- Practical relocation / personal issues
- Knowledge of local market, fees + tariffs
- PII cover

In addition to qualifications issues



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Intra-EU mobility (2)

DG REGIO report “overcoming obstacles in border regions

- language barriers;
- Difficult physical access;
- Economic disparities;
- Public authorities;
- Social-cultural differences
- Lack of trust

As well as legal & administrative barriers



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Intra-EU mobility (3)

Movement follows economic prospects (cf. COM Regulated Professions database)

However,

- **96% of SMEs still excluded from public procurement** because of turnover requirements



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Single Market Forum

“Apart from the seven regulated professions – the case for regulating other professions is less obvious” (Lowri Evans)

“at a loss to explain the need for 99 branches of civil engineering – while architects were able to manage with one”.



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Reforming six priority professions

But why architects?

- We have just undergone a review
- Our sector is exemplary (cross-border recognition decisions, collaboration between Competent Authorities, IMI etc.)
- Construction is 10% of EU GDP – but Architecture is less than 10% of construction – so c. 0.9% of EU GDP



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The professions – engines of growth?

- how?
- Architects have no impact on the volume of public commissions or the investment habits of private clients
- They are not investors – they follow investment
- Clients bring investment – architects add value
- ***“Professions bring value – protect them as value-bringers”***



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Single Market Forum

- Scale up to counter fragmentation?
- Create a debate on Better Regulation
- Create conditions for more innovation, productivity, knowledge and better business models
- Find ways to regulate that do not disrupt economic growth
- “status quo barriers and risk aversion” = productivity gap between the EU and the USA”



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Single Market Forum - USA

Occupational regulation

- reduced inter-State mobility while increasing prices (and professional fees)
- but this is at variance with our experience of regulation for architects (NCARB)



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Single Market Forum - USA (2)

Consider

- confidence in regulation can actually increase mobility by virtue of the enhanced consumer trust it engenders



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Single Market Forum - empirical evidence

The effects of liberalisation of professional requirements in Greece

- Indications of positive effects for the regulated professions – without reform, the recession-induced reduction in employment would have been larger
- Reform led to significantly lower prices for consumers, start ups doubled.



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Single Market Forum - evidence (2)

The effects of liberalisation of professional requirements
in Greece - architects

Regarding prices

- ***“our analysis ... did not provide any clear evidence of a positive or adverse effect of the reform on prices for the regulated professions***



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Single Market Forum - evidence (3)

The effects of liberalisation of professional requirements in Greece - architects

Regarding quality

- ***“identifying the impact of the liberalisation process on the quality of the service affected by the reforms is not any easy task, In fact, measuring quality of services in general presents considerable difficulties ...”***



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Single Market Forum - evidence (4)

The effects of liberalisation of professional requirements
in Greece - architects

Regarding education standards

- ***“liberalising reforms ... in Greece ... have generally not lessened the educational qualifications of service providers”***



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Single Market Forum -evidence (5)

The effects of liberalisation of professional requirements
in Greece - architects

Conclusions on Architecture

- *“one would not expect a decline in the quality of services” because*
 - *prices had not gone down and*
 - *qualifications had not been lowered*



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Single Market Forum - evidence (6)

The effects of liberalisation of professional requirements in Greece

- While **Prices** may have fallen generally, the cost of professional services has not;
- If **Quality** has not declined, this is probably because of professional ethics;
- If **Qualification** levels have not been lowered, then this does nothing for the COM's aim to increase the numbers entering the profession)



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Single Market Forum - empirical evidence

Deregulation in Poland

- resulted in more employment and lower costs
“apparently without negative consequences”
- This is not the same as saying that deregulation has had a positive effect!



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Single Market Forum – empirical evidence

Better Regulation

The Forum appeared to conclude - or concede - that

- a Better Regulation debate was needed;
- Regulation: a continuum – not something binary
- Not ‘licensing vs. no regulation’
- We cannot do nothing – but we cannot do everything



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Other issues

- Consultation on **Professional Regulation**
- **Public Procurement**
- Consultation on **Services Certificate**



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Points for reflection – summary

General

- Why us, given the recent Peer Review?
- How economically significant is our sector?
- Has the case for a Proportionality Directive been made?
- The professions are not “engines for growth”
- Keep culture lively – diversity is to be celebrated



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Points for reflection – summary (2)

Regulation

- 96% of cross-border registration requests are satisfied. So what are the problems the proposals are trying to solve?
- *Ex ante* and *ex post* regulation – two different routes to the same goal
- Architects go to the MS of greatest economic opportunity – not to the MS of greatest regulatory ease



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Points for reflection – summary

Procurement

- PPD is good in parts – but a long way to go
- Turnover requirements exclude 96% of SMEs
- ADC + negotiated procedure, not “toolbox”
- More transparency below thresholds
- Improve Remedies system



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Points for reflection – summary

- Avoid overlap with EPC
- How does it add value? Who delivers? Who pays?
- Difference between registering individuals / firms
- Liability issues relating to insurance
- How will it look? Work?

Thank you



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