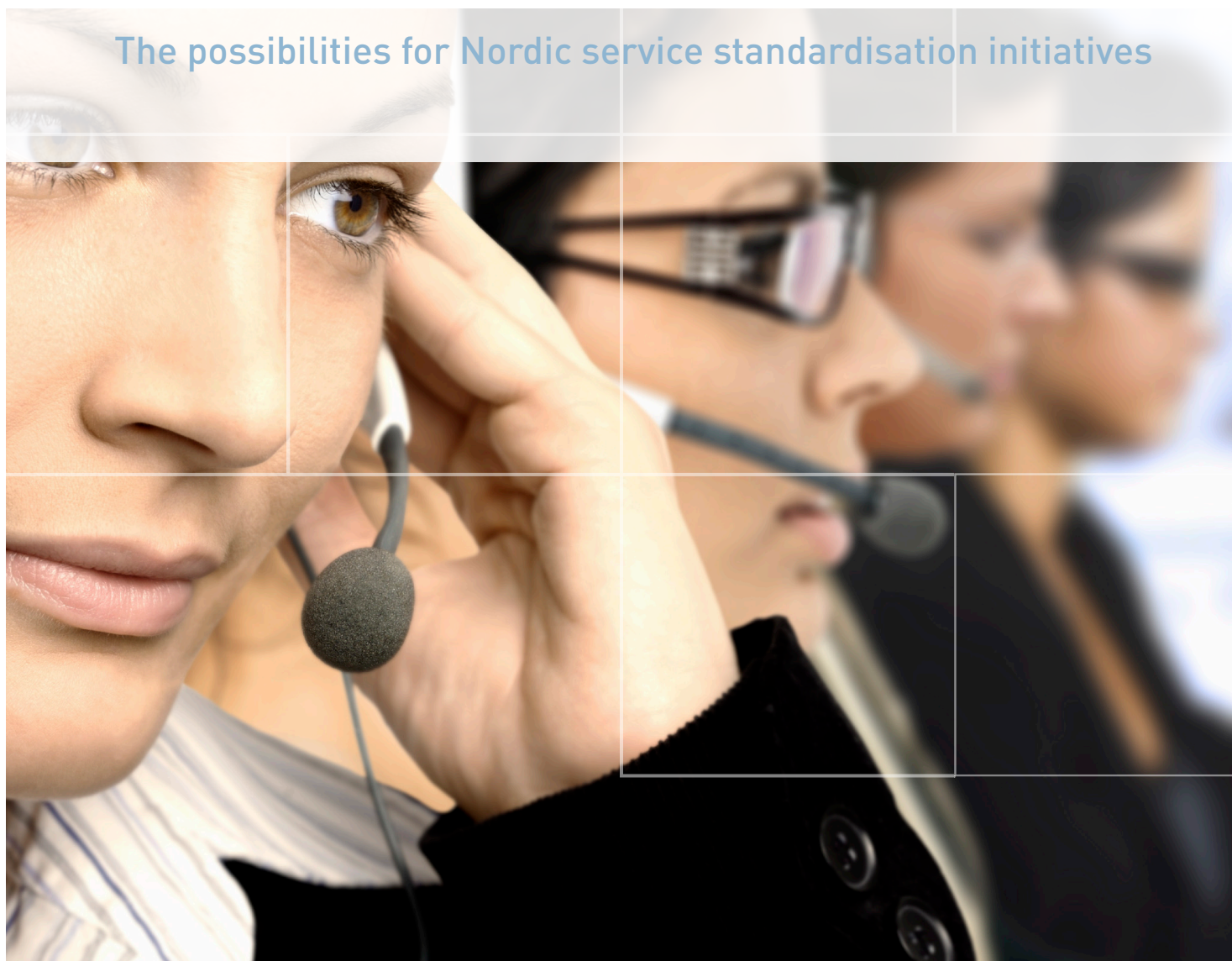


Feasibility study:

December 2008

Exploiting the potential of Nordic internationalisation of services

The possibilities for Nordic service standardisation initiatives



Authors: Kim Møller, Henrik Mahncke, Jakob Stoumann Jensen, Ole Bruun Jensen and Mette Slottved

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Preface

The present study and report has been prepared by Oxford Research A/S for the Nordic Innovation Centre. The study forms a part of the project "Nordic platforms for better trade in services" initiated by the Nordic Innovation Centre. The project aims to contribute to a well-functioning market for trade in services within the Nordic countries and in Europe. This includes influencing and implementing EU policies and initiatives within the service sector.

Data gathering was carried out and the report prepared in the period between May and October 2008. Oxford Research would like to thank all of the interviewed stakeholders, and in particular the Nordic standardisation organisations, who have been most helpful during all stages of the research process.

The study is based on literature reviews, statistics and more than 100 personal interviews with standardisation organisations, industry associations, authorities, companies and other key stakeholders within the Nordic service sectors. To this are added interviews with the major European standardisation bodies and stakeholders.

Copenhagen, December 2008.

Summary

Why a study on the potential of Nordic service standardisation initiatives

Nordic cooperation has proved to have benefitted the participating countries in several ways; economic, social and political. The free exchange of goods and the high levels of mobility among people within the region have created a unique framework for internationally-oriented companies.

The Nordic economies are open and relatively small, and have traditionally been dependent on trade. As a result, these countries implement a clear policy working to promote the establishment of international agreements, regulations and standards that contribute towards opening up markets for goods and services.

The service sector is of increasing importance to the European and Nordic economies. Today, services account for 60-70% of GDP and employment within the majority of the EU and EFTA states. However, the service sector accounts for only 25% of all intra trade.

In addition, the availability of standards within the service sector is very poor in relation to the economic importance and potential of this area. However, standardisation is increasingly being used to support the development of the Internal Market for services.

The Services Directive was adopted in 2006 in order to achieve a genuine Internal Market in services by removing legal and administrative barriers to the development of service sector activities between member states. The directive notes how increased standardisation can bring about positive effects to the Internal Market for services, and the European Commission encourages *inter alia* member states and key stakeholders to initiate European service sector standardisation processes.

The Nordic countries should become involved in the development of European and international service standards so that they can contribute to the improvement of the Internal Market for services. Previously, Nordic cooperation has proved to be of great value in influencing and contributing to European standardisation of the tangible goods sectors. The Nordic countries have been frontrunners in the field of standardisation, most notably in the environmental and construction sectors.

The diversity and size of the service sector makes it impossible to participate fully at international level in all cases and subsectors. For this reason, the Nordic countries should prioritise their involvement in international standardisation work based on considerations of relevance, economic interests, existing international and national standards and industry needs.

Against this background, the Nordic Innovation Centre has commissioned a feasibility study with the aim of selecting and defining those service sectors where standardisation can contribute to economic growth and internationalisation of Nordic service provision. The study examines standardisation initiatives related to both 1) the potential of launching European or international service sector standardisation projects or the potential to influence and contribute to the development of ongoing European or international service sector standardisation, and 2) the potential of developing Nordic service sector standards in areas where there is currently no ongoing or planned European or international work in progress regarding service sector standardisation.

Standardisation in general

The use of standards has increased steadily during the 20th century, resulting in the adoption of more than 1500 European standards during 2006 by the three European Standards Organisations: CEN, CENELEC and ETSI. The bulk of these standards are related to tangible products, whereas only a small fraction is related to the service sector.

In this study the following definition, as provided by the International Organization of Standardisation (ISO), is applied:

"standards are documented voluntary agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes and services are fit for their purpose"

In order to ensure that standards are accepted and fit for purpose, the following four principles are adhered to as part of the preparation of standards; *Collective achievement on a neutral basis, Consensus, Publicity and Coherence*. Furthermore, while adhering to the above principles, the standardisation process will become a voluntary and consensus-driven activity.

Pros and cons of standardisation

Standardisation is an integral part of the EU's policies intended to promote the competitiveness of enterprises and to remove barriers to trade.

Standards are important to society since they bring with them both economic and more general benefits. The economic benefits of standards pass through various channels, all of which enhance the level of *competition, innovation, and efficiency* within the public and private sectors.

- **Competition:** standards enhance the transparency of the market by making it easier to compare products and services. This enables both producers and consumers to make more informed choices to their mutual benefit. Furthermore, the increased transparency of the market can strengthen consumer confidence, which in turn can lead to market expansion and the potential for increased trade.
- **Innovation:** by contributing to the standardisation process, research risks and development costs incurred by the organisations involved can be reduced. Furthermore, the prospect of becoming incorporated within a standard increases the incentive to carry out R&D in the first place. Standards also function effectively as a means of disseminating innovations and by making sure that new technology is actually applied.
- **Efficiency:** introducing standards lowers transaction costs in the market in question. In particular, search and information costs are reduced due to the increased transparency of the market. Market efficiency is also improved since standards ensure that products and services are fit for purpose.

The benefits of standards are not only related to economic factors. Some of the greatest benefits relate to issues such as quality, the environment and safety.

There are some instances in which the introduction of standards is perceived to have negative effects. The most conventional arguments against the use of standards are that 1) they limit the diversity of products and services in the market, 2) standards can have a negative impact on the speed of innovation, and 3) the skewed access to and participation in the standardisation process means that major business enterprises dominate the

standardisation process. In the main, these disadvantages do not relate to the real impacts of standards but merely to a lack of knowledge about standardisation.

Standardisation within the service sector

The highly heterogeneous nature of the service sector makes it more difficult to standardise in comparison with tangible products. Furthermore, services have a number of specific characteristics that can make the task of service standardisation somewhat complicated. The following five characteristics are specific to most kind of services:

- **services are intangible and contain a high level of information**
- **services are often produced and consumed simultaneously**
- **the consumer is often integrated in the service provision process**
- **human capital plays a pivotal role in the provision of services**
- **services are typically non-storable and non-durable.**

The vast majority of standards relate to tangible goods, but service sector standardisation is increasingly being used to support the development of the Internal Market for services. The most common areas for existing service sector standards are within:

- **Quality management**
- **Environmental management**
- **Safety management**
- **Working conditions**
- **Education**
- **Ethical standards**
- **Contractual standards**
- **Complaints handling**
- **Price regulations.**

Some challenges related to service standardisation

The use of standards is a strategic tool designed to promote competitiveness. However, in many cases, companies are not aware of the strategic advantages that the use of standards and their participation in standardisation work can have for their activities.

For business organisations, the uppermost hierarchical levels are for the most part positive towards service standardisation. However, as far as the regional and sectoral departments and associations are concerned, the standardisation of services is rarely on the agenda and seems to be assigned a relatively low priority. This is of course problematic since the industry organisations have an important stake in the development and implementation of well-defined and relevant service standards. It is therefore important to foster more emphasis and debate about standardisation at all levels within the industry organisations. Creating incentives, such as funding for initiatives including sectoral standardisation studies, workshops, and seminars within recommended sectors may contribute to this. By bringing the subject into the public domain for debate by means of articles in relevant newspapers and magazines may represent another and equally valid step.

A lack of knowledge about the strategic advantages of the use of standards applies particularly to service sector companies, and results in a low level of involvement and insufficient demand for service standards. This is probably due to the fact that standardisation is a relatively new phenomenon within the service sector. Much of the service standardisation work being carried out nationally and at European level is therefore focused on educating stakeholders about what service standardisation can do for them.

Service sector companies may have other needs than the established industries and thus have new demands in terms of the standardisation effort. One of the major challenges is without doubt to address the service industry's scepticism towards standardisation. The fear of losing their uniqueness is one reason for such scepticism.

Furthermore, the composition of the service industry represents a major challenge to the successful implementation of service standards. The service sector consists predominantly of small and medium sized enterprises (SMEs). Many of these SMEs choose not to participate in the standardisation process since the costs of doing so are prohibitive, especially for many minor companies that have limited resources not explicitly bound to their core activities. This means, most probably, that the major players within any given sector will dominate the service standardisation processes. The European Commission has recently commissioned several studies related to SMEs' participation in and access to standardisation processes.

Another challenge is linked to public sector procurement procedures. The service industry points to the problem that the value of standards and certification is not sufficiently acknowledged as part of public procurement procedures. Since these represent large and very important customers within many parts of the service sector market, it is of vital importance that public sector purchasers actually inquire after standardised services. If there is no demand for standardised services, there will be no incentive for service companies to implement such standards. In addition, the service industry stresses that the standardisation of public sector procurement procedures, for example in relation to tender materials, would be of great value to the companies.

The Services Directive

An increasing awareness of the role of the service sector as a major component of modern economies led to one of the most intensely debated directives in the history of the EU – *Directive 2006/123 on services in the Internal Market*. The overall aim of the Directive is to achieve a genuine Internal Market for services by removing the legal and administrative barriers to the development of service sector activities conducted between member states. In its preamble, the Directive notes how increased European standardisation has the potential to bring about positive effects in terms of the transparency of the Internal Market for services and the level of quality of service provision. Furthermore, the Directive encourages member states to *inter alia* develop voluntary European standards with the aim of facilitating compatibility between services supplied by providers in different member states, information provided to the recipient, and the quality of service provision.

According to the preamble, European service standards will be drawn up by the European standards-setting bodies CEN, CENELEC and ETSI. Where appropriate, the European Commission may, in accordance with the procedures set out in Directive 98/34/EC, issue a mandate for the drafting of specific European standards.

The Services Directive has definitively spurred increased interest in the issue of the standardisation of services within the EU and the respective EU and EFTA states. Work currently being carried out at both the European Commission and CEN clearly indicates that a higher degree of standardisation within the service sector is a necessary stepping stone in the process of improving the smooth functioning of the Internal Market. As regards the influence of the Services Directive on the service standardisation process, views and opinions are mixed. Some stakeholders point to the role of the Directive in providing important encouragement to service standardisation, while others point out that it simply legitimises standardisation initiatives and does not contain any real incentives towards standardisation.

CEN are very positive about the increased focus on service standardisation, but also express doubts as to the impacts of the Services Directive. Among other things, they stress that the Directive's drafting process resulted in major uncertainties and the slowing down of standardisation processes within some service sectors:

CEN on the service directive

Andreea Gulacsi, Programme Manager for Innovation and Business Development at CEN expresses the view that in the beginning the Services Directive slowed down the pace of service standardisation. During the drafting process, those who did not know whether their services were covered by the Directive or not were in fear of developing standards, thinking that they might be converted into regulations, if indeed they were ever taken up in the Directive. As a consequence, the CEN standardisation process has developed separately, but is both complementary to and supportive of the Services Directive. The Directive has highlighted the service sector and mentions standard. However, it is too broad in its scope to be applicable in specific areas.

Maitane Olabarria, Programme Manager for Standards Development at CEN stresses that the Services Directive has been valuable as a starting point for further discussion about service standardisation, and has helped national governments to recognise its importance. Furthermore, Maitane stresses that the Directive is very broad in its scope and that there is a need for more specialised work, for instance by means of standardisation, in order really to achieve its stated aims in respect of specific cases/sectors.

Service standardisation initiatives

At EU level

The use and knowledge of service standards was in its infancy in 2002. An exploratory study on "*Standardisation and the Service Sectors*" was initiated in 2002 and published in 2003. Its main conclusion was that the entire service sector standardisation process needed to be streamlined in order to adapt to the specific characteristics of the service sector. Areas in need of modification include the transparency of the standardisation process, the involvement of stakeholders, the price structure and the general level of information availability in respect of service standards.

An EC Communication on "*The role of European standardisation in the framework of European policies and legislation*", produced in 2004 recognises that the availability of voluntary standards in the service sector is very poor in relation to the economic importance and potential of this area. In order to stimulate service standardisation, the European Commission has addressed six programming mandates to the European standardisation organisations. The majority of these six mandates have been directed at CEN. The two mandates most relevant for this study are M/340 and, in particular, M/371.

Programming mandate M/340 was issued in 2003. One of its main conclusions was that there existed an immediate need for a *European strategy for service standardisation*. Part of this strategy should involve creating awareness of the benefits of service standardisation within the different service sectors.

In 2005 CEN received the second programming mandate from the European Commission – Mandate M/371. This programme continued with the work set out in the Mandate 340/M programme, aiming at seeking out priority sectors, industries or processes where service standardisation could be employed. A total of 11 feasibility projects have been selected.

The M/371 mandate exhibits both *horizontal* and *vertical* aspects. The vertical aspect of the mandate concerns feasibility studies whose aim is to seek out priority sectors for service standardisation. The ten vertical feasibility studies are within the following sectors:

- **Consultancy engineering services**
- **Hospitality services**
- **Recruitment services**
- **Trade, maintenance and localisation of yachts and motor boats**
- **IT – outsourcing**
- **Outsourcing**
- **Accessibility services in transport and tourism**
- **Services for resident people**
- **Residential homes for elderly people**
- **Smart-house services for elderly and disabled people.**

The horizontal aspect of the M/371 mandate concerns a feasibility study named *CEN's Horizontal European Service Standardisation Strategy (CHESSS)*. The CHESSS Initiative is an integrated program for generic service standardisation within CEN.

Some of the recommendations of the CHESSS study are, among others, to develop a '*Single generic European Service Standard*' and a '*Guidance document for the development of service standards*', which will ease the future development of European services standards.

CEN currently intends to present the results of its feasibility projects to the European Commission and to explore the possibilities of convening a general conference on service standards by the end of 2009. The conference could assist in facilitating the implementation of many of CEN's recommendations. Specific future development initiatives related to individual recommendations will be handled on a case-by-case basis. Finally, CEN concludes that the organisation will consider stepping up its service standardisation work programme in the near future.

During September, October and November 2008 a further three CEN project committees have been established to address service standards. This provides a clear indication of the organisation's awareness and willingness to develop service standards. Those three projects committees are:

- **Services for sheltered housing for the elderly**
- **Airport and aviation security services**
- **Management Consultancy.**

At Nordic level

Service standardisation constitutes an important part of the national standardisation strategies for most of the Nordic countries. It is thus also a priority area for the national standardisation bodies. Furthermore, the strategies emphasise that it is of vital importance that resources are carefully channelled into areas that have special interest as seen from a national perspective, i.e., areas where individual countries have a special interest in influencing the standardisation work being carried out at international level.

Nordic collaboration on standardisation has consisted mainly of coordinating and harmonising interests within the international standardisation organisations. Collaboration has concerned itself for the most part with product standardisation, whereas collaboration efforts directed towards service standards are still somewhat tentative. At present, there

exist very few examples of Nordic service sector standards. The most notable example is the INSTA 800 standard for industrial cleaning.

An informal Nordic group assembled to address service standardisation was established in 2007, aiming at *inter alia* discussing and proposing service standardisation initiatives.

The study - Methodology and recommendations with regard to sectors

The service sector is diverse and contains very different types of services and companies. This makes it impossible for the Nordic countries to become fully involved in all situations and subsectors at international level. In order to make a qualified selection and to define the specific sectors to be studied in depth, Oxford Research first chose to identify approximately 30 service subsectors, which 'apparently' seemed interesting from both a standardisation and a Nordic perspective. This preliminary selection was made by means of literature studies, a review of statistical data, and exploratory interviews with key European stakeholders such as CEN and DG Enterprise, and with the Nordic standardisation organisations. The figure on the following page provides an overview of the extensive selection process carried out as part of the study.

On the basis of both desk research and the interviews conducted with key sector stakeholders, eight sectors were selected for in-depth studies. The selection was made by means of a ranking system by which the sectors were awarded between 1 and 5 points (where 1 is low and 5 is high) on the basis of the following selection criteria:

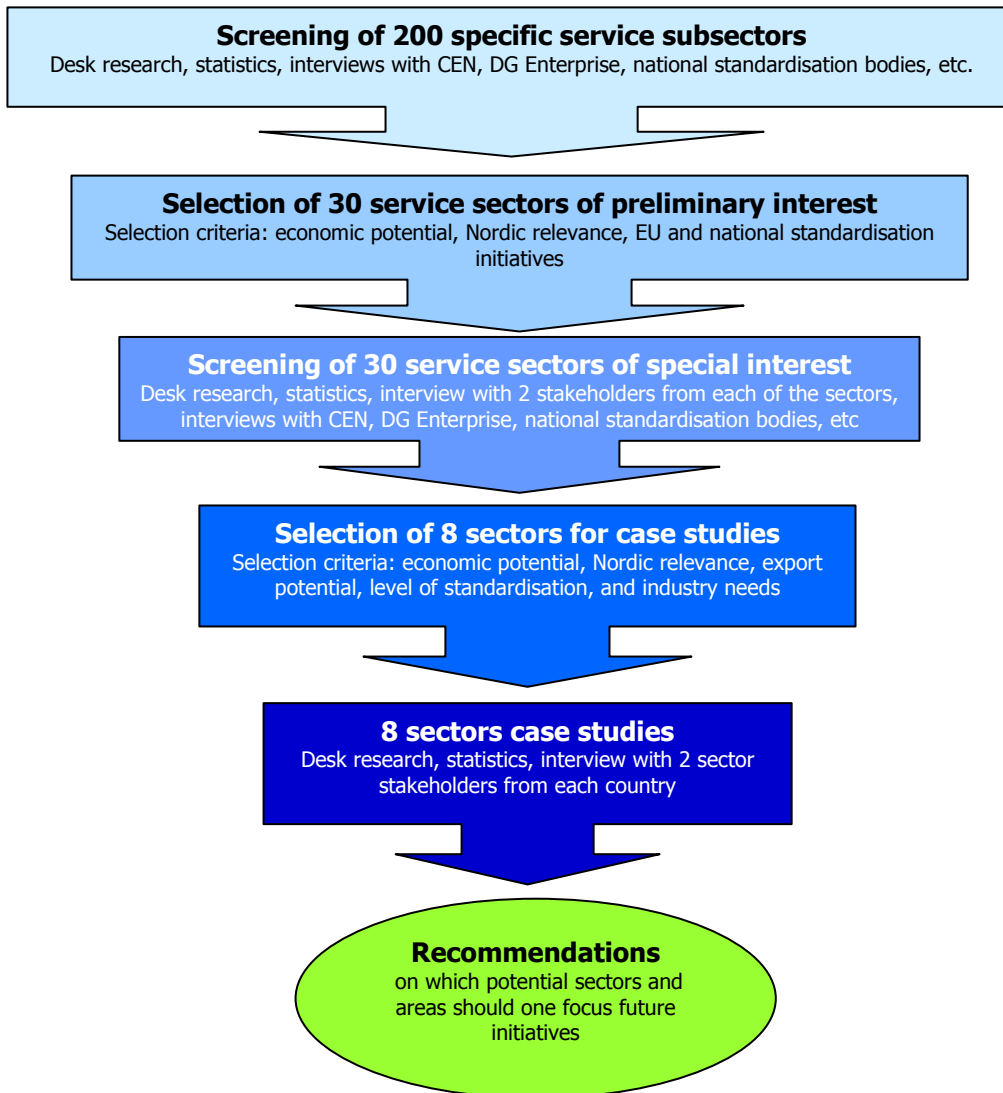
- **Economic potential:** the selected industries should have a minimum given volume in terms of turnover or employees, or a clear potential for the creation of future wealth.
- **Export/internationalisation potential:** there should be a realistic potential either for export or the internationalisation of the activities and services within the sector. Some sectors, such as sewage disposal, might be of strategic importance and have a certain economic volume, but have very restricted internationalisation potential.
- **Nordic relevance:** meaning that the sector shall be of special importance to the Nordic countries, based on such factors as history, cluster potential, strategic importance, labour issues, etc.
- **Level of standardisation:** meaning the levels of existing standardisation and standardisation initiatives, combined with relevant policies at the EU and national level that might constitute a natural point of departure for joint standardisation initiatives. In addition, various service sectors will have achieved different levels of "maturity" in respect of standardisation.
- **Industry needs:** meaning the need for and interest in service standardisation as expressed by the industry itself.

The eight sectors that achieved the highest scores in the ranking system were:

- **Care of the elderly**
- **Energy**
- **Engineering consultancy**
- **Healthcare services**
- **Retail trade**
- **Security services**
- **Transport and logistics**
- **Tourism**

Overview of the selection process and methodology

From 200 to 8 service sectors



Source: Oxford Research 2008

Recommendations with regard to sectors

The development and implementation of standardisation initiatives will never be an easy or straightforward task within any of the sectors studied. However, some of the sectors do seem to have a greater potential and to be of greater interest in a Nordic perspective than others. For this reason, Oxford Research in particular recommends focusing future initiatives on the following four sectors:

- **Energy**
- **Healthcare services**
- **Security services**
- **Tourism.**

Within these four sectors the industry (consulted stakeholders) has clearly expressed interest in standardisation initiatives and sees it as advantageous to adopt a joint approach. In addition, there seem to be very clear and tangible benefits of standardisation within these sectors.

It is important to stress that the selection process incorporates many qualitative assessments and, consequently, some uncertainties. It is clear that the four sectors should not be regarded as *the only* sectors with potential for standardisation initiatives.

In the next section we present a summary of each of the four selected sectors, each including recommendations for further action.

Selected case studies

Energy

The energy sector is of absolutely fundamental importance to the Nordic countries. The security and efficiency of energy supply has a major impact on our economies. An optimally effective and integrated Nordic energy market is required in order to guarantee future energy supplies. The high proportion of renewable sources involved in electricity production makes trade between the Nordic countries even more necessary.

The Energy sector is normally divided into three subsectors: electricity, gas, and steam/hot water supply. The electricity sector is by far the largest subsector within the Nordic energy sector, and is also the prime focus of this case study.

The Nordic electricity market is currently already one of the most integrated and harmonised energy markets in the world. The majority of the stakeholders consulted, including both industry associations and the authorities, see advantages in the further development of the electricity market. They also mention standardisation initiatives as possible means to this end. One of the clear advantages of standardisation initiatives within the electricity sector is the pre-existing tradition of cooperation, represented by the many forums and platforms already established, such as NordReg, Nordenergi and Nordpool, where Nordic energy issues are dealt with.

At the political level there is also a strong wish to continue with harmonisation initiatives. The Nordic Council of Ministers has repeatedly emphasised the importance of a borderless electricity market and is continuously launching harmonisation initiatives.

The potential for further standardisation initiatives lies in the retail market. Standardisation within the retail market will make it easier for retailers to establish themselves outside their domestic markets. This could lead to increased competition and equalisation of the significant price differences that currently exist within the Nordic retail market. The interviewed stakeholders suggested further examination into the standardisation potential of the following:

- *Information and the technicalities related to price setting:* standardisations have the potential to be based on common rules for the retail sale of electricity, including activities such as pricing, the provision of notice of price changes, service information including the retail price, and potential and procedures in connection with change of supplier.

- *Labelling*: labelling of renewable energy sources and trading in certificates has the potential to contribute to the creation of a more flexible Nordic energy market. It provides countries with an opportunity to purchase green energy from each other, making them less dependent on variable weather conditions. In this way, the countries will still be able to retain their European obligations in respect of increasing renewable energy production, even during periods when domestic circumstances makes such increases impossible. Labelling of renewable energy sources could be applied in both the retail and wholesale markets.

Due to the unique nature of the integrated energy market, there seems to be potential for the development within the retail market of Nordic standards, which can at a later stage be used as tools with which to initiate and contribute to EU standardisation processes. Several of the interviewed stakeholders suggested this approach.

Service standardisation linked to the installation of new and intelligent electricity meters, together with enhanced procedures for the mutual recognition of the authorisations of electricians and electrical engineers represent other potential areas where standardisation initiatives can be adopted. However, the practical application of intelligent electricity meters still appears to be some years ahead.

Energy-related service provision is not included in the Services Directive, and at present there are no European standardisation initiatives planned. Further studies should look more deeply into the potential of 'exporting' Nordic standards within the electricity retail market to the European arena.

Possible standardisation initiatives recommended for consideration

In general, the standardisation potential appears to be greatest within the retail market. Within this area, it is recommended to look further in to the potential of the standardisation of:

- **Information and the technicalities related to price setting**, price changes, services included in the price, and the opportunities for change of supplier, and
- **labelling of sustainable energy** (both in the retail and wholesale markets)

Further studies should look more deeply into the potential of 'exporting' Nordic standards within the electricity retail market to the European arena.

Healthcare services

The major economic and social importance of the Nordic healthcare sector, combined with the potential linked to a higher degree of standardisation within the sector, makes the healthcare within the region an interesting case object deserving of further investigation. The case study focuses on primary healthcare services where both public and private sector providers are active. This involves services that are normally included in and provided by public sector healthcare systems, but which are also provided to an increasing degree by private sector providers.

Within the large public sector healthcare systems there exists major possibilities for enhancing Nordic collaboration within a wide range of areas such as E-health, health tourism, centres of excellence, and the mobility of healthcare workers. With time, enhanced

collaboration and harmonisation initiatives within such areas could generate possibilities and needs for further standardisation within the healthcare sector. However, cross border collaboration within the healthcare system is a highly sensitive issue within most countries, and actual collaboration and harmonisation initiatives exist only at the embryonic stage. In most cases the implementation of real standardisation initiatives, thus still appear to be some years ahead. As a result, the focus of this study has been concentrated on areas where both public sector stakeholders and private sector providers of primary healthcare services have expressed a current interest in standardisation initiatives.

The standardisation of healthcare services could improve patient mobility, organisational collaboration and exchange of knowledge, and make it easier for private sector healthcare companies to establish branch activities in other countries. In combination, such initiatives might very well contribute by consolidating the healthcare sectors and by promoting levels of quality, efficiency and competitiveness within the sectors. Both public and private sector stakeholders appear to be positive about standardisation initiatives within healthcare service provision.

Healthcare services are not included in the Services Directive. However, a recently proposed EU Directive on patient mobility will most probably exert a major impact on European and Nordic collaboration within the healthcare sector. We recommend that the legislative and political processes be followed very closely.

Future perspectives regarding whether to develop Nordic standards or to initiate a European standardisation process within the healthcare sector are somewhat unclear. Many stakeholders among those consulted, including representatives from both the public and private sectors, currently believe that the development of Nordic standards appears to be the most likely route to take. However, collaboration within the healthcare sector is also at the top of the EU's political agenda.

The standardisation of quality measurement methods appears to be of special interest to most stakeholders. Today, prices and costs can be compared within the Nordic healthcare systems by means of the NordDRG system. However, common methods of measuring quality are still required in order to enable comparisons of inputs and outputs. For example, when is a patient ready to leave the hospital after treatment?; when will he/she be fully mobile again?; how do we measure patients' overall levels of satisfaction?, etc.

During the last eight years, the Nordic countries have been working together via the Nordic Council of Ministers in order to develop common quality indicators and benchmark methods. Service sector standards have been discussed in connection with this work. However, both the discussion regarding standards and the work to develop quality indicators have stranded due to other political priorities. There is thus a need to restore standardisation and the question of common quality indicators to the political agenda. With the upcoming Icelandic presidency, this country's focus on healthcare may provide a good opportunity for addressing this issue in the near future.

It is natural that standardisation initiatives within the healthcare sector should involve a broad spectrum of both public sector authorities and private sector stakeholders. The establishment of a platform or a forum, at which the many and very diverse stakeholders from all of the Nordic countries can meet and try to find common ground, appears to be one of the first steps that are required. The establishment of such a forum should be coordinated with the work carried out within the Nordic Council of Ministers.

There is also no doubt that further in-depth studies must be carried out in order to establish detailed specifications of the proposed areas for standardisation, and to assess the political and legal aspects of specific potential standards. Healthcare services are heavily regulated and generate highly sensitive political issues. Applied standards must therefore be in line with national as well as EU policy and legislation.

Possible standardisation initiatives recommended for consideration

In particular, we recommend that further study is made of the potential of standardisation initiatives within:

- **quality measurement**

Other areas for consideration might be standardisation initiatives within:

- good administration
- patient flows
- patients access to information, and
- complaints handling

The establishment of a platform or a forum, at which the many and very diverse stakeholders from all of the Nordic countries can meet and try to find common ground appears to be one of the first steps that are required.

Security services

Numerous factors make the security services sector relevant from a Nordic perspective. Firstly, the economic potential is substantial, a factor which is reflected in the continuous increase in activity within the sector. Secondly, the extensive levels of domestic regulation within the sector, combined with the lack of international regulation, makes the sector interesting from a Nordic standardisation perspective. Lastly, the Nordic countries possess major international players in this sector, including G4S and Securitas. Nordic standardisation perspectives thus dominate within the security service sector, but a successful standard could very well be used as a tool to facilitate the initiation of an EU standardisation process, and to influence its progress.

A feeling of personal security, whether in the public or private domain, is a normal and very basic human requirement. Unfortunately there has been an increasing tendency among people in general to feel concerned about their personal safety both in public and private spaces. This tendency has increased the demand for additional security services. The growth of the private security sector, combined with the interest in and awareness of the potential linked to standards, makes the sector a case object deserving of further scrutiny.

Initially, additional standardisation of the sector could help to improve the sector's somewhat "shady" image. In the long term the introduction of standards would also help to enhance competition within the sector for the benefit of all involved parties. In particular, increased competition in the market for security services within public institutions and buildings, which is for the most part not accessible to the private security providers, should be in everybody's best interests. Increased competition should ensure that security services are provided in the most cost-effective way without any deterioration in levels of quality.

Key stakeholders believe that standardisation initiatives have huge potential in the following areas:

- *Quality*: what is good quality and how should it be measured?
- *Education/Training*: education/training is required in order to provide various types of security services.
- *Contracts*: that clearly define what kind of service is being purchased.
- *Complaints handling*: a standard for complaints handling is highly sought after.

- *Public sector tender materials:* A standard on public sector tender materials would be highly beneficial to the process of enhancing competition within the private security services market.

Security services are included in the Services Directive. However, in the light of the standardisation 'breakdown' during the preparation of what was to become the *Security service providers – Terminology* CEN standard, it was significant to observe the strong Nordic interest in the development of national or Nordic standards. Nevertheless, this study recommends that the work of the newly-established CEN project committee on airport security services be followed up. Successful European standardisation work within this familiar sector could serve as an inspiration or perhaps even revive the opportunity to launch European standardisation initiatives within the private security service sector.

As regards the launch of a Nordic standardisation initiative, it is likely that the knowledge and experience gained from the Norwegian standardisation process within the security service sector could be used. However, the first task would appear to be to gather more detailed knowledge about the proposed standardisation areas, such as ensuring that initiatives will be in line with the various sets of national regulations. This could be achieved by means of an in-depth study and/or a Nordic idea-generating workshop. A platform or forum where the stakeholders can meet and discuss and develop standards will also have to be established.

Possible standardisation initiatives recommended for consideration

Stakeholders recommended in particular further study into the potential for standardisation of:

- **education and training of guards and staff**
- **quality assessments**
- **contracts**

Other areas for consideration might be standardisation initiatives within:

- complaints handling and
- public sector tender materials

The first task would appear to be to gather more detailed knowledge about the proposed standardisation areas, such as ensuring that initiatives will be in line with the various sets of national regulations. It also seems prudent to follow up the work of the newly-established CEN project committee within airport security services.

Tourism

During the last 20 years, the tourism sector has enjoyed considerable growth in most parts of the world, and still appears to exhibit major economic potential. This also applies in the Nordic countries. However, international competition within tourism has become increasingly intense during the last decade. The Nordic region must improve its performance in terms of attracting international tourists, and many experts as well as stakeholders point to the need for further collaboration in order to achieve this aim. In addition, the Nordic countries are located at the periphery of Europe, which makes further highlights the need to establish a joint and robust profile in the international tourism market.

There appear to exist both Nordic and international standardisation perspectives within the tourism sector. Within some areas Nordic standards appear to provide to be the natural way to go, but in the field of accessibility, for example, preliminary EU standardisation work has been started. Tourism is included in the Services Directive.

The greatest interest appears to surround the issue of accessibility. The Nordic countries are already recognised as a travel destination which provides relatively easy access of travel for the elderly and disabled. As the elderly proportion of population grows, easy accessibility to sightseeing destinations, hotels, and restaurants will constitute a clear competitive advantage in the future tourism market. A CEN study on accessibility in tourism and transport was carried out during 2007/2008. The study recommends that a number of so-called CEN Workshop Agreements be established within specific areas such as accessibility signage, symbols and labels, together with accessibility criteria and terminology. It seems natural to attempt to support and influence the further implementation processes resulting from these recommendations.

There also seems to be some potential for common Nordic certification and standardisation initiatives within sustainable tourism. No CEN initiatives are scheduled here, so Nordic stakeholders must be convened to find out whether they wish to develop practical Nordic standards, or to adopt a joint approach in putting the topic onto the European standardisation agenda. One suggestion is to look further into the possibility of producing some form of classification and labelling system for sustainable tourism providers. However, the generation of more tangible ideas for possible standardisation and certification areas within sustainable tourism will also be required. This could be achieved by means of further studies or/and a number of workshops attended by relevant Nordic stakeholders.

Even though the opportunities and the need for improved Nordic collaboration and common Nordic standards within the tourism service sector are clearly great, initiatives must take the high levels of complexity and divergent opinions regarding standardisation within the sector into account. In general, there seems to be a need to establish a platform where the many stakeholders within the Nordic tourism industry can meet and try to find common ground.

In addition, it will be essential to convince the greater part of the industry of the necessity and strategic advantages of Nordic collaboration. Thus, further studies documenting the possible advantages and impacts of joint Nordic collaboration and standardisation of tourist services should be carried out. Furthermore, it is important to keep in mind that the sector is dominated by SMEs operating at a very local level. Experience from countries such as Sweden has demonstrated the importance of including these companies in the standardisation process. SMEs and/or SME representatives should therefore be included in a Nordic standardisation initiative. This might require the introduction of tangible economic incentives such for the reimbursement of expenses in connection with Nordic meetings, etc.

Possible standardisation initiatives recommended for consideration

In particular we recommend further study into the potential of standardisation initiatives within:

- **Accessibility**
- **Sustainable tourism**

Other possible areas for the introduction of standardisation initiatives could be:

- Classification of sightseeing locations - with regard to accessibility and available services at such locations (transport, toilets, restaurants, shops, etc.)
- Labelling of specialised thematic activities and services

This study recommends support of the establishment of a platform where the many different Nordic stakeholders can meet and discuss a possible joint Nordic approach to the standardisation of accessibility in the tourism sector. Furthermore, it is recommended that studies be carried out with the aim of documenting the impacts and advantages linked to international standardisation and Nordic cooperation within the tourism sector. The results should be used to convince the tourism industry of the possibilities of Nordic collaboration and standardisation initiatives.

Chapter 1. Introduction

Standards have existed since the beginning of recorded history. Some describe the calendar as one of the earliest examples of standardisation. Formalised standardisation work in the Nordic countries dates back to the beginning of the 20th century.¹ The use of standards has increased steadily through the 20th century, resulting in more than 1500 European standards being adopted in 2006 by the three European Standards Organisations: CEN, CENELEC and ETSI.² The bulk of these standards are related to physical products, whereas only a small fraction is related to services. The lack of service standards is rather surprising due to the massive economic importance of the service sector.

The ever present awareness on services as a major part of modern economies led in 2006 to one of the most debated directives in the history of the European Union – *Directive 2006/123 on services in the Internal Market*.³ The overall aim of the directive is to break down barriers to trade in services in the European Union. The Directive notes how increased standardisation can bring along positive effects with respect to the transparency of the internal market for services and the level of quality of services. Furthermore, in the directive the Commission highly encourages member states to initiate service standardisation processes.

Despite progress in some specific service sectors, the overall Internal Market for services is not yet working as well as it should. Most of the benefits seen so far from the Internal Market have occurred in the market for goods, and the need to make a serious effort to improve the functioning of the Internal Market for services has been clear for some time.

In order to contribute to the improvement of the international market for services and to ensure that Nordic interests and priorities are safeguarded the Nordic countries must engage in the development of European and international service standards. Nordic co-operation has earlier proved to be of great value in influencing European standardisation of goods especially within environment and construction. Thus, the aim of this study is to assess the potential for Nordic service standardisation initiatives within the service sector and to assess, where and in which sectors the potentials seem biggest.

Before turning to the central question of where and if to launch Nordic standardisation initiatives, two introductory chapters will be put forward. The first (chapter 2) presents the basic characteristics of the Nordic service sectors. Following that, a chapter (chapter 3) about standards and standardisation processes is presented in order to enable the reader to place the subject of standardisation into a larger context. The chapter gives an introduction to the most important aspects of standardisation.

¹ E.g. the predecessor for the Swedish Standards Institute was established back in 1907.

² Standards for a better world – CEN Annual report 2007.

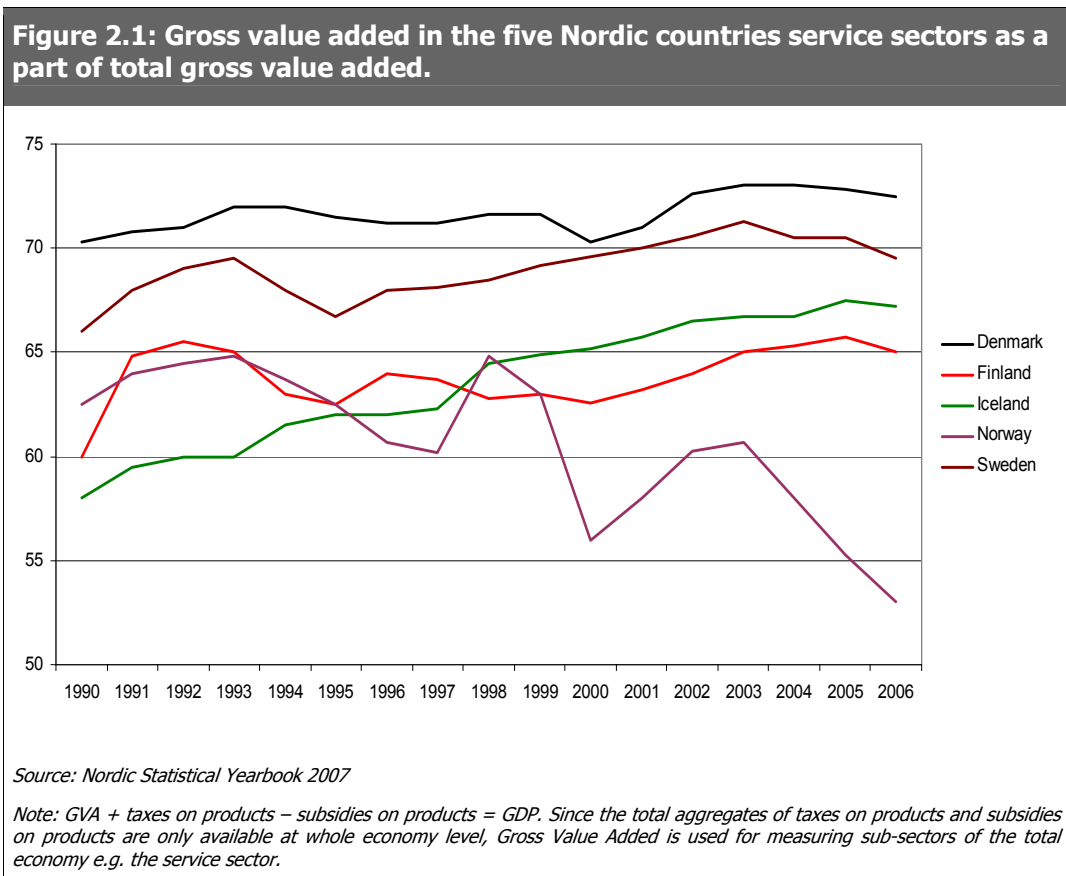
³ Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market [Official Journal L 376 of 27 December 2006]. The Directive is often referred to as the Bolkestein directive named after Frits Bolkestein who was responsible for the draft version of the directive.

Chapter 2. The Nordic service sectors

Before turning to the central point of standardisation and the in depth studies of selected sectors, it is meaningful to take a closer look at the structure and importance of the Nordic service sectors.

2.1 Volume of the Nordic service sector

The service sector in each of the five Nordic countries constitutes a substantial size of the economies. Below in figure 2.1, data on the relative size of the service sector in the five Nordic countries is presented.

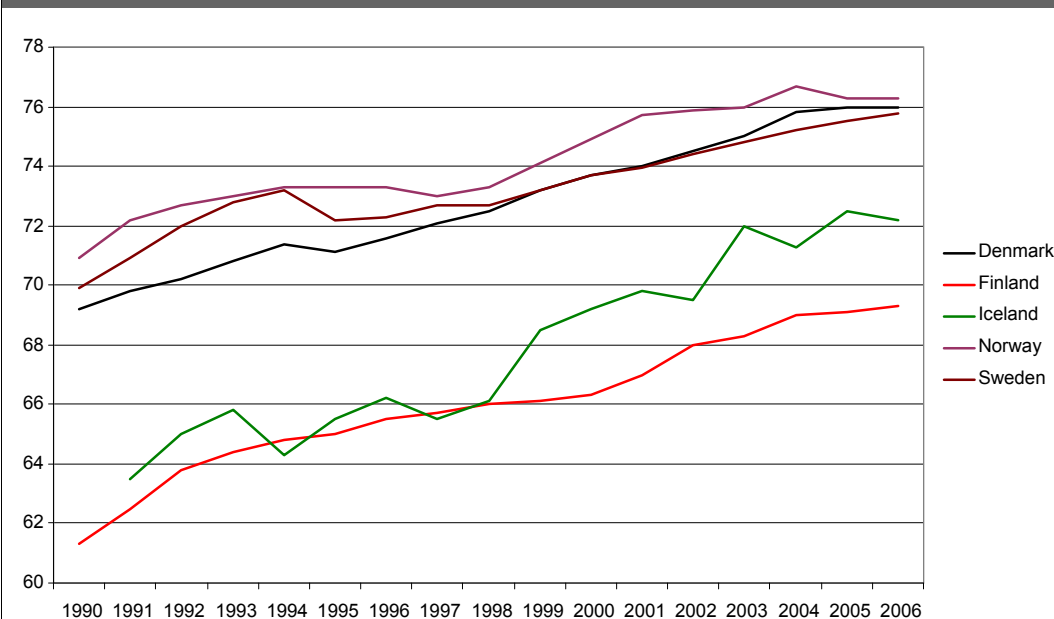


It is evident that the service sector is substantial in all five Nordic countries. Common for all the Nordic countries except Norway is that the relative importance of the service sector has increased moderately in the period from 1990 to 2006 so that the gross value added in the service sectors amounted to more than 65% of total gross value added. The service sector in Norway has in contrast to the other four countries experienced a quite substantial fall in the period from 1990 to 2006 measured by gross value added. Nevertheless, the Norwegian service sector still amounted to more than 50 % of the total gross

value added in 2006. The Nordic service sectors' share of economic activity is very similar to the European Union estimates of around 70%.

Measured by employment shares, the Nordic service sectors also constitute an important part of the economy. Below in figure 2.2, data on employment in the service sector as a percentage of total employment is presented.

Figure 2.2: Employment in the Nordic service sectors as a percentage of total employment.



Source: Nordic Statistical Yearbook 2007

It is clear from figure that the employment shares in the service sectors in the Nordic countries are large and grew from 1990 to 2006. The employment shares in Denmark, Norway, and Sweden grew from around 70% in 1990 to around 76% in 2006. It is interesting to see that the share of employment in the Norwegian service sector has been rising in recent years, while the share of gross value added has decreased in the same period. The explanation behind this development should be found in the massive growth of the Norwegian oil and gas industry. In Finland and Iceland, the employment shares in the service sectors are a little lower than in the other Nordic countries. In 2006 72% were employed in the service sector in Iceland and around 69% in Finland.

The conclusion from figure 2.1 and 2.2 is clear: the Nordic service sectors amount to a large share of the economies both when it comes to value creation and employment.

2.2 Structure of the Nordic service sector

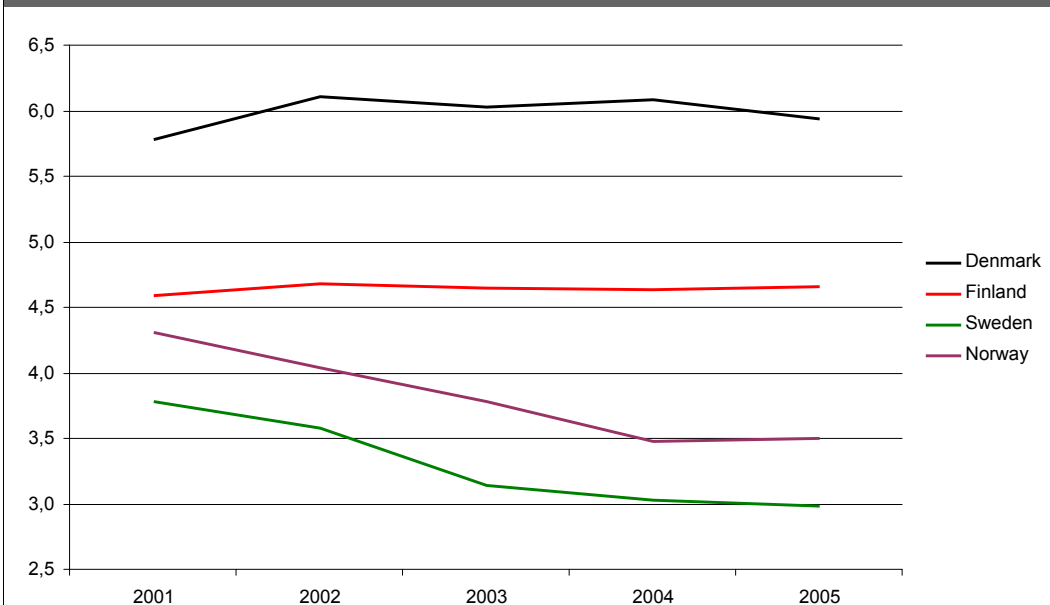
In this section the structure of the Nordic service sector will be explored. The Nordic service sector is characterized by a very high concentration of small and medium sized en-

terprises - SMEs. The European commission defines SMEs as satisfying the following criteria⁴:

- Less than 250 employees
- Turnover of less than 50 million euro per year and/or an annual balance sheet total not exceeding 43 million Euros.

In figure 2.3, data on the Employee/Enterprise ratio for the Nordic countries, except Iceland, is presented.

Figure 2.3: Employee/enterprise in the service sector in the Nordic countries



Source: Eurostat 2008

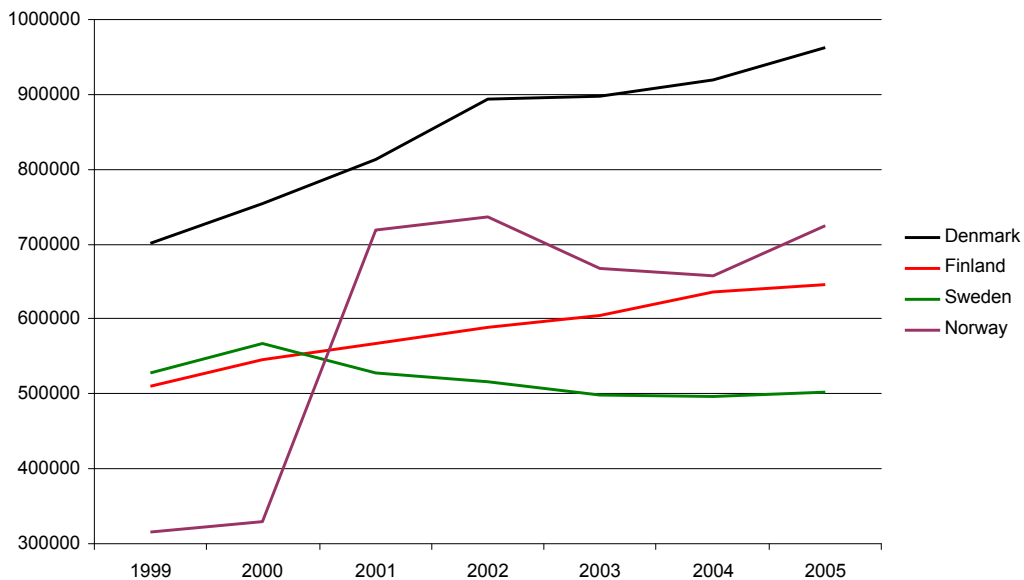
Note: Due to data shortage on the sector Nace J: Financial Intermediation, the service sector in the above figure is defined as the sum of Nace H: Hotels and Restaurants, Nace I: Transport, Storage and Transportation and Nace K: Real Estate, Renting and Business Activities.

It is apparent that the average employee/enterprise ratio in the Nordic service sectors is very small. Denmark had the highest Employee/Enterprise ratio among the Nordic countries with around 6 employees per enterprise in 2005. In contrast, Sweden had the lowest employee/enterprise ratio with only 3 employees per enterprise in 2005. Both Sweden and Norway experienced a decrease in the employee/enterprise relationship in the period from 1999 to 2005 of around 1 employee per enterprise. Denmark and Finland had a constant relationship of around 6 and 4,5 employees per enterprise, respectively.

Turning to the turnover/enterprise ratio for the Nordic service enterprises (figure 2.4), it is again evident that the sector is characterized by a high degree of SMEs.

⁴ See Article 2 of the Annex of Recommendation 2003/361/EC for the EU definition of SMEs.

Figure 2.4: Annual turnover/enterprise in the service sector in the Nordic countries
Measured in Euros



Source: Eurostat 2008

Note: Due to data shortage on the sector Nace J: Financial Intermediation, the service sector in the above figure is defined as the sum of Nace H: Hotels and Restaurants, Nace I: Transport, Storage and Transportation and Nace K: Real Estate, Renting and Business Activities.

It is obvious from figure 2.4 that the average turnover per enterprise is very far from the SME threshold of 50 million € annually, set out by the European Commission. Denmark, Norway, and Finland have all experienced an increase in the turnover per enterprise in the period from 1999-2005. Denmark is the Nordic country with the highest turnover per enterprise with almost 1 million € in annual turnover in 2005. The average annual turnover by Swedish service sector firms stagnated around 0,5 million Euros in the same period. Norway experienced a drastic increase in the average turnover from around 300.000 € in 1999 to around 700.000 € in 2005.

Figure 2.3 and 2.4 corroborates the fact that the Nordic service sector is characterized by a very high degree of SMEs.

Chapter 3. Introduction to standardisation

This chapter gives an introduction to the most important aspects of standardisation enabling the reader to place the subject of standardisation into a larger context.

3.1 What is a standard?

In this study we will apply the broad definition of a standard provided by the International Organization of Standardisation (ISO)⁵:

"standards are documented voluntary agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes and services are fit for their purpose"

A set of internationally acknowledged principles have been laid down in order to ensure that standards are accepted and fit for their purpose:

Collective achievement on a neutral basis. All parties concerned are invited to and should be represented in standardisation work at all levels.

Consensus. Consensus implies general agreement characterised by the absence of sustained opposition to substantial issues of the document, consideration of all points of view voiced by all important parties and the reconciliation of any conflicting arguments. European and international standards shall be passed by a qualified majority.

Publicity. Prior to publication, a normative document has to be submitted as a draft standard for public enquiry. Justified objections have to be considered by the technical standards committee responsible.

Coherence. The preparation of every single standard entails the attention to coherence and uniformity both at national, regional, and international level.⁶ For European standardisation, this implies that conflicting national standards have to be withdrawn. Thus, uniformity of the body of standards and continuity are safeguarded for the benefit of the user.

If the above four principles are followed, the standardisation process will be a voluntary and consensus driven activity, which ensures that standards have a high degree of acceptability due to the full involvement of all relevant interested parties. These basic principles have also been formalised in a Council Resolution of 28th of October.⁷

⁵ www.iso.org

⁶ This is a trade-facilitating objective. International standards contribute maximally to trade facilitation when they are part of a single and coherent set of standards. If international standards are used in relation to technical regulations as promoted by the WTO TBT Agreement, international standards bodies need to have a clearly defined constituency. The relevant WTO principles taken as a whole ensure that international standards bodies are open to participation by national standards bodies and produce international standards that do not conflict with each other (See: Commission Staff Working Paper, European Policy Principles on International Standardisation, SEC(2001) 1296).

⁷ Council Resolution of 28 October 1999, OJ No C 141/1 of 19 May 2000.

3.2 Why are standards important?

Standards are important to society since they bring along both economic and more general benefits. In the following two subsections the benefits and some often mentioned criticism of standardisation will be presented.

3.2.1 Advantages of standardisation

Standardisation is an integral part of the EU's policy to achieve the Lisbon goals by carrying out better regulation and by simplifying legislation, by increasing competitiveness of enterprises, and by removing barriers of trade at international level⁸.

The economic benefits of standards go through various channels, which all enhance competition, innovation, and efficiency in the public and private sectors. These positive effects will be briefly explained below.

Competition: the introduction of standards enhances the transparency of the market by making it easier to compare products and services. This enables producers and consumers to make more informed choices to the benefit for both. Furthermore, the increased transparency of the market can create more consumer confidence, which again can lead to a market expansion and potentially increase trade.

Innovation: by contributing to the standardisation process, research risks and development costs can be reduced for the involved organisations. Furthermore, the prospect of becoming part of a standard also increases the incentives to perform R&D in the first place. This is due to the increased chance of recouping R&D costs when companies take part in an emerging standard. Standards also function well as an effective means of spreading innovations and making sure that new technology is actually applied.

Efficiency: introducing standards lowers transaction costs in the given market. Search and information costs are especially reduced due to the increased transparency of the market. Furthermore, the increased competition also ensures a more efficient division of resources, which can also enhance market efficiency. The market efficiency is also improved since standards ensure that products and services are fit for their purpose.

The benefits of standards are not only related to economic factors. Some of the greatest benefits relate to issues such as quality, environment and safety.

Quality: by introducing standards, it will be possible to heighten the quality level in certain sectors of the economy since standards can ensure a minimum level of quality in relation to the provided products or services.

Environment: standards within the environmental area provide a framework for providing environmentally sustainable products and services.

Safety: introducing standards within areas such as construction, engineering, healthcare etc. naturally provides an increased scope for providing safer products and services.

Lastly, it is important to mention that European standardisation has made an important contribution to the functioning of the Internal Market by removing trade barriers. By removing trade barriers the potential market for the given product or service will increase. The use of standards thereby creates an equal playing field for producers in different regions or countries to compete on equal terms.

⁸ http://ec.europa.eu/enterprise/standards_policy/role_of_standardisation/index.htm

3.2.2 Critique of standardisation

Sometimes the introduction of standards is perceived to have negative effects. The most conventional arguments against the use of standards are that; standards limit the variety of products and services in the market, standards can have a negative impact on the speed of innovation and the skewed access and participation in the standardisation process means that large enterprises dominate the standardisation process. These disadvantages do mostly not relate to the actual effects of standards but are 'perceived disadvantages', mostly generated by the lack of knowledge about standards.

The lack of accurate knowledge about standardisation and standards seems to be a major challenge within the service sector. A problem related to this is the skewed participation in the standardisation process. The service sector predominantly consists of SMEs and many SMEs choose not to participate in the standardisation process, probably due to lack of knowledge about standardisation processes and the benefits of standards, but also the costs of participating can be troublesome for many minor companies with very few resources not explicitly bound to core activities. The European Commission has recently commissioned several studies on the participation of SMEs in European standardisation processes.

Just as well as regional and international standards can be seen as an instrument that removes barriers; national standards can be considered as being a barrier to trade due to their protective nature.

The above instances are important to be aware of when researching, designing, and implementing standards. If standards are not fit for their purpose they can have harmful effects on competition and innovation. Wrongly designed standards could exclude alternative development paths and strategies in fast moving sectors where innovation occurs rapidly. The same kind of lock-in could occur in instances if a standard is designed so rigid that it keeps companies from swift adjustments of a given product or service, for example due to rapid changes in customer preferences.

3.3 Standardisation bodies

In this sub-section the five Nordic standardisation bodies along with the key international and European standardisation bodies will be briefly presented.

3.3.1 International

The most important international standardisation body is *International Organisation for Standardisation, ISO*⁹. ISO is composed of representatives from national standardisation organisations. It was founded in 1947 and is headquartered in Geneva, Switzerland. The organisation's main task is to promulgate worldwide industrial and commercial standards.

From a service sector standardisation perspective the most used ISO standards are by far the ISO 9000 and the ISO 14000 standards. The ISO 9000 family of standards consists of standards and guidelines relating to quality management systems. The standards set out requirements for quality management systems regardless of whether the user is public,

⁹ Note, that ISO is not an acronym for the organisations full name. Since the organisation has both English and French as official languages, it was decided that the organisation should be named ISO, which refers to the Greek word *isos*, meaning *equal*.

private, large, or small. The ISO 14000 family of standards specifies requirements for an environmental management system, which should enable organisations to minimize the negative impacts that their operations have on the environment.

All the Nordic countries are members of ISO and cooperate on the standard setting. The standardisation engagement has, however, shifted towards the European Committee for standardisation, CEN.

Furthermore, at the international level the *International Electrotechnical Commission (IEC)* prepares and publishes international standards for all electrical, electronic and related technologies. Within the area of telecommunication the *International Telecommunication Union (ITU)* standardises and regulates international telecommunications and radio. All the five Nordic countries are members of IEC and ITU.

3.3.2 European

The largest European standardisation body concerning services is *The European Committee for Standardisation* or *Comité Européen de Normalisation (CEN)*. It was founded in 1961 and is headquartered in Brussels, Belgium. The members of the organisation are the EU-27, three EFTA countries, and countries that are likely to join EU or EFTA in the future.¹⁰ The organisation is the European pendant to ISO. The main aim of CEN is to develop European standards in various sectors in order to build a European market for goods and services to position Europe in the global economy.

At the European level the standardisation of electrical, electronic and related technologies is handled by *The European Committee for Electrotechnical Standardisation (CENELEC)*. Within the area of telecommunication *The European Telecommunications Standards Institute (ETSI)* handles the standardisation work.

3.3.3 National

All the five Nordic countries have their own standardisation body. They will be briefly presented below.

Danish Standards (DS) is the standardisation body in Denmark and employs around 200 persons. DS is authorised and appointed by the Danish state, meaning that DS is the official Danish representative in CEN and ISO. The funding of DS goes partially through a framework contract with the state and partially through user payments. DS also has a 100% owned subsidiary named DS Certification A/S.

In DS, both national and international standardisation work takes place in sector thematic committees. One of these committees is especially dedicated to the service sector. Participation in these committees has to be paid for, i.e. enterprises pay for gaining influence on the standards that are being prepared. The task for these committees is to define the Danish stance within a given sector. Danish Standards cover all standardisation related matters except within telecommunication, which is handled by *The Danish National IT and Telecom Agency*. The Danish National IT and Telecom Agency also represent Denmark in ETSI where they communicate the official Danish viewpoint on the standards developed by ETSI.

Icelandic Standards (IST) is the officially appointed standardisation body in Iceland. Icelandic Standards is divided into four committees, which each handle their own area of

¹⁰ The three EFTA countries are Iceland, Norway and Switzerland.

expertise. The four areas are Construction, Fishing, ICT and Electrotechnics. This also means that there is no specific department with explicit expertise in services. The role of Icelandic standards is to publish national standards and to represent Iceland in international standardisation bodies.

Finland has a decentralised standardisation system. This means that SFS is the recognised central standardisation organisation in Finland and the member of ISO and CEN. SFS has about 50 employees. There are also 13 so called standard-writing bodies (SWBs) for whom SFS has delegated the standardisation work of specified industry sectors. Sesko, the electro- technical standardisation association, is the Finnish representative in CENELEC and IEC. The Finnish Communications Regulatory Agency represents Finland in ETSI and ITU. Due to the horizontal nature of services there is no specific department or SWB – so far – to take solely care of them. In these horizontal cases it is usually SFS who takes the responsibility to follow, coordinate, participate, and distribute information of the relevant activities. Depending on the forthcoming decisions (2009) concerning the new work items under services, and their extent, new arrangements will be made in line with national needs and resources.

The Swedish Standards Institute (SIS) is the officially appointed standardisation organisation in Sweden and the centre of standardisation work in Sweden. Around 170 people are employed at SIS and they have almost 1500 companies and organisations as members. Already in 2000 SIS established a specific department to handle standardisation of services. SIS is also the working partner in European and global networks such as CEN and ISO.

Standards Norway (SN) is the officially appointed standardisation organisation in Norway along with *the Norwegian Electrotechnical Committee* and *the Norwegian Post and Telecommunication Authority*. SN is divided into three sub-divisions, which are Construction, Industry & Oil, and Services & Society. SN is thereby highly aware of the need for a higher degree of standardisation within the service sector. Furthermore, they have employees whose main work task is to initiate standardisation projects within the service sector. SN represents Norway in CEN and ISO. Norway is especially active in ISO related work since the important oil and gas sector mainly is regulated through the ISO organisation. Norway also has its own secretariat in Geneva and has been awarded key positions in the organisation. The Norwegian Electrotechnical Committee and the Norwegian Post and Telecommunication Authority represent Norway in CENELEC and ETSI.

3.4 Service standardisation

Now focus will change from standardisation from a general perspective to considering the aspect of service standardisation.

3.4.1 Characteristics of services in general

The highly heterogeneous and complex nature of services often makes them harder to standardise compared to physical products. Below the most conventional characteristics of services are presented, which apply to most services in the service sector:

Services are immaterial and contain a high level of information. The fact that services are immaterial justifies the often intense effort to signal the quality of the consumer. Introducing service standards is a way to ease this communication between the producer and the customer.

Simultaneous production and consumption. This means that it can be hard to distinguish between what is really the product and what is just procedures and processes necessary for producing the given service. A classic example of a service where production and consumption is simultaneous is a hair cut. However, it is still possible to find instances where the production and consumption can be separated e.g. financial services and telecom.

The consumer is integrated in the production. This means that the quality of the service is highly dependent on the consumer's ability and willingness to cooperate with the service provider.

Human capital plays a pivotal role in the production of services. The production of services is very dependent on the human capital, which is involved in the process.

Services are non-storable and non-durable. Most services are non-durable and non-storable. Consider for example airlines and hotels that are highly dependent on the rate of capacity utilisation.

3.4.2 Characteristics of service providers

In a study from 2008, Gjermund Grimsby and Leo A. Grünfeld develop a very useful typology for the characteristics of service providers.¹¹ Based on the logics of value creation in the service sector they are able to divide service providers into five distinct service groups. The five different groups are briefly presented in table 3.2.

Type	Ease of standardisation	Knowledge intensity	Economies of scale	Examples
Problem solvers create value by solving specific and unique problems for their customers.	Low	High	Low	Law firms, doctors, engineers, architects, researchers etc.
Assisting services producers generate customer value by taking over time consuming activities for firms and households.	High	Low	Low	Cleaning services, security services etc.
Digital distributive service producers generate value through the facilitation of interaction between customers through digital channels.	Medium	High	High	Financial services, telecom etc.
Manual distributive service producers generate value by selling goods, transporting commodities and passengers.	Medium	Low	High	Passenger transport, goods transport etc.
Leisure services producers generate value by stimulating the emotions, perceptions and spiritual experience of customers.	Low	Medium	Low	Sports, arts, entertainment, restaurant services, media services etc.

Source: Grimsby & Grünfeld 2008

¹¹ See Grimsby & Grünfeld (2008)

It is evident that there is a large heterogeneity between the different service providers. The business concepts of the types of service providers are very distinct. For example, problem solvers and leisure service providers develop their products by improving the content of the service and strengthening the quality. This can make it hard to standardise the services from those two types of service providers. The above is also true for the assisting services and the distributive services, albeit, to a smaller extent. The fact that productivity and economies of scale play a larger role for assisting services and distributive services in theory make their services relatively more suited for standardisation than the services of problem solvers and leisure services.

3.5 Areas of service standardisation

In the following section, the most common areas of service standardisation are presented. It is important to note that the list is not exhaustive. However, it still covers the main areas of standardisation within the service sector.

Quality Management. Quality management refers in this service context to a method, which ensures that all activities necessary to design, develop, and implement a service are effective and in line with a given set of standards. The ISO 9000 is a family of standards which defines a complete quality management system. The standard is globally accepted and is used by organisations, businesses, and governments all around the world.

Environmental Management. Environmental management refers in very broad terms to management of the interaction by the modern human societies with the environment. The ISO 14001 standard is the most widely known environmental standard. The overall aim of the standard is to establish an organised approach, which enables organizations to systematically reduce the impact of production on the environment. The ISO 14001 standard is both suitable for producers of services and products.

Safety Management. Safety management refers to defining a set of management activities, which ensures that hazards are effectively identified, understood, and minimized to a level of risk that is reasonable achievable.

Working conditions. This defines a minimum set of requirements to working conditions. The conditions refer to the physical environment in which one works, such as the actual space, the quality of ventilation, heat, light and the degree of safety. Working condition standards are closely related to safety management.

Education. Defining educational standards for positions in cooperations, organisations, governments, etc. is already the norm. However, employers usually do not follow specific standards or guidelines when appointing new employees. Instead they follow common sense and traditions within the specific area. Within certain service areas, a more standardised set of rules in relation to minimum attainment of education would be beneficial.

Ethical standards. Ethical standards refer to rules defining service providers' professional conduct, confidentiality and privacy between customer and client etc.

Contractual standards. Defining contractual standards is one of the key areas where the service sectors could benefit a lot. There are numerous areas which could be enhanced by setting standards for how contracts should be designed. Below are presented a few examples, which all would help reduce the uncertainties related to the provision of services.

Contract Design: a standard contract design for certain services can benefit both the provider and the customer by enhancing the transparency of the transaction.

Result Specification: a standard for specifying the results of a given service can be a giant leap in the direction of enhancing the market for services. However, defining standards for the outcome of a given service represents a huge challenge for the future, since it is often hard to set standards for activities without obvious physical characteristics. The issues of quality and timing are vital.

Communication: contractual standards can help facilitate better communication between the provider and the customer, which would help reduce potential misunderstandings and uncertainties.

Complaints handling. An effective complaints handling system can be a valuable tool when communicating with customers. An industry standard for complaints handling would be a step in the right direction when trying to enhance the transparency of the service sector.

Price Regulations. Standards for price regulations are a very sensitive area. Naturally, a standard that sets out specific rules for when and how to regulate prices would disable the market forces from functioning. However, in some service sectors it would make sense to set out a boarder framework for how to regulate prices, e.g. in the energy sector.

3.6 The Services Directive

The role of standardisation in the creation of an Internal Market for services has been recognised in the Services Directive (Directive 2006/123 on services in the Internal Market). The overall aim of the directive is to achieve a genuine Internal Market for services by removing legal and administrative barriers to the development of service activities between Member States. The Directive notes in its preamble, how increased European standardisation can bring along positive effects with respect to the transparency of the Internal Market for services and the level of quality of services.

Furthermore, the Directive encourages Member States to inter alia develop voluntary European standards with the aim of facilitating compatibility between services supplied by providers in different Member States, information to the recipient and the quality of service provision¹².

According to the preamble, European service standards will be drawn up by the European standards-setting bodies CEN, CENELEC, and ETSI. Where appropriate, the Commission may, in accordance with the procedures laid down in Directive 98/34/EC¹³, issue a mandate for the drawing up of specific European standards.

The Services Directive has definitively spurred increased interest on the issue of standardisation of services in the European Union and in the respective Member States/EEA States¹⁴. Both the work being carried out at the Commission and CEN definitely indicate that a higher degree of standardisation within the service sector is a necessary stepping stone in the process of creating a better functioning internal market. Regarding the influence of the Services Directive on the service standardisation process, the views and opinions are mixed. Some stakeholders point to the directive as an important encourager to service standardisation, while others pinpoint that the directive have only legitimised

¹² Directive 2006/123/EC, Section 2, Chapter 5, Article 26, paragraph 5.

¹³ Directive 98/34/EC of the European Parliament and of the Council of 22 June 1998 laying down a procedure for the provision of information in the field of technical standards and regulations and of rules on Information Society services

¹⁴ EEA States

standardisation initiatives and do not contain any actual incitements to service standardisation.

CEN are very positive about the increased focus on service standardisation but are also in doubt of the effects of the Services Directive. Among others they stress that the drafting process of the directive lead to great uncertainties, and slowed down standardisation processes within some service sectors.

CEN on the service directive

Andreea Gulacsi, Programme Manager for New Opportunities and Pre-Standards at CEN expresses that in the beginning the service directive slowed down the pace of standardisation in services. During the drafting process, those who did not know whether their services were covered or not by the directive refused to create standards because of fear those standards could turn into regulation. If indeed they were taken up in the directive. As a consequence the CEN standardisation process is separate, but complementary to the service directive. The directive has given some attention to the area, and mentions standards, but it is too broad to be used in specific areas.

Maitane Olabarriá, Programme Manager for Standards Development at CEN stresses that the service directive has been valuable as a starting point for further the discussion about standardisation of services, and has helped national governments to recognize its importance. Furthermore Maitane stresses, that the directive is very horizontal and that there is a need for more specialised work, for instance through standardisation, to actually reach the goal in specific cases/sectors

3.7 European standardisation policy and important initiatives in the service standardisation area

The main aim of the Lisbon Strategy of 2000 is to make the EU "the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010". A key part of the Lisbon Strategy is to make the internal market work for services.¹⁵ A better functioning of the internal market is essential since the European economies are essentially driven by services. At the EU level, services account for around 70% of GDP and employment in the majority of the member states.¹⁶ The same goes for the Nordic countries. Naturally, due to the volume of the service sector the promotion of the sector has become a top priority in the EU agenda and for the EC.

However, despite progress in some specific service sectors, the overall Internal Market for services is not yet working as well as it should. Most of the benefits seen so far from the Internal Market have occurred in goods markets, and the need to make a serious effort to improve the functioning of the Internal Market for services has been clear for some time. As a first step, the EU Commission analysed the legal and economic issues in relation to why the Internal Market for services is so far from functioning as intended. This resulted in the publication of a *Report on the State of the Internal Market* in 2002. The main insight of the report is that services constitute the main source of growth and their volume is constantly increasing. Also, the potential for growth in the service sector

¹⁵ The State of the Internal Market for Services: COM(2002) 441, 30.07.2002

¹⁶ EC (2002): "The State of the Internal Market for Services", COM (2002) 441.

cannot be fully exploited due to the existence of legal, practical, and administrative barriers within the Internal Market affecting the freedom to provide services as well as the freedom of establishment of service providers.

In 2002, an explorative study on *"Standardisation and the Service Sectors"* was initiated.¹⁷ The study is based on interviews with industry stakeholders and the main conclusion is that the whole standardisation process of service standards needs to be streamlined in order to fit to the special characteristics of the service sector. Areas in need of adjustment are transparency of the standardisation process, involvement of stakeholders, the price structure, and the general level of information in regard to service standards.

In 2004, an EC communication on *"The Competitiveness of Business Related Services and their Contribution to the Performance of European Enterprises"*, stated that voluntary standards had been effective at eliminating some of the problems that otherwise occurs when the provision of services crosses national borders.¹⁸ Nevertheless, it was recognised in the EC Communication from 2004 on *"The role of European standardisation in the framework of European policies and legislation"*¹⁹, that the availability of voluntary standards in the area of services lags considerably behind the economic importance and potential of this area.

Indeed, the number of voluntary European standards available for services is extremely low given the huge contribution the sector makes to the EU economy. The current collection of European standards covers mostly products and methods of measurement. Standardisation in the service sector must now expand in order to continue to respond to the needs of the market.

In order to stimulate service standardisation the European Commission has addressed six programming mandates to the European standardisation organisations. Most of the six mandates have been directed to CEN.²⁰ By issuing a mandate to the European standardisation organisations the commission initiates an initiative with the aim of either developing a specific standard or simply to conduct a feasibility study in order to evaluate the possibilities of introducing standards. The two most relevant mandates for this study are the M/340 and M/371.

In 2003, the programming mandate M/340 was given to CEN, CENELEC and ETSI in the field of services.²¹ The overall aim of the mandate was to conduct an unprejudiced baseline study on the need for service standardisation. One of the main conclusions was that there existed an immediate need for a *European strategy in service standardisation*.²² Part of the strategy should be to create awareness on the benefits of service standardisation for the different service sectors.

In 2005, CEN received the second programming mandate in the field of services from the European Commission – Mandate M/371. The programme continued the work set out in the Mandate 340/M programme. The fact that the work conducted under the M/371 mandate is aimed at finding priority sectors, industries or processes for standardisation of

¹⁷ European Commission (2003): "Standardisation and the service sector".

¹⁸ EC (2004): "The Competitiveness of Business Related Services and their Contribution to the Performance of European Enterprises", COM (2004) 747.

¹⁹ EC (2004): "The role of European standardisation in the framework of European policies and legislation", COM (2004) 674.

²⁰ www.cen.eu

²¹ See section 3.3 for a description of CEN, CENELEC and ETSI.

²² See CEN, "Final Report on European Commission Programming Mandate M/340 in the Field of Services" (2005).

services means that the programming mandate employs a top-down approach. In total 11 feasibility projects have been selected.

The M/371 mandate has both *horizontal* as well as *vertical* aspects. The vertical aspect of the mandate concerns 10 feasibility studies whose aim is to find priority sectors for standardisation of services. The main work in the feasibility studies have been to find the relevant stakeholders and in the next stage ask them whether they know what CEN is and what they do. The ten vertical feasibility studies are divided into business related studies and consumer related studies. The business related feasibility studies are *consultancy engineering services, welcome/ reception services, recruitment services, trade, maintenance and location of sailing and motor boats, IT – outsourcing, outsourcing* and the consumer related feasibility studies are *accessibility services in transport and tourism, services for resident people, residential homes for elderly people, and smart house services for elderly and disabled people*.

In September, October, and November 2008 another three project committees have been established in relation to service standards giving a clear indication of the awareness and will to develop service standards. Those three projects committees are *Services for sheltered housing for the elderly, Airport and aviation security services, and Management Consultancy*.

The horizontal aspect of the M/371 mandate concerns a feasibility study named *CEN's Horizontal European Service Standardisation Strategy (CHESSS)*. The CHESSS Initiative is an integrated program for generic service standardisation within CEN. This means that the programme deals with service standardisation in a very broad horizontal perspective opposed to the ten vertical sectoral feasibility studies. The CHESSS feasibility study was required to:

1. Identify, secure support from, and engage all key stakeholder groups (e.g. government, service providers, service users);
2. Facilitate a coordinated, common approach to the provision of standards in support of the effective delivery of services;
3. Provide an implementation plan for the development of new service standards, both as a direct result of the programme and as what may be required in future.

The CHESSS report as well as the 10 sector studies were submitted to the European Commission in fall 2008. A short preliminary summary including recommendations from the CHESSS study and the sector studies has been available for Oxford Research. Some of the recommendations of the CHESSS study are among others to develop a "*Single generic European Service Standard*" and a "*Guidance Document for the Development of Service Standards*", which should ease the future development of European services standards.

Most of the sector studies seem positive about initiating actual standardisation work within the studied sectors, and the recommendations contain specific suggestions on which standards, guidelines or the like to develop and/or which next steps to take. The relevant sector recommendations will be discussed in more detail in the respective sector case studies of this study.

CEN will now present the results of the studies for the European Commission and explore the possibilities of a general conference on service standards by the end of 2009, which could facilitate the implementation of many of the recommendations. The specific future development in regards to each of the recommendations will be handled case by case. Finally, CEN concludes that the organisation will look to increase its work programme of service standardisation in the near future.

3.8 Service standardisation policy in the Nordic countries

In this section the standardisation strategies for Denmark, Norway, Sweden and Finland will be presented. Iceland is omitted since they do not have an official standardisation strategy, and have no plans of developing one at the moment.²³ In the presentation of the strategies focus will be on service standards and on the national strategies in relation to influencing the work on Nordic and European/International standards.

Denmark. Service standardisation plays a central role in the Danish standardisation strategy from 2006, due to its status as an emerging focus area of standardisation. Initiative number seven in the Danish standardisation strategy concerns standardisation in the service sector. The overall aim of the initiative is to bring more focus to standardisation in the service sector.²⁴ The initiative states that Danish Standards in cooperation with representatives from the service sector shall examine, which specific standardisation needs the Danish service sector faces. In relation to this, a standardisation forum for the service sector shall be established. This forum shall identify the service sectors needs, but also function as a communication organ to the enterprises in the sector on the importance of standardisation. Initiative ten in the Danish standardisation strategy concerns cooperation and division of work between the Nordic standardisation organisations. The outcome of this initiative has been the report "Standardisering i Norden", which examines the perspectives related to increasing the level of cooperation between the Nordic countries within standardisation. The report concludes that there are large potentials related to increasing the level of cooperation within the Information Technology area as well as within the policy making area.

Norway. In the Norwegian standardisation strategy the need for more service standards is highlighted. It is emphasized that the service sector represents a large share of the Norwegian economy and that the share is likely to rise in the years to come. Also, the liberalisation of some key service sectors implies that the need for service standards is large and growing. Furthermore, in the standardisation strategy it is stressed that the Norwegian interests in an international perspective only can be secured by active participation in international standardisation work. The resources should carefully be allocated to high priority areas, where the benefits from a Norwegian perspective are greatest. The high priority areas are to be selected in accordance with the priorities of the business life, the public authorities, and other key stakeholders.

Sweden. Service standardisation is recognised as a key prioritisation area in the Swedish standardisation strategy. It is predicted that service standardisation will be the new large area within standardisation. The Swedish authorities are currently monitoring the development within service standardisation and will in the near future decide on how Swedish interests best can be met. In an international perspective the Swedish strategy focuses on strengthening the Swedish work in the EU related standardisation. That being said, it is also emphasized that the Swedish authorities in the future shall be more aware of, which standardisation organisation they address in order to have their voice heard. Furthermore, it is stressed that it is of crucial importance that all relevant stakeholders at the national level participate in the standardisation work in order to ensure that all interests are taken into consideration.

Finland. As a response to the increased globalisation Finnish Standards mention service standardisation as an interesting area for future standardisation. However, the issue of service standardisation is at a very infant level at the moment. Part of the Finnish stan-

²³ Interview with Guðrún Rögnvaldardóttir, Icelandic Standards.

²⁴ Initiative #7 – Focus on the service sector. See more info in "Strategi for den danske standardiseringsindsats", (2006).

standardisation strategy concerns more active communication and awareness-raising activities, e.g. in relation to service standardisation. It is also emphasised that Finland shall play a more active part in European and international standardisation.

3.9 Nordic standardisation collaboration in the service area

Nordic collaboration on standardisation has mainly consisted of coordinating and harmonising Nordic interests in international standardisation organisations.²⁵ The Nordic collaboration has mainly concerned product standardisation, whereas the collaboration on service standards at the Nordic level is still at a very tentative level. At the moment, there exist very few examples of Nordic service standards. The most prominent example is the INSTA 800 standard for industrial cleaning.

A Nordic informal group on service standardisation was established in 2007, aiming at inter alia discussing and proposing Nordic service standardisation initiatives.

3.10 Some challenges related to service standardisation

For companies, the use of standards is a strategic tool to raise competitiveness. However, in many cases, the companies are not aware of the strategic advantages the use of standards and their participation in standardisation work have for their companies.

For the service business organisations, the top level is mostly positive towards standardisation. For the regional and sectoral departments and associations, standardisation of services is however rarely on the agenda and seems to be prioritised quite low. This is of course problematic, since the industry organisations have an important stake in the development and implementation of well defined and relevant service standards. It is therefore important to foster more focus and debate about standardisation at all levels of the industry organisations. Creating incentives, for example funding possibilities for sectoral standardisation studies, workshops, and seminars, within the recommended sectors could contribute to this. Bringing the subject in to the public debate through for example articles in relevant newspapers and magazines could be another or parallel solution.

Lacking knowledge of the strategic advantages of the use of standards applies particularly to service companies, since standardisation is a relatively new phenomenon in the service sector. This results in a low level of involvement and insufficient demand for service standards. Much of the service standardisation work being carried out nationally and at CEN is therefore focused on educating stakeholders on what standardisation of services can do for them.

Service companies may have other needs than the established industries and make new demands on the standardisation effort. One of the major challenges is without doubt the service industry's scepticism towards standardisation. The fear of losing uniqueness is one reason for such scepticism.

Furthermore, the service industry composition represents a major challenge for successful implementation of service standards. The service sector predominantly consists of SMEs and many SMEs choose not to participate in the standardisation process since the costs of participating are troublesome for many minor companies, with very few resources not explicitly bound to core activities. This means, most probably, that the large players in the given sector will dominate the service standardisation processes.

²⁵ See Standardisering i Norden (2006).

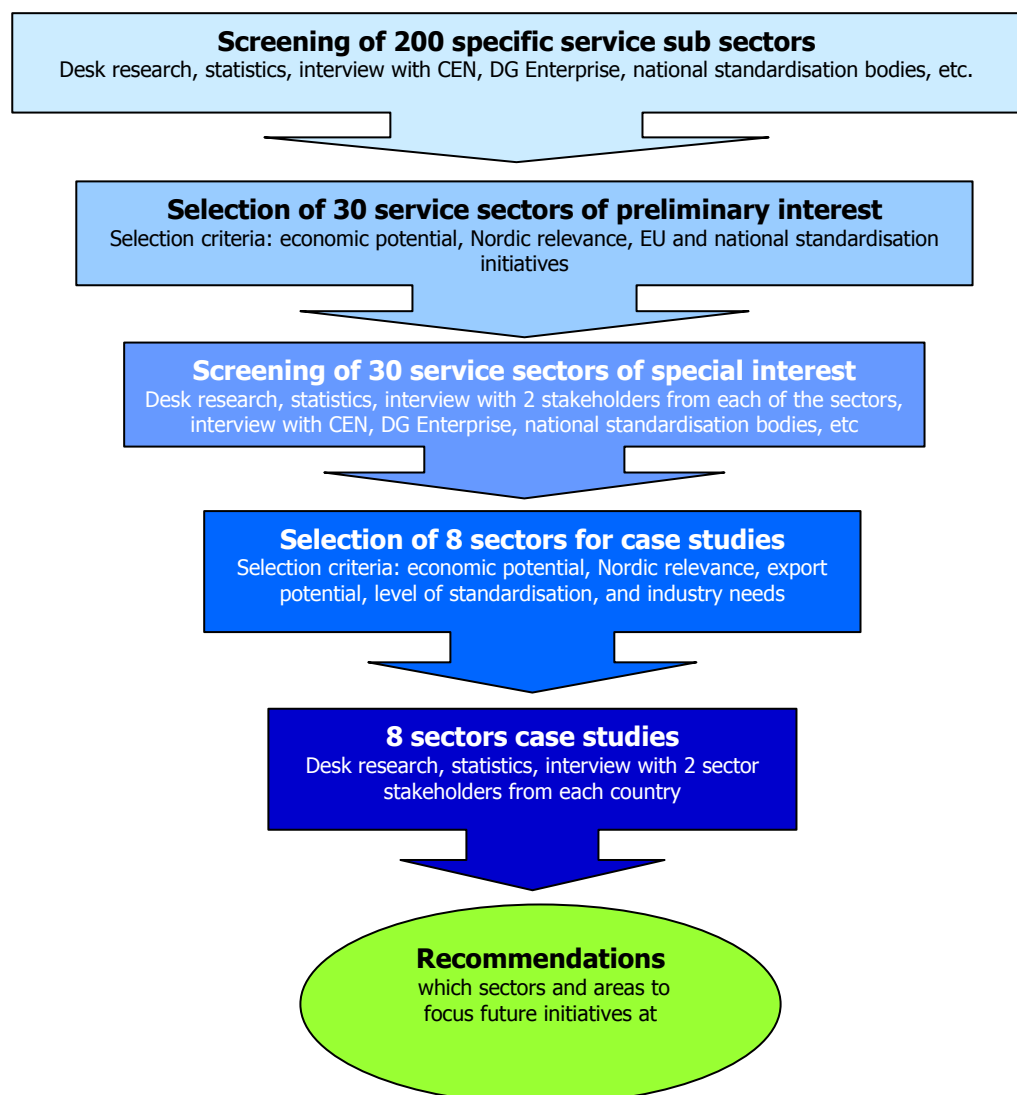
Another challenge is connected to public procurement procedures. The service industry point to the problem that the value of standards and certification is not really acknowledged in public procurement procedures. Being large and very important customers in many parts of the service industry, it is of crucial importance that public purchasers actually inquire standardised services. If there is no demand for standardised services, there will be no incentives for service companies to implement standards. Also, the service industry stresses that standardisation of public procurement, for example in relation to tender material, would be of great value for the service industries.

Chapter 4. Sector case studies

Before presenting the case studies of the possibilities for further Nordic standardisation initiatives within the selected service sectors, the methodology applied in the selection process will be discussed. Figure 4.1 gives an overview of the extensive selection process that has been carried out and the methods applied.

Figure 4.1: Overview of the selection process and methodology

From 200 to 8 service sectors



Source: Oxford Research 2008

4.1 Selection of sectors for in depth studies

In order to make a qualified selection and definition of the specific sectors to be studied in depth, Oxford Research first chose to identify around 30 service subsectors, which 'apparently' seemed interesting in a standardisation as well as Nordic perspective. This preliminary selection was done through literature studies, review of statistics, and explorative interviews with central European stakeholders such as CEN and DG Enterprise, and the Nordic standardisation organisations. Economic potential, Nordic relevance, national and European policies as well as the existence or lack of European standardisation initiatives made out the prime parameters in the preliminary selection of sectors.

In table 4.1, the complete list of preliminary selected sectors is presented together with the motivations for their selection. The sectors are thematic but do all refer to NACE code classifications²⁶ making it easier to delimit the single sectors as well as to find statistics to support qualitative data. Completely thematic sectors, e.g. the 'fashion industry', have been avoided.

Table: 4.1: Preliminary selected sectors

	Sector	Motivations
1	Advertisement and communication	High economic potential; high increase in turnover. No European initiatives in the pipeline.
2	Architect services	Many renowned Scandinavian architects, Special Nordic competences in energy and environmental friendly architecture. Closely related to engineering consultancy, which is another very interesting sector regarding Nordic standardisation initiatives.
3	Business support services (management consulting)	Denmark is leading a Commission feasibility study in this area. It has hence Nordic and European relevance and already a certain level of standardisation.
4	Call-centres	The Nordic countries have been active in the standardisation process around this at European level.
5	Child care	Long tradition of child care activities in all of the Nordic countries and similar sectoral structures. Quality and liberalisation within child care are often debated subjects in most of the Nordic countries.
6	Collection and purification of water	Strong Nordic competences in delivering portable water of high quality. There have been several EU debates about whether to liberalise the sector, as done with the energy sector.
7	Computer and related services	A sector in which the Nordic countries are strong regarding size of turnover and employment.
8	Construction	Nordic construction companies primarily grow within the Nordic market. The sector is also already familiar with standards connected to construction materials and buildings.
9	Education	A relevant sector among others in relation to the implementation of the Bologna process and the increased international competition among universities.
10	Eldercare	Long tradition of elderly care activities in all of the Nordic countries. A sector with huge economic potential as the number of elderly will increase rapidly within most of Europe. Parts of the sector are included in a CEN feasibility study.

²⁶ The service sector comprises several hundreds big or minor subsectors. At the four digits level (NACE codes) there exists 200 statistical classifications of service subsectors.

11	Energy (Electricity, steam and hot water)	An effective and competitive energy sector is vital for all other sectors, furthermore the Nordic energy market is one of the most integrated in the EU.
12	Engineering consultancy	Integrated Nordic market, several Nordic companies are among the biggest in EU, special Nordic competences within environment, infrastructure, and energy and environment friendly buildings. The sector is included in a CEN feasibility study.
13	Fire service activities	Many Nordic competences within fire safety also connected to fire safety products and constructions.
14	Gambling and betting	High increase in turnover, ongoing discussing of liberalisation of the sector, increased pressure on Nordic actors from international online suppliers.
15	Healthcare services	High economic potential, high turnover and employment, ongoing debates about international and Nordic cooperation, Sweden is especially active at the European level. The Commission has recently launched a proposal for a directive concerning cross border patient mobility, which might augment the need for European standardisation of the sector.
16	Hearing aid services	High economic potential as the number of elderly grows. Denmark is one of the worlds absolute leading players in this sector. A CEN committee for hearing aid specialist services has recently been established.
17	Industrial cleaning	Has recently implemented a Nordic standard. The worlds biggest company within the sector is Danish based ISS.
18	Logistics	High economic potential, special sectoral structure in the Nordic countries compared to the rest of EU, the sector is already familiar with standardisation processes and a CEN work programme for the standardisation of transport and logistical services has been going since 2005.
19	News agency activities	An important sector with huge public players in the Nordic countries. In October 2007 the Nordic public service organisations opened a common office in Brussels to be able to keep track of the EU politics and to start affecting the development.
20	Radio and television activities	An important sector often still dominated by public service suppliers in the Nordic countries, but with increased pressure from international commercial suppliers. In October 2007 the Nordic public service organisations opened a common office in Brussels to be able to keep track of the EU politics and to start affecting the development.
21	Real estate	Is increasingly being internationalised, Nordic market is often seen as one by international investors. A CEN committee for services of real estate agents has recently been established.
22	Recycling and waste management	A sector of growing importance. In general the Nordic countries have a strong tradition of environment friendly development.
23	Renting and leasing	In general a fast growing sector, but with few existing standards.
24	Retail trade	One of the biggest service sectors concerning both turnover and employment, several big Nordic players (IKEA, H&M, Reitan, Dansk Supermarked, Jysk). For several years there has been a clear political wish in many of the Nordic countries to improve competition in the retail market.
25	Sales and repair of motor vehicles	The sector has a high turnover. Sweden is a large producer of high quality motor vehicles. The sector is used to product related standards but service parts are mostly not standardised.
26	Security services	Very high economic potential, large Nordic players (e.g. Group 4 and Securitas). A CEN committee was established within security services, but was disbanded.

27	Sewage disposal and sanitation	In general the Nordic countries have a strong tradition of environment friendly development, and have strong requirements to e.g. sewage disposal and sanitation. There have been several EU debates about whether to liberalise the sector, as done with the Energy sector.
28	Telecommunication	High economic potential. Both Sweden and Finland are big producers of telecommunication hardware.
29	Temporary recruitment	A fast growing sector with increasing importance for many other sectors. A CEN feasibility study on recruitment services is being carried out.
30	Tourism	High economic potential, already some Nordic standards and certifications. Necessary with more Nordic cooperation in order to brand and market the Nordic countries in the global tourism market. Accessibility in regards to tourism is included in a current CEN feasibility study.
31	Transport	High economic potential, special sectoral structure in the Nordic countries compared to the rest of EU, the sector is already familiar with standardisation processes. A CEN work programme for the standardisation of transport and logistical services has been going since 2005.
32	Wholesale trade	The biggest service sector concerning both turnover and one of the biggest concerning employment. No European standardisation initiatives seem to be in the pipeline within the sector.

Source: Oxford Research 2008

Some sectors were added and others specified during the selection process. Furthermore, some of the sectors have been identified to be so closely interconnected or similar that a joint sector definition is relevant. Hence, the following four sectors have been reduced to two:

- **Transport and logistics**
Services related to transport and logistics are very closely interconnected and are very often considered as one sector. Furthermore, the two sectors most often have joint industry organisations.
- **Collection and purification of water and Sewage disposal**
Mostly it is the same company, often municipally owned, or the same municipal department that deals with sewage, purification and distribution of water. The sectors have very similar regulations.

4.1.1 Selection of 8 key sectors

On the basis of desk research and the interviews with key sector stakeholders, eight sectors were selected for in depth studies. The selection was made through a ranking system giving the sectors 1 to 5 points, where 1 is low and 5 is high, within the following selection criteria:

- **Economic potential**
The selected industries should have a volume in terms of turnover or employees, or a clear potential to create future wealth.
- **Export/internationalisation potential**
There should be a realistic possibility to export or internationalise the activities and services of the sector. Some sectors, such as sewage disposal, might be of strategic importance and have a certain economic volume but have very delimited internationalisation potentials.

- **Nordic relevance**
Meaning that the sector shall be of special importance to the Nordic countries based on for instance history, cluster potential, strategic importance, labour issues etc.
- **Level of standardisation**
That is the level of existing standardisation and standardisation initiatives and relevant policies at the EU and national level, that might make a natural point of departure for Nordic standardisation initiatives. Also, various service sectors will have a different "maturity" when it comes to standardisation. Some sectors are more familiar with standards and standardisation processes, e.g. from products related to the services provided. This mostly makes new standardisation initiatives much easier.
- **Industry needs**
I.e. the need and interest in service standardisation from the industry itself.

The eight sectors with the highest score in the ranking system are:

- **Eldercare**
- **Energy**
- **Engineering consultancy**
- **Healthcare services**
- **Retail trade**
- **Security services**
- **Transport and logistics**
- **Tourism**

In table 4.2 the complete ranking list is presented. The eight sectors with highest score have been marked with dark yellow (■). Four other sectors, being Architect services, Construction, Industrial cleaning and Temporary recruitments, have been marked with light yellow (■). These sectors also have a relatively high score and would also be relevant for further in depth studies.

Sector	Economic potential	Export/internationalisation potential	Nordic relevance	Level of standardisation	Industry needs	Total
Advertisement and communication	4	3	2	1	2	12
Architect services	3	4	4	2	3	16
Business support services (management consulting)	4	4	2	2	2	14
Call-centres	3	2	3	2	3	13
Child care	3	2	5	1	2	13
Eldercare	5	3	5	2	3	18
Computer and related services	4	3	2	1	2	12
Construction	4	3	3	3	3	16
Education	3	3	2	3	2	13

Sector (Table 4.1 con- tinued)	Economic potential	Export/in- ternationali- sation po- tential	Nordic relevance	Level of standardisa- tion	Industry needs	Total
Energy (electricity, steam and hot water)	4	4	4	4	4	20
Engineering consultancy	4	4	5	3	4	20
Fire service activities	2	2	3	4	3	14
Gambling and betting	4	4	2	1	2	13
Healthcare services	5	4	5	2	4	20
Hearing aid services	3	4	1	2	3	13
Industrial cleaning	3	4	3	3	3	16
News agency activities	2	2	2	2	2	10
Radio and television activities	2	2	1	1	1	7
Real estate	3	3	2	2	2	12
Recycling and waste management	3	3	2	4	2	14
Renting and leasing	2	2	2	3	2	11
Retail trade	5	4	4	2	2	17
Sales and repair of motor	3	2	2	3	3	13
Security services	5	4	4	2	4	19
Sewage disposal and water purification	3	1	2	1	1	8
Telecommunication	4	3	2	2	3	14
Temporary recruitments	4	3	4	2	2	15
Transport and logistics	5	5	4	3	3	20
Tourism	5	5	4	3	3	20
Wholesale trade	5	3	2	1	1	12
<i>Source: Oxford Research 2008</i>						

Ranking points were given on the basis of preliminary review of relevant sectoral studies, existing statistics on growth, employment, turnover, added value, etc. and at least two interviews with relevant stakeholders from each of the sectors.

It is important to stress that the selection process contains many qualitative assessments and therefore also uncertainties. Also, markets and industries can change rapidly today so that other sectors can show up to be of high relevance in the near future. The eight

selected sectors should definitely not be seen as *the* only sectors with possibilities for Nordic standardisation initiatives, but sectors where the possibilities and potentials within the described areas apparently seem greatest.

4.2 Structure of the case studies

In the next chapters the case studies of the 8 selected service sectors will be presented. Each case begins with a short introduction to the sector concerned and the central findings in the case study. After this, the sector's economic potential and Nordic relevance is analysed, followed by a presentation of the existing level of standardisation as well as standardisation potentials within the sector. Finally, the case studies are concluded by a list of recommendations. The recommendations are suggestions to specific areas where Nordic standardisation initiatives seem most relevant and what steps that are the next to be taken, e.g. further studies, sector workshops, creating a Nordic platform, etc.

The case studies have been elaborated on the basis of desk research, literature studies, and interview with sectoral stakeholders, e.g. industry organisations, companies, experts (researchers, scientists, etc.) and in certain cases authorities from the different Nordic countries. Interview with industry organisations have been prioritised the most. In most cases two interviews have been carried out in each country.

Chapter 5. Eldercare

Introduction

The eldercare sector is both politically and economically of very high importance in all of the Nordic countries. The subject of eldercare has always been and still is a very sensitive subject, which is ever present on the public agenda. The issue of eldercare attracts a lot of attention due to the fact that it involves every citizen either at present or in the future.

The eldercare sector is likely to attract even more attention in the future due to the demographic development in the years to come, meaning that the share of elderly will increase. This development combined with the fact that families in the Nordic countries have no legal obligations to take care of their elders, means that it is of paramount importance to establish a structure, which secures high quality care for the elderly in the future.

In order to provide the vast amount of care that will be demanded in the future it is very likely that private care providers will capture a larger share of the market for eldercare services than today. At the present, some private Nordic providers of eldercare such as Attendo Care, Aleris Group and Carema Eldercare are present in the market. The common belief among stakeholders is that we are just seeing the top of the iceberg at the moment and that the amount of private providers will rise as the Nordic populations' age in the future.

By introducing standards in the eldercare sector it will be possible to create a more transparent market, which will benefit both public and private providers of eldercare. The eldercare sector is not familiar with the use of service standards, which makes the further investigation into the sector interesting and relevant.

Eldercare services are not included in services directive. However, some standardisation work, though at a very stage initial, is going on at the European level.

Eldercare in the Nordic countries

The prime responsibility of eldercare in the Nordic countries lies in the municipalities. Eldercare is the single largest municipal service area in the Nordic countries. This implies that the greater share of eldercare is provided by public providers, whereas only a very small share is provided by private providers. The reasons for this are manifold. The prime reason is the monopoly like position that the public sector traditionally has had in this sector due to the late liberalisation of the market. Following the liberalisation of the market, private providers today still find it hard to enter the market because of the strict quality criteria set out by the municipalities. Last, there seems to be a general hostility among the municipalities towards letting private providers enter this, traditionally, public domain.

The market share of private providers of eldercare differs in the Nordic countries. Sweden is the most liberalised country with respect to opening up the eldercare sector. It is estimated that private providers in Sweden cover around 11-12% of the market. The percentage of employees in private care companies corresponds very well to the market

share in Sweden. In the period from 1993 to 2000 the percentage of employees rose from 3 to 13.²⁷

In the other Nordic countries this number is estimated to be considerably lower. The estimates suggest a private share of the market of around 4-7% in Denmark and Norway.²⁸ In Finland, the share is estimated to be even lower since it is mainly carried out by voluntary organisations.²⁹

The presence of few private providers in the market is expected to change in the future. The change towards more private providers will be spurred by a multitude of different events and factors, where the most prominent are presented below.

The eldercare area has gone through some legislative changes during the past decade. In Denmark, a law was passed in 2003, which gives senior citizens the right to choose between public or private providers of eldercare services. A similar law was passed in Sweden in 2008.³⁰ Further liberalisation will inevitably stimulate increased interest in the services that private providers can offer.

The future users of eldercare services are likely to influence the market to a higher extent than the existing users. Future users will have a higher attainment of education, be more quality minded, and economically well off. The future users of eldercare will thereby expect competitive optional services, which are tailored and promptly delivered by experienced and skilled service staff. Private providers are often better equipped to deliver these tailored services due to their focus on core areas of business, opposed to the broad focus of the public system.

The demographic development in the Nordic countries is also likely to influence the future demand for private eldercare providers. In figure 5.1 is presented a projection of the demographic development in the Nordic countries. It is evident that the share of persons 65+ will rise remarkably in all of the Nordic countries in the years to come. The percentage of elderly people will not only increase due to the low fertility rates, but also due to the fact that the mortality rates are falling for the elderly.³¹ Especially Denmark and Finland will experience a steep rise in the share of persons 65+, and in 2040 the workforce and share of persons 65+ will have approximately the same size.

²⁷ Marta Szebehely (2006): "Hälsa och välfärd – kunnskapsöversikt över nordisk välfärdsforskning inom äldreomsorgsområdet".

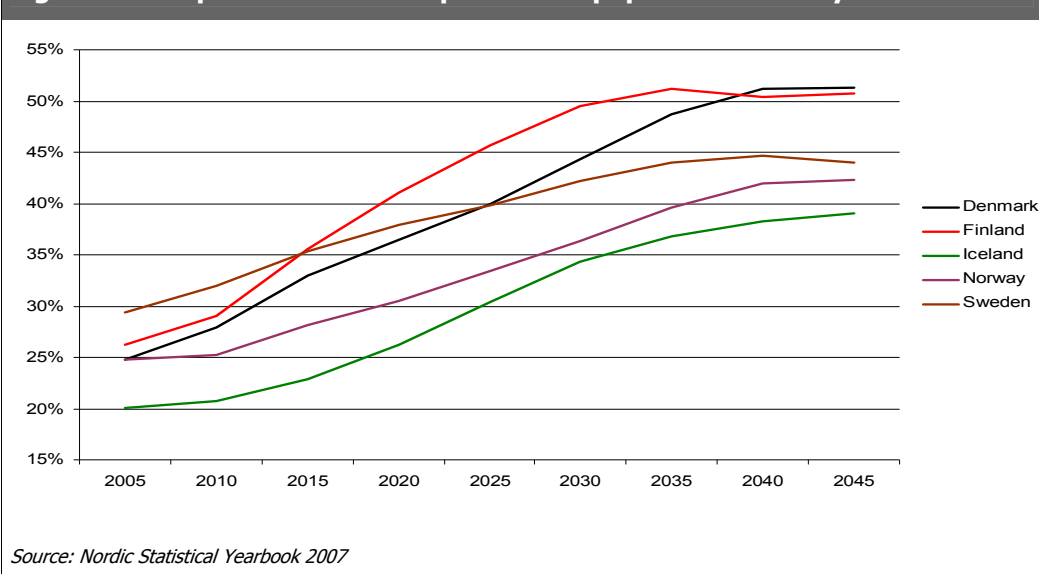
²⁸ Interviews with Geir Lægrend, Director Aleris and Dorthe Kofod, Regional Director Attendo Care.

²⁹ Marta Szebehely (2006): "Hälsa och välfärd – kunnskapsöversikt över nordisk välfärdsforskning inom äldreomsorgsområdet".

³⁰ See "Lov om social service § 83, stk. 1-3, 2003" and "SOU 2008:15, Lov at vælge – Lag om valfrihetssystem"

³¹ Nordic Statistical Yearbook, 2007.

Figure 5.1: Population 65+ as a per cent of population 20-64 year



This demographic development implies that the market for eldercare services will expand, which will put high pressure on the supply of services that the public eldercare system can provide. For example, a calculation from Norway shows that the need for labour in municipal nursing and care services may rise by 130.000 man-years by 2050.³² In order to overcome this challenge there is a need to be creative and think differently.

A natural consequence of the changes in the composition of elderly, the legislative changes, and the demographic development is that private providers of eldercare will enter the market to a higher extent than today. Below are presented two of the key private providers of eldercare services in the Nordic countries.

Private eldercare providers in the Nordic countries

Attendo Care is the leading private Nordic provider of eldercare services. The firm was established in the middle of the 1980'ies and focused then solely on providing municipal eldercare services. Today it delivers all kinds of care services to elder- and mentally handicapped people. Attendo Care delivers services in Denmark, Norway and Sweden. Presently the firm employs 6000 persons and has a turnover of around 2 billion DKR.

Aleris is a rather new player on the Nordic market for care. The firm was established in 2005, but had in 2008 already more than 5000 employees in Denmark, Sweden and Norway. Aleris provides a comprehensive range of specialised healthcare, hearing rehabilitation, medical diagnostics, senior care, psychiatric and psychosocial treatment. In 2007 Aleris had a turnover of 2,9 billion SEK.

www.attendo.se and www.alerisgroup.com

³² Bjørg Landset: "Arbejdskraftbehov i pleie- og omsorgssektoren mot år 2050".

Internationalisation potentials

The internationalisation potentials are definitively present in the Nordic eldercare sector. The emergence of private inter-Nordic providers of eldercare such as Attendo Care, Aleris, Carema etc. is evidence of this. However, it is important to note that the current market share covered by private inter-Nordic providers is very small compared to the share of the market covered by municipalities. As discussed in the previous section, the market for eldercare services will increase in the years to come, thereby also increasing the internationalisation potentials of the eldercare sector.

The Nordic eldercare tradition has earlier proven to possess certain commercial perspectives. In the textbox below an unusual example of Nordic eldercare export is presented.

Finnish eldercare services are in demand in Japan

As surprising as it might sound Finland is actually exporting eldercare services to Japan. The foundation for the successful Finnish-Japanese Wellbeing Centre project is the rapidly ageing populations of Japan and Finland. In order to meet the challenges of ageing populations it has been necessary to think out of the box.

The Finnish-Japanese Wellbeing project became a reality in 2005, where the first Centre became a reality in the northern Japanese city of Sendai. The Finnish Wellbeing Centre concept is a seamless entity that supports homecare and helps to activate older people as well as bringing families and generations together. The Sendai Centre has 100 long-term care spaces, 20 short-term care spaces, day services for about 30 senior citizens at a time and well equipped rehabilitation facilities.

The basic prerequisite for the successful export of Finnish eldercare services rests on an in-depth understanding of Japanese culture in which eldercare is very different from the Nordic model. In Japan eldercare is not provided by the municipalities but is instead a private matter, where the costs have to be covered by the individual. Usually the care is provided by the oldest son's wife. This is in sharp contrast to the Nordic model where an integrated public system provides general eldercare services, but also preventive and rehabilitative services.

The Japanese seniors are adapting to the Finnish eldercare concept and the interest in the project has been large. Inquiries about the project have been pouring in from all over the world.

Source: www.finpro.fi

Level of standardisation

The level of standardisation in the eldercare sector is close to being non-existent. This is due to various reasons.

First of all, the eldercare area is highly regulated by national legislation, which leaves little room for standards. The national regulation covers both the provision of public and private eldercare. Eldercare in the Nordic countries is in general the responsibility of the municipalities. Recently, legislation has opened up for the possibility of private providers entering the market. However, in order to enter the market, a private eldercare service provider has to be approved by the local municipality. This represents a very peculiar market situation, where the municipalities, in principle, can reject private providers that aim at providing services in the municipality. Reality is also that it is far from all municipalities that has implemented the liberalised legislation in practice.

Second, standards are normally market driven voluntary agreements between key stakeholders in a given market. Since the market for eldercare services in the Nordic countries has not been liberalised until the last decade there has not been the sufficient competition, which fosters the need and motivations for standards. The private providers currently only cover a small share of the market, which means that the introduction of standards seems to lie some years out in the future. However, if the market structure changes so that private- and public providers will compete more intensely, it is very likely that the sector will need standardisation.

Third, the demographic development combined with the shortage of trained personnel in the eldercare sector means that it can be a risky strategy to introduce standards in the sector.³³ The reason behind this is the general misconception in the eldercare sector that standards impose extra burdens on the involved parties.

Currently, within the area of sheltered housing for elderly people, work is being done in order to introduce standards. The standard proposal will be described in detail in the next subsection. The Danish and Norwegian national standardisation bodies are gathering committees of experts who will address the issue. At the moment Swedish standards are contacting stakeholders in order to get an impression of how many of the relevant parties that are actually interested in actively participating in the standardisation work.

In the textbox below, an interesting case study from Iceland is presented, which concerns standardisation work on Iceland in relation to quality measurement in the eldercare sector. However, it should be noted that the case does not concern standardisation work organised by official standardisation bodies.

Resident Assessment Instrument – Icelandic Experiences

The Resident Assessment Instrument (RAI) is a standardised approach for applying problem identification processes for estimating the need of care. The RAI instrument gathers definitive information on a resident's strengths and needs, which ultimately will be addressed in an individual care plan. The instrument was developed in the U.S. with the aim of improving the formal regulation and the quality of care.

The instrument has been used in Iceland to evaluate the content and quality of nursing home care. Following the first introduction to the system the Icelandic Ministry of Health established a national steering committee called *IceRAI* with key players from the health and social services.

Based on experiences from a pilot study it was decided that the system should be used in all Icelandic nursing homes in order to ensure a high level of quality in the delivered services. The system has been well received and the perceived benefits of the RAI system in the nursing home arena are certainly viewed as an encouraging model for other parts of the elderly care system.

Implementing the Resident Assessment Instrument: Case Studies of Policymaking for Long-Term Care in Eight Countries. Milram Memorial Fund 2003.

Internationalisation and standardisation at the EU level

Eldercare services are not included in the services directive and at the moment there do not exist any European standards within the eldercare area. However, in response to an Austrian inquiry in 2008, CEN initiated a project on standardisation project on services of sheltered housing for the elderly. The aim of the project is to develop a European standard specifying quality criterion for these kinds of services. The work will start in October

³³ Norden (2007): What lies ahead for the Nordic model?

2008. However, a proposal for discussion has already been circulated. The proposal presents some very useful suggestions on how the service of housing for elderly should be delivered. The proposal covers aspects such as quality measures, contracts, staff requirements, definition of the services, etc.

The standard proposal is highly relevant when keeping the rapid ageing of the Nordic population in mind. It therefore deserves a quick response and an efficient working process. The demand for sheltered housing will inevitably rise, and in Denmark only, it is estimated that it will be necessary to build around 6000 new elder homes annually from 2040.³⁴

Potentials for Nordic service standardisation initiatives

In general, it is hard to define standards in a market where most of the services are publicly regulated. Nevertheless, the private providers definitively see potentials in introducing Nordic standards for eldercare services. However, there also seems to be an understanding among the private providers of eldercare that introducing national or Nordic standards at the moment might not be the right time. The market share of private providers is simply not large enough to justify a standardisation process. Experiences from Norway corroborate this stance. A few years ago, private providers of eldercare services in Norway contacted Standards Norway and advised them to start a standardisation process in order to develop a standard contract for providers of eldercare services. Standards Norway decided not to initiate a standardisation process partly because they estimated that the standard would only address very few stakeholders and partly because the municipalities were very eager to put the standardisation process to a halt.³⁵

In short, the market for eldercare services does not seem ripe in the short run for introducing standards due to the absence of critical mass of private providers. However, in the longer run there definitively exist potentials due to the projected expansion of the market. This development will definitively increase the demand for private providers of eldercare services, and in this situation, the consulted private providers of eldercare services have expressed, that they will be positive about introducing Nordic or international standards.

The stakeholders see potentials in standardisation initiatives within the following areas:

- *Quality:* There exists a need for developing efficient quality measurement systems, which will make the market more transparent and foster increased competition.
- *Contracts:* there have already been attempts of introducing standard contracts in the Nordic countries. The introduction of standard contracts will increase the transparency of the market and lead to enhanced competition to the benefit of the receivers of eldercare services.
- *Services related to housing of elderly:* The need for standards within this area has already been indicated by the work being initiated at CEN.

According to the stakeholders in the private eldercare sector, the largest potentials in relation to introducing standards exist in creating a common playing field for private- and public providers of eldercare services. By having a common set of standards, it will be possible for private- and public providers to compete on equal terms, which in the end will benefit the elderly.

³⁴ See 'Fremtidens boligpolitik for ældre', Ældrerådet 2008.

³⁵ Interview with Anne Kristoffersen, Norsk Standard.

However, taking the many current barriers to both national and Nordic standardisation initiatives into consideration it seems most reasonable, at the moment, to focus Nordic initiatives on following and influencing the work done in CEN concerning services of sheltered housing for the elderly.

Possibilities to influence EU standardisation processes

The Nordic countries certainly have possibilities to contribute to and influence the standardisation work being done at CEN, and national standardisation committees in Denmark and Norway have already been established.

Barriers

- Market is densely regulated by national legislation, which leaves little room for standardisation.
- Competition between public and private providers is not fierce enough to foster the market driven introduction of standards. A prerequisite for creating this competition is to fully liberalise the market.
- General scepticism in the local municipalities towards private providers of eldercare.

Summary and recommendations

There definitively exist potentials for introducing Nordic standardisation initiatives within the eldercare sector. However, it will not be possible to reap the potentials until the market is more liberalised and the ageing of the Nordic populations really set in. The liberalisation and ageing of the populations will increase the demand for eldercare services and is likely to lead to a boom in the share of the market covered by private providers.

In short, most of the consulted stakeholders in the Nordic eldercare sectors, including both industry associations, Ngo's (Ældresagen) and authorities, are positive towards the introduction of Nordic standard initiatives, but they also share the belief that the time is not ripe for the introduction of actual standards. It therefore seems recommendable first of all to follow the process and outcome of the CEN feasibility study on services for sheltered housing. With their large and developed eldercare sectors, and hence also large expertise, the Nordic countries should be able to influence an eventual future standardisation process within CEN. Furthermore, national committees have already been established in Norway and Denmark in order to contribute to and influence the CEN work within the sector.

Possible standardisation initiative to be considered

It is recommended to focus and base Nordic standardisation initiatives on the current work done by CEN within the sector. At the moment, this first of all means to follow the process and outcome of the CEN feasibility study on services for sheltered housing for the elderly.

Chapter 6. Energy

Introduction

Energy is one of the indispensable pillars of economic growth and competitiveness and an efficient Energy market is thus absolutely essential for the Nordic economies. Furthermore, the energy sector plays a crucial role in overcoming the challenges of the climate changes.

The Energy sector is normally divided into three sub-sectors: Electricity, Gas, and Steam and hot water supply (NACE E40), each including branches of production, transmission, distribution, and end sales. The electricity sector is by far the largest sub-sector within the Nordic energy sector and is also the prime focus of this case study.

The Nordic energy market is one of the most integrated and harmonised in the world. Various cooperation platforms including governments, transmission system operators, and energy regulators have contributed to the development of the market. The first landmark of the close Nordic cooperation was the Louisiana Declaration, which the Nordic energy ministers published in 1995. The vision for the Nordic electricity market was "A borderless Nordic market with efficient trade with the surrounding area". In 2006, the Nordic Council of Ministers once again underlined the importance of a fully integrated Nordic energy market and a working group, Elmarkedsgruppen, has been established to carry out harmonisation and integration initiatives.

Nordic cooperation has thus already created the most successful international power market in the world. However, the market faces serious challenges in coping with security of supply and the needed investments in improved infrastructure and renewable energy sources. Nordic standardisation initiatives within certain areas could be one of the tools for a strengthened Nordic energy market.

The energy sector in the Nordic countries

Electricity in the Nordic countries is generated from varied sources, where nuclear and hydropower are the most important. In general the Nordic electricity market is characterised by a high fraction of renewable energy. In 2007, 98% of Norway's electricity generation came from hydro power, whereas 19 percent of the electricity generated in Denmark was from wind power³⁶.

Since 1990, the total consumption of electricity in the Nordic countries has increased by an average of 1.4% per year, confer table 6.1. Electricity consumption in the four countries totalled 394 TWh in 2001. The highest increase has occurred in Finland with an annual average rate of 2.6 % since 1990. Viewed from an international perspective, all Nordic countries, with the exception of Denmark, have relatively high average per capita electricity consumption per year: Denmark 6600 KWh, Finland 15700 KWh, Norway 26700 KWh, and Sweden 16700 KWh.

³⁶ Nordel Annual Report 2007

Table 6.1: Consumption of electricity in the Nordic countries																
Consumption of energy (TWh)	Denmark				Finland				Norway				Sweden			
	Year	90	96	00	01	90	96	00	01	90	96	00	01	90	96	00
Industry	9	10	11	10	33	37	45	45	47	45	53	52	53	52	56	55
Residential, services etc	20	22	22	23	26	29	31	34	51	59	61	64	65	72	70	75
Others	2	3	2	2	3	3	3	3	7	9	10	9	22	19	21	21
Total	31	35	35	35	62	69	79	82	105	113	124	126	140	143	147	151
Source: The electricity market 2002, The Swedish energy agency																

Important reasons for the high per capita consumption are the high proportion of electricity-intensive industry and the cold climate. In Norway and Finland for example, the industry sector accounts for a very large part of the consumption.

The high consumption of electricity is partly covered by the Nordic countries own production of energy. In table 6.2 the essential data on the size of the energy sector within the Nordic countries is presented. As the table shows Sweden has the largest energy sector with a turnover of 19.018 million Euros and 22.857 employees. In total, the energy sector in the four largest Nordic countries employs around 64.000 persons and generates a turnover of more than 45 billion Euros.

Table 6.2: Main indicators of the Nordic energy sector					
	Denmark	Finland	Sweden³⁷	Norway³⁸	Total
Persons employed	13104	13020	22857	15340	64321
Number of enterprises	1891	612	1127	:	:
Turnover in million EUR	10645	8074	19018	8109	45846
<i>Source: Eurostat (SBS) 2003</i>					

One of the important characteristics of the electricity sector is a very high presence of regulation not common in most other service sectors. The sector has been widely liberalised during the last decade. However, many areas within both production, distribution and retail sales of electricity (as well as steam and gas) remains heavily regulated.

The Nordic energy sector is also characterised by a high degree of integration and cooperation between the Nordic countries. The close cooperation is illustrated by the existence of two important organisations; NordReg and Nordenergi. NordReg is a cooperative organisation for Nordic regulatory authorities in the energy field. The purpose of the organisation is to promote the legal and institutional framework and conditions necessary for developing the Nordic and European electricity markets.

Nordenergi is a cooperation uniting the trade organisations for producers, suppliers and distributors of electricity within the Nordic countries. Furthermore, it is worth mentioning Nordel, which is the collaboration of the Transmission System Operators (TSOs) of Denmark, Finland, Iceland, Norway and Sweden. Nordel is about to be replaced by a European organisation called ENTSO-E.

³⁷ 2002

³⁸ 2000

Nordenergi

Nordenergi was founded in the summer 2003. The purpose of Nordenergi is to enhance the developing of the Nordic electricity market and affect politicians and distributors within energy.

Nordenergi has regular meetings where they define certain areas to work with, and form working groups according to these areas.

All the Nordic countries are equally involved in the work, except from Iceland. However, Iceland do always attend the meetings and have shown increasing interest in Nordic collaboration.

Source: interview with Nordenergi 2008

Another important institution is Nord Pool, which is a trading exchange and clearing house for physical and financial electricity contracts in the Nordic countries. Its physical market accounts for over 60% of the total value of the Nordic region's power consumption. Price formation in the physical market provides players in the financial market with a credible and secure reference price for financially settled contracts. Nord Pool ASA has 415 members. The membership includes energy producers, energy-intensive industries, large consumers, distributors, funds, investment companies, banks, brokers, utility companies and financial institutions.

It is important to notice that Iceland is omitted from the Nordic energy market. Iceland is not physically connected to the other Nordic countries, and the huge overseas distances to its Nordic neighbours makes it difficult for Iceland to become connected to the Nordic energy net. This means that the country has chosen not to be a part of Nord Pool and that they do not apply Nordic energy related standards.

Although Iceland is not a part of the Nordic energy market, they are favourably disposed to the idea of becoming it in the future. At the moment, they are in negotiations with Nord Pool, which can be seen as the first step towards their integration in the Nordic energy market.

In a long-term perspective, it is furthermore a possibility that Iceland can be physically connected to the Nordic energy net. To be prepared, Iceland makes sure that they are kept up to date with the developments of the Nordic energy market.

Internationalisation potentials of the Nordic energy sectors

Traditionally, electricity production and distribution has been a highly national matter, but during the mid 1990s EU began the process of creating a liberalised energy market for gas and electricity in order to secure low prices and supply security. This has led to increased internationalisation of the sector also in the Nordic countries.

Still, none of the Nordic countries are large net-exporters of electricity to the continental European market today. However, developments in renewable energy generation and a better European infrastructure could contain some export possibilities. Furthermore, the development of an efficient and internationally integrated energy sector is the necessary basis for a competitive Nordic economy. A secure and reasonably priced energy supply is necessary for both industry and the society as such.

The Nordic countries' national energy policies as well as the European policy obligate the countries to produce even more renewable energy in the future³⁹. With an increase in renewable production, including hydropower and wind the Nordic countries' generation of

³⁹ European Business: Facts and figures, Eurostat Statistical books European Commission, 2007 edition.

electricity becomes incredibly dependent on weather conditions and climate changes. For example, Denmark has a high production of wind power, whereas Sweden primarily produces hydropower. This creates a strong motivation for using each other as trade partners. This, among others, has also led to the Nordic Grid Master Plan, which was released in March 2008. In the coming years, grid investments will increase to more than 600 million Euros in order to strengthen the integrated Nordic energy market and secure supply.

Especially Iceland considers the integration in the Nordic energy market as a great opportunity to export the country's large production of sustainable energy. Iceland's entire energy production stems from sustainable energy sources. With the increasing awareness of climate changes and the importance of renewable energy sources all over the world, the Icelandic energy industry predicts a great export potential of sustainable produced energy to the other Nordic countries.

Level of standardisation

The energy sector in the Nordic countries is characterised by a high level of standardisation, but mostly on the production side dealing with technicalities. At the moment, much of the ongoing standardisation work concerns the development of a more efficient energy market. Most of the standards that are used are CEN standards, which are especially common on the technical side, but some technical ISO standards are also applied.

Existing standards also concern the wholesale electricity market. It is especially the cooperation through Nord Pool, which has contributed to the standardisation of the Nordic energy market.

The exchange of energy between the Nordic countries is expected to increase continuously within the next years. Thus, within energy the Nordic countries are getting more integrated and dependent of each others different resources. This also means that it becomes important to establish Nordic solutions instead of national ones. A matter which is already being discussed at a Nordic level.

In fact, Nordel, Nordenergi and the national industry associations in Sweden and Denmark (Svensk Energi og Dansk Energi) have focused on standardisations during the last 6-7 years. Nordel, for example, has agreed on harmonised principles for balance management. The principles will be implemented nationally by the beginning of 2009.

Recently, standardisation processes have also been focusing on services within the energy sector. For example, there exists a CEN standard for the energy cable area. The standard was developed and implemented as a consequence of the EU directive 2006/32/EC on energy end-use efficiency and energy services⁴⁰. The standard describes how to make calculations of energy measures and how different energy services should be defined.

Internationalisation and standardisation at the EU level

European energy related standards are mostly within power grids. A problem with standardisation of the energy sector in Europe is that the climate differs in the different EU countries. For example, the need for heating in houses is completely different in the Nordic countries compared to southern Europe where they are more in need of cooling.

⁴⁰ Source: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:114:0064:0085:DA:PDF> (Directive 2006/32/EF)

A different problem is that there are diverted interests from countries to develop different standards. This is because many countries have different production modes. Therefore, the attached services are also differently formulated. In spite of the EU led liberalisation process of the sector, many different national regulations still exist, making up another important barrier to international standardisation initiatives.

Production, transmission, and distribution of electricity are not included in the Services Directive but the sector is covered by several other EU directives. In September 2007 The EU Commission published a proposal for the 3rd package of European energy legislation, which is planned to be implemented at the beginning of 2009⁴¹. The Commission proposed to strengthen cooperation between TSOs (Transmission System Organisations) by establishing a European Network of Transmission System Operators for Electricity (ENT-SOE). Also, market coupling of the Nordic market with Central West Europe (Belgium, France, Germany, Luxembourg and the Netherlands) is one of the next big steps to integrate the European market. The integrated market will cover almost half of the European Electricity demand. An efficient integration of the electricity market naturally requires common market structures and harmonisation of the trading rules.

Potentials for further Nordic service standardisation initiatives

The Nordic electricity market is already one of the most integrated and harmonised in the world and there is a strong political wish to continue the harmonisation initiatives. The Nordic Council of Ministers has several times underlined the importance of a borderless Nordic electricity market. The latest step taken by the council, in September 2008, is to divide the Nordic electricity market into more price-areas than is the case today. With this initiative also follows further market harmonisations⁴².

In spite of the many standards and harmonisations that have already been implemented, improvements for customers and society can still be made through further standardisations and harmonisations of the Nordic framework conditions.

There is a great interest for standards from the consulted Nordic stakeholders including both industry organisations, companies, and authorities. The process of standardisation can be slow, they state, but it is often very instructive to participate in cross border projects and within different energy fields.

Most of the interviewed stakeholders point towards the need for further Nordic standardisation initiatives. The only exception is the Finnish association for the energy industry. The consulted general manager thinks that the national and international standards which are used within the sector today are sufficient. Most of the tangible suggestions for potential areas for standardisation come from the Danish industry association, Dansk Energi.

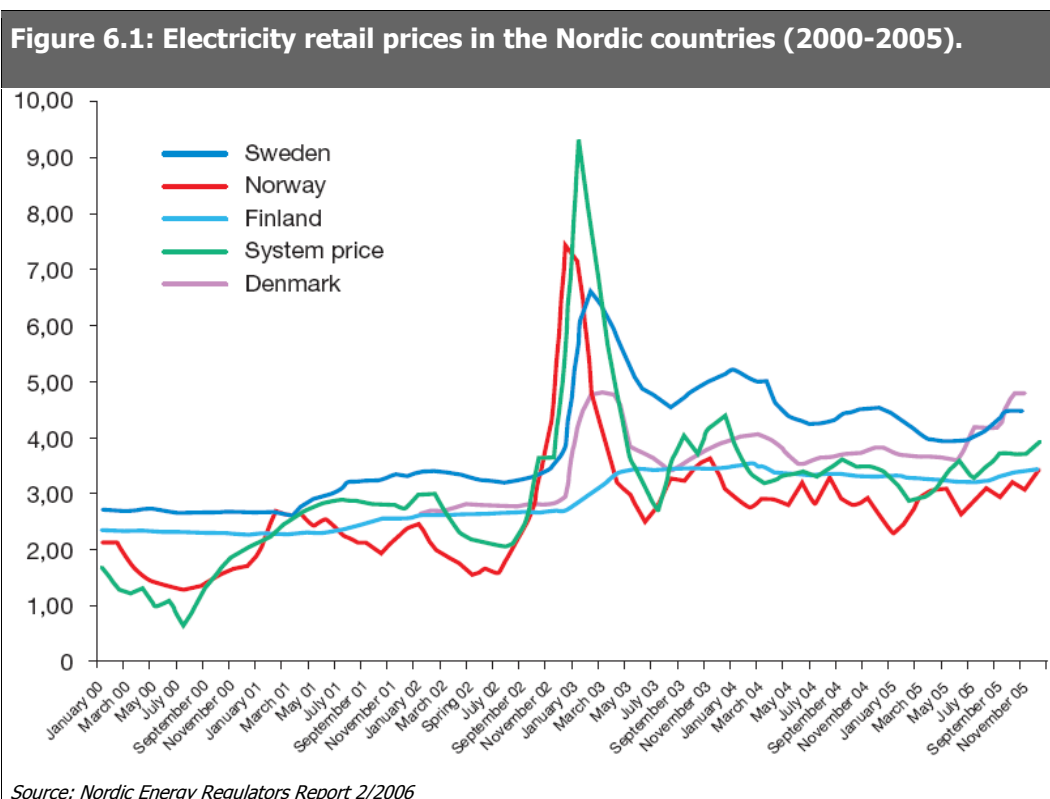
Standardisations at the wholesale level paved the way for the development of a Nordic retail market. According to Lars Aagaard, Vice Director at Dansk Energi, the potentials for further standardisations and harmonisations can especially be found within the retail market. Standardisations could potentially relate to common rules for the retail sale of electricity, for instance labelling, pricing, notice giving of price changes, information about the services included in the retail price, and possibilities and procedures in connection with change of supplier.

⁴¹ Source: www.euractive.com/en/energy,

⁴² Source: www.norden.org/energi

Labelling is especially important in relation to renewable energy sources. The new EU agreement on energy and climate change states that 20 percent of the total energy consumption in 2020 has to come from renewable sources⁴³. Dansk Energi suggests that the renewable energy is labelled with certifications of origin, which should be possible to trade in the market. In this way renewable energy production will be placed in locations and countries where it is most cost effective. Hereby countries that do not have the possibility to produce sufficiently cost effective renewable energy will still be able to contribute to the goal of EU by buying the certificates.

In figure 6.1, the graph shows electricity prices for the most common retail household contract in Finland, Norway, Sweden, and Denmark. It is evident that retail prices vary a lot between the Nordic countries. Finnish prices are very stable, whereas Norwegian prices mostly follow the Nord Pool system price. For several years, Swedish consumers have paid and are still paying a higher price than their Norwegian and Finnish neighbours.



Standardisations in the retail market could have several benefits. It could, for example, make it easier for national retailers to sell their products and services outside their current markets. More players in the electricity retail markets would clearly increase competition and probably equal some of the high regional price differences in the Nordic market⁴⁴, among others by increasing the freedom of choice regarding both the variety of suppliers and services. Standardisation in the retail market could also lead to improved

⁴³ The 12th of December 2008, The European Parliament agreed on the Commission's climate and energy package. Fully in line with the Commission's proposals in January 2008, agreement has been reached on legally binding targets, by 2020, to cut greenhouse gas emissions by 20%, to establish a 20% share for renewable energy, and to improve energy efficiency by 20% (source: <http://europa.eu/rapid/searchAction.do>)

⁴⁴ Source: Study on cost-benefit analysis of Nordic retail market integration, Nordel 2008.

transparency for customers in relation to prices and possible services included in the retail price.

It will also be useful to have common Nordic standards for the many new services relating to the new intelligent electricity-meters, which are being developed. These services could for example involve counselling about energy saving solutions for the consumer. However, the actual application of intelligent electricity meters still seems to lie some years out in the future.

In addition, Lars Aagaard from Dansk Energi suggests that common Nordic goals for energy savings and production of renewable energy are developed. With an increasingly integrated Nordic energy market, it gives little sense to have nationally contained goals. This however, is more about agreements and treaties at the political level, than actual standardisation.

Another proposal is mutual recognition of the authorisations of electricians and electro-engineers. The proposal comes from Norsk Elektroteknisk Komité (NEK), which has the responsibility for standardisations within the electro-technical area in Norway. The General Manager, Tore Trondvold, thinks it would increase the mobility of workers between the Nordic countries and make it easier to import labour from the neighbouring countries. He furthermore suggests standardising the control and the inspection of electrical installations.

Possibilities to influence EU standardisation processes

At the moment there seems to be a shift from national and Nordic standards to European standards with the aim of creating a more harmonised European energy market.

Nordic standards are often used as a step towards European standards. Today, the cooperation between the Nordic countries often functions as a test-lab, where European standards are developed. For some stakeholders, Nordic standards are therefore seen as extra work. On the other hand, the implementation of Nordic standards has facilitated the integration of the European energy market.

Many of the interviewed stakeholders think that the Nordic countries have quite good opportunities to contribute to and influence harmonisation and standardisation initiatives at the EU level. The experiences and expertise obtained through the intensive Nordic cooperation in the integrated Nordic electricity market are very useful.

Barriers for standardisation

Though the Nordic energy market is one of the most integrated in the world, there are still a number of barriers for further standardisations especially on the retail market. One of the most important barriers in terms of creating a common Nordic retail market seems to be a lack of interest from the energy distribution companies. This is linked to the high costs to establish branches in a new market, combined with very small profit margins in retail sale of electricity. Another barrier is that the electricity consumers are not used to actively choosing their electricity supplier. This makes it even more difficult for new companies to enter the retail market.

Summary and recommendations

The energy sector is of absolute fundamental importance for the Nordic countries. The security and efficiency of the energy supply has a great impact on the Nordic economies. To secure the future energy supply, a highly effective and integrated Nordic energy mar-

ket is needed. The high fraction of renewable sources in Nordic electricity production makes trade between the countries even more necessary.

The Nordic energy market is today already one of the most integrated and harmonised power markets in the world. Most of the consulted Nordic stakeholders, including both industry organisations and companies, see an advantage in the further development of the Nordic energy market and do mention Nordic standardisation initiatives as possible tools. One of the clear advantages concerning Nordic standardisation initiatives within the electricity sector is the already existing tradition of cooperation, and the many established forums and platforms, e.g. NordReg, Nordenergi, Nordpool, where Nordic energy matters are treated.

At the political level there is also a strong wish to continue the harmonisation. The Nordic Council of Ministers has several times underlined the importance of a borderless Nordic electricity market and is continuously launching harmonisation initiatives.

Potentials for further Nordic standardisation initiatives are related to the retail market. Further standardisations in the retail market will make it easier for retailers to settle outside their national markets. This could lead to increased competition and equalling of the significant present price differences within the Nordic retail market. The interviewed stakeholders suggested looking further into the standardisation potential of:

- *Information and technicalities in relation to price setting:* standardisations could potentially relate to common rules for the retail sale of electricity, for instance pricing, notice giving of price changes, information about the services included in the retail price, and possibilities and procedures in connection with change of supplier.
- *Labelling:* labelling of renewable energy and trade with certificates create a flexible Nordic energy market. It gives the countries an opportunity to buy green energy from each other, which makes them less dependent on the varying weather conditions. In this way, the countries are still able to keep their European obligations to increase the production of renewable energy, even in times, where the national conditions make it impossible. Labelling of renewable energy could be applied both in the retail and the whole sale market.

Nordic standards within the retail market can later on be used as a tool to contribute to and influence EU standardisation processes. Some of the interviewed stakeholders suggested this approach.

Standardisation of services relating to the installation of new intelligent electricity meters is another potential area for Nordic initiatives. The relevance of this, however, still seems to lie some years out in the future, since the use of intelligent electricity meters are still at the development stage.

In addition, it has been suggested enhance mutual recognition of the authorisations of electricians and electro-engineers. It would improve the mobility of the workforce within the electricity sector, which increasingly is experiencing problems in getting skilled labour.

Some of the potentials, possible beneficiaries and barriers related to Nordic standardisation initiatives within these areas have been investigated in this case study. The energy sector is however a highly complex sector regarding both regulations and technology. Further in depth studies of potentials and consequences of possible Nordic standardisation initiatives should therefore be carried out.

Possible standardisation initiatives to be considered

In general, the standardisation potential seems greatest within the retail market. Within this area, it is recommended to look further in to the possibilities of standardisation of:

- **Information and technicalities in relation to price setting**, price changes, services included in the price and the opportunities for change of supplier, and
- **labelling of sustainable energy** (both in the retail and the whole sale market)

Further studies should look deeper into the potential of 'exporting' actual Nordic standards within the electricity retail market to the European level.

Chapter 7. Engineering consultancy

Introduction

The engineering consultancy sector is far from one of the largest sectors in the service economy. However, the sector is characterised by strong Nordic integration and several companies are established in more than one of the Nordic countries. The three largest Nordic companies operate in all of the Nordic countries except Iceland. Furthermore, some of the Nordic engineering consultancy companies are among the biggest in Europe and the Nordic countries possess some clear strongholds within, for example, environment and energy.

The sector itself is also generally positive towards standards. But so far most standards within the sector are related to products, not services. Several stakeholders state that Nordic standardisation initiatives aimed at influencing the international standardisation processes can be a good idea.

The engineering consultancy sector in the Nordic countries

Market conditions in the engineering consultancy sector depend heavily on the economic developments. The economic situation in the Nordic countries has been relatively healthy in recent years, and the engineering consultancy sector has experienced high growth during 2006 and 2007. The future of the sector will depend of the global economic development. The expectations from the sector are that there will be growth, but not as high as in recent years.

2006 and 2007 have been exceptional good years for the Danish sector. The Danish association of consulting engineers (FRI) states that the growth rate in recent years has been one of the highest in 25 years. During 2007, the turnover increased with 12% to 9,4 billion DKK.⁴⁵ From 2006 to 2008, the number of employees increased with 20% to 10.990 persons.⁴⁶

Since 1994 the turnover in the Swedish engineering consultancy sector has increased steadily. From 2005 to 2006, the turnover increased with 13% to 38.000 million SEK. The result of 2007 is not yet available, but is expected to be as good as for 2006. The number of employees increased from 37.700 persons in 2005, to 41.600 persons in 2006.⁴⁷

The development of the Finnish, Norwegian and Icelandic sectors has been relatively similar to the development in Sweden and Denmark. From 2005 to 2006 the turnover among SKOL (the Finnish association of consulting Firms) members increased with almost 11% to 1.040 million euro. The amount of employees has also increased in recent years in Finland. The total investment in the Norwegian building and construction sector has increased heavily in 2005 and 2006 to a historical high level. The turnover in the Icelandic

⁴⁵ Source: <http://www.frinet.dk/rekordaar>, 2008-09-03

⁴⁶ Foreningen af rådgivende ingeniører FRI, "Statistisk Branchebeskrivelse 2008", 2008

⁴⁷ Svensk Teknik och Design, "Sector review – November 2007 – The consulting Engineering and Architectural Groups. A Swedish and International survey", 2007

engineering consulting sector was 10.724 million ISK in 2006. Since 1999, the turnover has more than doubled.⁴⁸

The engineering consulting sector is a very international industry. Exports represent 20% of the turnover in the parent companies in Denmark, and subsidiary companies abroad contribute with 40% of the total turnover in the Danish sector.⁴⁹

Sweden, Finland, and Denmark have strong positions within the engineering consultancy sector. Some of the Nordic companies are large global actors. Pöyrö Group, Rambøll Group, and Sweco AB are among the twenty largest engineering consultancy firms in Europe.

Nordic strongholds in the engineering consultancy sector

Ramboll group: Ramboll started as the two-man consultancy firm, Rambøll & Hannemann in 1945 in Denmark. The company is today an international corporation with more than 8.000 employees. Ramboll operates mostly in Northern Europe, but also have strong presence in Russia, India, and the Middle East. The company is multidisciplinary and provides services within seven areas: building & design, infrastructure & transport, energy & climate, environment & nature, industry & oil/gas, IT & telecom, and management & society.

Pöyry Group: The Finnish company was founded in 1958. Today Pöyry is one of the largest engineering consultancy firms in the world. The Group employs 7.300 specialists in 45 countries, including Finland, Sweden, Denmark, and Norway. The company offers service in the following areas: energy, infrastructure & environment, and forestry industry.

Sweco: The Sweco group has 5.400 employees. The company has branches in Sweden, Denmark, Norway, Finland, Russia, Estonia, Lithuania, Bulgaria, the Czech Republic, and Slovakia, but has projects in progress in around 80 countries worldwide. Sweco provides services within the following areas: architecture, structural engineering, energy system, geographic IT, industry, infrastructure, building service systems, project management, water, and environment.

Source: www.poyry.com; www.ramboll.com, and www.swecogroup.com

Structure of the engineering consultancy sector

A few companies employ a large part of the employees in the sector in the Nordic countries. On the other hand, there are many small firms with only a few employees. In Denmark, for example, 65% of the employees work within the eight largest companies. The situation is similar in Norway, where the six largest companies employ almost 70% of the workforce in the sector.

At the moment, large restructurings are occurring in the engineering consultancy sector. The trend is that larger companies buy up smaller local firms. In this way the large companies get the possibility to offer multiple services to several local markets.

The consulting engineering sector can be divided into following thematic subsectors:

- Architecture and construction
- Industry and process (e.g. construction and optimization of large industrial facilities)
- Energy (is also cross cutting in relation to constructing and industry)
- Environment

⁴⁸ Svensk Teknik och Design, "Sector review – November 2007 – The consulting Engineering and Architectural Groups. A Swedish and International survey", 2007

⁴⁹ Henrik Garver, Foreningen af rådgivende ingeniører FRI, (2008)

A consulting company can be specialised in one area or provide multidisciplinary services. The Nordic countries have a very good reputation in the world when it comes to the areas environment and energy. In relation to construction, the countries have clear strengths in large infrastructure constructions and energy-efficient construction. Particularly, Swedish and Finnish companies are specialised in the industry and process area. In Iceland, the engineering consulting sector is mainly characterised by being involved in the construction and energy sectors, specialising in geothermal technology.

Internationalisation potentials

The Nordic market is already highly integrated. Many Swedish and Danish companies operate in all Nordic countries and there exist some Swedish-Danish companies, which operate in several of the Nordic countries. There is also a major exchange of engineering consultancy service between Finland and Sweden and the largest companies in Norway have either Swedish or Danish owners. It has been a common strategy for Nordic companies to expand to the other Nordic countries before they advance to the global market. There is one exception; Iceland is exporting engineering consultancy services mainly to the Baltic and the Eastern Europe and not so much to the other Nordic countries.

One advantage of internationalisation of the sector is lower dependency on economic growth in a specific country. Another advantage is the possibility to combine knowledge of local conditions with international resources and expertise. Many of the Nordic companies do already operate in the international market and the Nordic strongholds within, for example, environment and energy will most probably generate increased possibilities in the international market for engineering consultancy services within the coming years.

Level of standardisation

The sector is in general very accustomed to standards. Most standards are related to products, e.g. concerning construction quality regulations and energy consumption and counts both CEN and ISO standards.

Some national agreed documents have been worked out by Swedish engineering consulting companies and building contractors. The most relevant is called ABK 96 (standard terms and conditions for consulting agreements for architectural and engineering service). The Swedish engineering consulting sector has positive experience from these standards. The agreed documents standardise contract design, which decrease costs, increase security, and increase predictability concerning the contents of a specific contract.

One service related standard used by some engineering consulting companies is the international ISO-9001 regarding quality management. The Swedish engineering consulting firm Sweco, for example, uses this standard throughout the assignment process. The company has a positive attitude to standards and do also have standardised work processes, which is cost-effective and makes it easier for consultants to work together in projects regardless of country or business unit.

The International Federation of Consulting Engineers (FIDIC) has also produced a series of standard contracts for the use of their members. Currently, there are no standards specific for the Nordic market.

In the Icelandic sector, consultants are used to standardisation of products, for example design, but so far there has not been much development of service standards. There is only one Icelandic standard concerning services that is specific for the engineering consulting sector. That is the "Conditions of contract of design and consulting services" that

was implemented in 1992. This standard describes how contracts should be developed and have not been revised since 1992. Engineering consultancy companies also use the quality management standard ISO 9001. This is not specific for engineering consultancy, but can be used by all companies dealing with quality management. Many engineering consultancy companies have upgraded their level of quality with this standard. The previous experience of standardisation of products makes the general attitude towards further development of standards positive in the Icelandic engineering consultancy sector.

Internationalisation and standardisation at the EU level

Engineering consultancy is covered by the Services Directive and is also included in the recent finished CEN feasibility study on service standardisation. The aim of the study has been to assess the need for and benefits of standardisation in the engineering consulting sector at the European level. The results of the study were submitted in fall 2008. A short preliminary summary of the study including recommendations has been available for Oxford Research. The main recommendations are to develop standardised glossaries within the construction and industry areas and to develop a standard for *'Identification and definition of new and emerging project management services in the field of engineering consultancy services'*.⁵⁰

Interviewed representatives from both CEN and DG Enterprise are positive about the possibilities for developing European standards within the engineering consultancy sector. They think it is very likely that the sector will succeed in making a European standardisation proposal in the near future.

Potentials for further Nordic service standardisation initiatives

In general, the industry seems to be positive about Nordic standardisation initiatives in order to influence international standardisation work. Some stakeholders, for example the The Danish association of consulting engineers, are even positive towards developing actual Nordic standards if they can be used as a tool to influence the development of international standards.

It should be noted that even though the engineering consultancy industry associations in general are positive towards standardisation, their member companies might be more reluctant. An interviewed representative from Sweco, does for example not see any need for further standardisation.

The interviewed stakeholders have suggested various areas for potential Nordic standardisation initiatives. The suggestions include:

- *Terms of insurance:* One of the most obvious barriers is the difference of the liability and insurance area between countries - also the Nordic countries.
- *Quality:* there already exist standards concerning quality, but these could be extended. It is important both for customers and companies that it is possible to guarantee high quality and transparency in the entire process.
- *Contract design:* standardised contracts would save time, and there would be no doubt what is included in the contract.
- *Environmental aspects:* several of the stakeholders believe that it could be wise to develop further standards in areas where the Nordic countries already have a good reputation, for example, within environmental issues.

⁵⁰ The report will be available on the following webpage:

<http://www.cen.eu/CENORM/sectors/nbo/value/index.asp>

Some stakeholders have also pointed to the need for standardisation of the Nordic education systems. After some exceptional good years in the sector there is a shortage of skilled engineers in the Nordic countries. For example, Norway has had to import labour from the EU area to cover their needs. Even though the members of the Finnish SKOL have employed almost 1000 new engineers during last years, there are also still labour shortages in Finland.⁵¹ The managing director of Icelandic Standards states that the labour shortage increases the need for common standards and certifications concerning educational engineering degrees both at the Nordic and the EU level.

Possibilities to influence EU standardisation processes

The Nordic countries should have very good possibilities to influence European standards, due to the many Nordic strong holds and large companies within the sector.

All stakeholders seem to agree on the importance of international standards. Some think that developing EU standards should always be prioritised. Others believe that in some cases the development of Nordic standards will be the best and most possible way of influencing EU and international standardisation processes. All Nordic engineering consultancy associations are members of the European Federation of Engineering Consultancy Associations (EFCA). EFCA has the possibility to influence standardisation processes in the EU.

Barriers

One important barrier for further standardisation, mentioned by several stakeholders, is the many different laws and regulations that exist in the Nordic countries. Particularly, differences in legislation of the liability and insurance areas were pointed out. Different legislation of how buildings should be constructed is another barrier that was mentioned.

Though the industry associations are relatively positive, there still seems to be some work left convincing more of the their members of the potentials of further standardisation.

Summary and recommendations

The engineering consultancy sector possesses great potential for further growth and internationalisation. Some of the Nordic engineering consultancy companies are already among the biggest in Europe and the Nordic countries have some clear strongholds within, for example, environment and energy. The Nordic market is highly integrated. Many Swedish and Danish companies operate in all Nordic countries and there exist some joint Swedish-Danish companies, which operate in several of the Nordic countries. There is also a major exchange of engineering consultancy services between Finland and Sweden and the largest companies in Norway have either Swedish or Danish owners. It has been a common strategy for Nordic companies to expand to the other Nordic countries before they advance to the global market.

The engineering consultancy sector is accustomed to standards. Most standards are related to products, but there is a rising demand for standards concerning services. The general attitude towards standardisation of services is positive and the clear Nordic mar-

⁵¹ Svensk Teknik och Design, "Sector review – November 2007 – The consulting Engineering and Architectural Groups. A Swedish and International survey", 2007

ket integration, though exempting Iceland, does make a natural base for Nordic standardisation initiatives.

Both CEN and DG Enterprise seem positive about the possibilities for developing European standards within the engineering consultancy sector and state that it seems very likely that the sector will make a European standardisation proposal in the near future. A recent CEN feasibility study on standardisation of services also states the high potentials of service standardisation within the sector, and the study lists specific suggestions for possible standards to be developed.

It is therefore recommended to focus possible Nordic standardisation initiatives at the current work done in CEN and to contribute to the European standardisation process, which most likely will be initiated in the near future. Starting the discussion now, for example through a number of sectoral workshops, of the possibility of a joint Nordic approach in a European standardisation process therefore seems necessary in order not to lose momentum. Workshops could also bring up the discussion about if and how to create a more official forum for the Nordic stakeholders in the engineering consultancy sector.

Possible standardisation areas to be considered

According to stakeholders Nordic standardisation initiatives could be within the following issues:

- **terms of insurance;**
- **contract design;**
- **quality;**
- **environmental aspects, and**
- **educational systems/degrees**

It is recommended to focus possible Nordic standardisation initiatives at the current work done in CEN and to contribute to a European standardisation process if one such will be initiated.

Chapter 8. Healthcare services

Introduction

The high economic and social importance of the Nordic healthcare sector, combined with the potentials related to a higher degree of standardisation within the sector, makes the Nordic healthcare sectors an interesting case that deserves further investigation. Nordic standardisation initiatives could potentially enhance patient mobility, organisational cooperation and exchange of knowledge, and make it easier for private healthcare companies to establish branches in other countries.

In general, the sector seems positive towards standardisation initiatives and many stakeholders do also see potentials in developing Nordic standards within healthcare services. According to both public and private stakeholders, the development of common standards within quality measurement is of absolute crucial importance for an integrated Nordic and European market for healthcare services.

The focus of this study is on the primary healthcare services where both public and private providers exist. That is services that are normally included in and provided by the public healthcare systems, but which private actors are also (increasingly) providing.

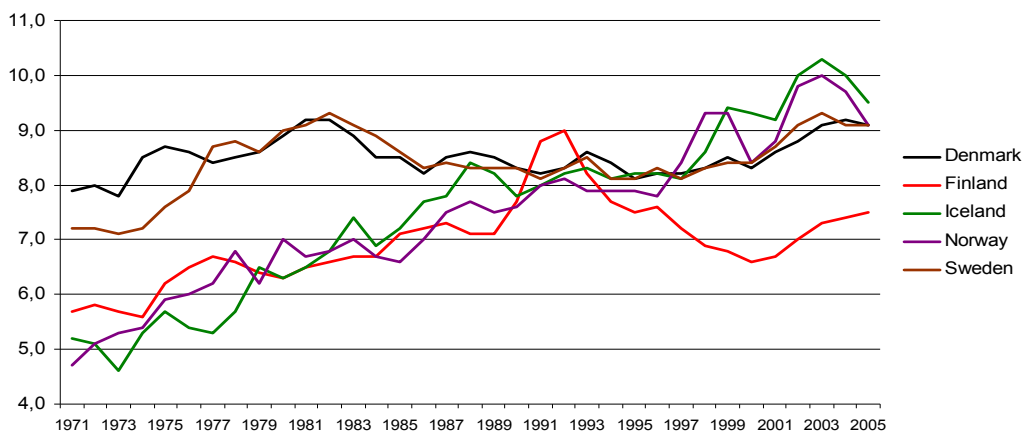
Within the large public healthcare systems there are great possibilities in enhanced Nordic cooperation within a wide range of areas such as E-health, health tourism, centres of excellence, and mobility of healthcare workers⁵². With time, enhanced cooperation and harmonisations within such areas could create possibilities and needs for further standardisation of the healthcare sector. However, cross border cooperation within the healthcare system is a highly sensitive area for most nation states and actual cooperation and harmonisation is only at the embryonic level. In most cases actual standardisation initiatives therefore seems to lie quite some years out in the future. Hence, focus of the study has been on areas where both public stakeholders and private providers of primary healthcare services have expressed a current interest in standardisation initiatives.

Healthcare in the Nordic countries

The economic importance of the healthcare sector in the Nordic countries is substantial. In figure 8.1, data on total expenditure on health as a percentage of GDP in the Nordic countries is presented. Seen over the entire period from 1971 to 2005 the expenditures on health care as a percentage of GDP have risen in all countries. The increase in the share of GDP being spent on healthcare has not been as large for Finland as the rest of the Nordic countries. However, during the last six years from 2000-2005, Finland has experienced a steady increase in the healthcare share of GDP.

⁵² See for example "The Nordic Market for Healthcare Services", Nordic Innovation Centre 2008.

Figure 8.1: Total expenditure on health as a percentage of GDP



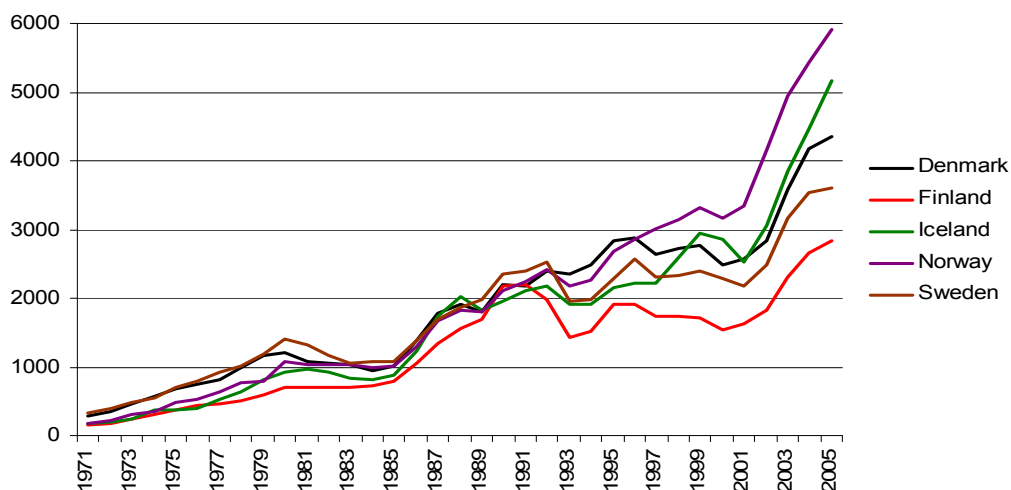
Source: OECD Health Data 2008

In figure 8.2, data is presented on the total expenditure on health per capita for the Nordic countries. In the period from 1971 to 2005, all countries experienced an increase in the amount of money spent on healthcare. The increase in expenditures on health per capita has been especially high during the period from 2000 to 2005.

The high level of expenditures on health per capita can be seen as either a good or a bad sign. If viewed as negatively, critics claim that it is a sign of an unproductive and inefficient system. If viewed positively, it can be seen as an investment in human capital for the future, which will keep the workforce healthy and productive.

Figure 8.2: Total expenditure on health per capita

Measured by the US\$ exchange rate



Source: OECD Health Data 2008

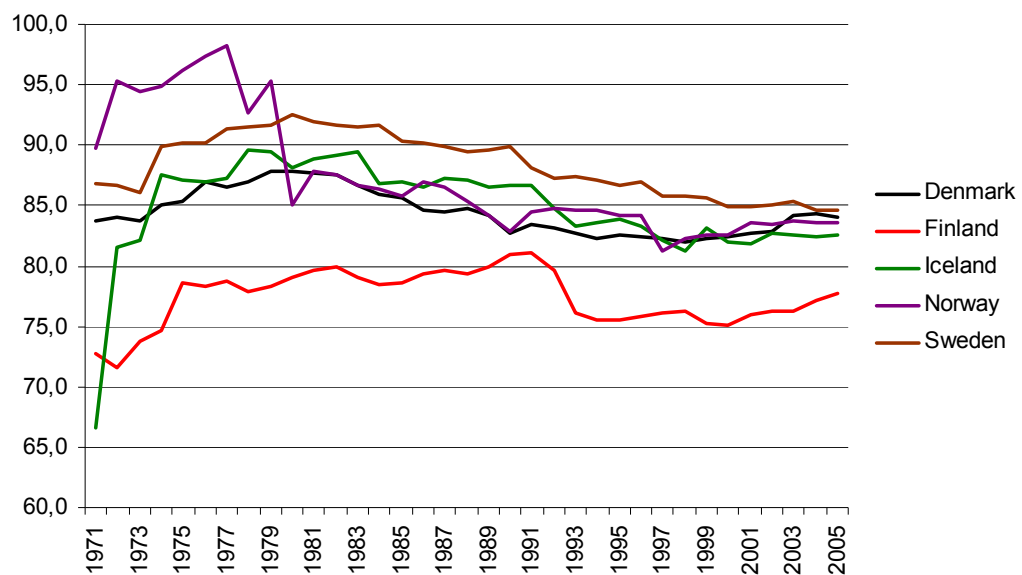
Their massive economic size and the recent developments in expenditures on health per capita underline the large economic importance and potential of the Nordic Healthcare sectors. The expenditure on health per capita is likely to increase further in the future

due to the ageing population and the low fertility rates in the Nordic countries. This implies that the share of senior citizens will rise rapidly in the future, which will strengthen the importance and economic potential of the sector since senior citizens traditionally demand a higher level of care than younger citizens.

Structure of the health care sector

The Nordic healthcare sectors are divided into a public share and a private share. In figure 8.3, the public expenditure on health as a percentage of total expenditure is presented for the Nordic countries. In 1971, the Nordic countries differed a lot in relation to the ratio between public and private expenditure on health. Iceland and Finland were in 1971 by far the countries with the lowest share of public expenditure on health, with 67% and 73% respectively. At the other end of the spectrum we had Norway with 90% of all health expenditures being public. In the period from 1971 to 2005, both Finland and Iceland experienced an increase in the share of public health expenditures. Norway and Sweden experienced a small decrease in the share of public expenditure during that period, while the Danish public expenditure share was more or less steady at around 83-84% in the entire period.

Figure 8.3: Public expenditure on health as a percentage of total expenditure



Source: OECD Health Data 2008

Due to the fact that the relationship between public and private expenditures has been stable during the last ten years, and the fact that the expenditures per capita has risen rapidly during the same period, it can be concluded that expenditures have risen dramatically both in the public and the private sector.

Another factor which has added to the increasing importance of the private health sector is the increasing use of private health insurances. In relation to this, it has also become more widespread that employers offer their employees a private healthcare insurance in as a part of their job package.

Internationalisation potentials of the Nordic healthcare sectors

A well functioning healthcare sector is a fundamental cornerstone in any modern economy. In order to meet the many challenges faced by the Nordic healthcare sectors in the future, it is vital to fully exploit the cooperation potentials that are inherent in the Nordic countries due to the cultural, linguistic and structural similarities. Increased cross country health care cooperation could lead to better utilisation of resources and increased competition in the provision of both public and private health care services.

The Capio Group

Capio is one of the leading healthcare providers in Europe. It provides healthcare and diagnostics services for public and private customers in Sweden, Norway, Denmark, Finland, France, the United Kingdom, Germany, Spain and Portugal.

The Capio Group has an annual turnover of approximately SEK 13 billion. It comprises more than 100 operating units with some 14.500 employees. In August 2007, Capio was merged with the Swiss laboratory firm, Unilabs, to form the largest company in its industry in Europe.

Karin Möller, vice manager of capio's primary health care states that the trend within healthcare goes toward freer markets and more international cooperation. She is positive towards these trends but point to the need of common measurement methods: "*Freer markets will result in better cooperation. However, that requires better tools across nations to enable comparisons*".

An increased use of standards is one of the ways to achieve a common playing field for the Nordic countries when trying to create a more integrated and competitive healthcare sector. A higher level of standardisation within the sector could create a more transparent market, which will be better suited for cross-country cooperation.

The advantage for the Nordic countries is that we share many structural similarities, which make the Nordic region suited for an integrated market for healthcare services. However, the amount of Nordic cross border patient mobility is at the moment very low. By increasing the degree of standardisation within the sector it will be possible to create a framework for increased cross border patient mobility.

A higher degree of standardisation could also make it easier for private healthcare providers to establish hospitals and clinics in the other Nordic countries. Today only a couple of Swedish healthcare companies, e.g.

Aleris and Capio (see text box), can be characterised as large players in the Nordic markets.

As stated in the text box, the trend within healthcare does seem to go towards freer markets and internationalisation resulting in an increased market potential for private healthcare providers. This also increases the need for international standards of, for example, measurement methods. Though few Nordic private healthcare companies today have international branches, the Nordic market indeed make out the natural base for growth for the Nordic healthcare companies that consider internationalisation⁵³.

Level of standardisation

The sector is widely used to standards. Most standards prevalent in the sector are however connected to products, devices, technicalities, and procedures (e.g. sterilisation,

⁵³ Source: Interview with Capio Group and Sammenslutningen af Privathospitaler & Privatklinikker i Danmark

tests, hygiene, etc.) and very few standards relate to services. Existing healthcare related standards are European (CEN) or international (ISO).

The NordDRG system, which can be used to compare costs and prices across the Nordic countries, is the system that comes closest to a "service standard" within the healthcare sectors of the Nordic countries.

The Nordic standard on industrial cleaning, INSTA 800, is also of importance within healthcare, e.g. in hospitals and other large healthcare facilities relying on outsourced cleaning services. In Norway some public institutions, among others hospitals, have already implemented the Nordic cleaning standard when contracting suppliers.

NordDRG

NordDRG (Nordic Diagnosis Related Groups) was created in 1996 in order to develop a common Nordic DRG classification. The harmonised classification system can be used to compare outputs and costs of different health care treatments between different hospitals and Nordic countries. At present the system is used in about two thirds of the Finish, Norwegian and Swedish hospitals. In Iceland the system is currently under examination and Denmark has created its own DRG system (DkDRG) that is based on the Nordic DRG system

Source: www.nordclass.uu.se

Furthermore, the Nordic countries cooperate via the Nordic Council of Ministers within several areas related to healthcare. Examples of such cooperation are a common certification of dental care materials, a master degree of public health, and patient mobility in the case of rare diseases. During the last eight years, the Nordic countries has also cooperated to develop quality indicators and benchmark methods and discussed the possibilities of implementing them. Nordic service standards have also been discussed in this connection. Both the discussion about standards and the work on developing quality indicators have, however, stranded due to other political priorities⁵⁴.

Healthcare will be one of the main focus areas when Iceland takes over the Presidency of the Nordic Council of Ministers for 2009⁵⁵. According to the Presidency Programme, a collective approach to analysing the challenges in the health and welfare sectors faced by the Nordic welfare states and to learn from each other's experience should be adopted. Iceland attaches importance to opening up the market for healthcare services and to identifying and removing possible obstacles. Standardisation of health services could be one possible action. Efforts will also be made inter alia to liberalise the Nordic market for medicines.

Iceland and Sweden have been most eager to take up the question of a Nordic quality measurement model. In general, Sweden seems the most active of the Nordic countries when it comes to international cooperation and standardisation activities within the healthcare sector.

Internationalisation and standardisation at the EU level

In 2000, the Lisbon process concluded that health contributes to productivity, labour participation and economic growth, and stated that increased actions and investment in the prevention of disease are needed in order to improve both health and the economy. Cross border cooperation is mentioned by the EU as one of the means to ensure improved and more effective healthcare services.

⁵⁴ Source: Interviews – among others with Kristian Birk, Head of department of the Nordic Council of Ministers for Social and Healthcare Policies.

⁵⁵ <http://www.norden.org/pub/sk/showpub.asp?pubnr=2008:746>

Today, EU citizens may seek healthcare in other Member States, in some special cases, with the cost covered by their own healthcare systems. The current scale of cross-border mobility amounts to 1% (€10 billion) of overall EU-27 public health spending. Also, the many European Court of Justice rulings show that most healthcare services are to be considered as an economic activity and that Community law therefore applies to them⁵⁶.

Despite this, healthcare primarily remains the responsibility of the Member States. Healthcare is furthermore excluded from the Services Directive, and it remains a highly sensitive subject for most Member States. Standardisation of healthcare services at the EU level has been limited. To this day, EU standardisation related to healthcare mainly exists within medical devices and procedures (e.g. sterilisation, tests, hygiene, etc.). The only clearly service related standard within healthcare at the EU level seems to be the CEN 15592 standard for quality management in healthcare. Most countries have chosen not to use the standard relying instead on their own quality systems.

To provide clarity and legal certainty, the Commission has decided to establish an EU framework to ensure cross-border access to healthcare services and support for co-operation between national healthcare systems. On the July 2nd 2008, the Commission published its proposal for a 'Directive on the application of patients' rights in cross border healthcare'⁵⁷. The directive will make clear the entitlements of patients to have healthcare in another Member State, including the limits that Member States can place on healthcare abroad. The level of financial coverage that is provided for cross-border healthcare will be based on the principle that patients are entitled to obtain reimbursement up to the amount that would have been the cost if they had been treated at home. The directive also establishes a framework for European cooperation in border regions, recognition of prescriptions, data collection, and quality and safety.

According to the implementation timeframe, the first readings of the proposal in the European Parliament should take place in spring 2009, but readings most probably will have to be started from scratch after the June 2009 Parliament elections. When and if adopted, Member States will have one year to comply with the directive. Consulted Nordic standardisation and healthcare experts doubt however that the directive will be adopted with its existing content. They note the difficulties in free patient mobility between different healthcare systems where costs, capacity and quality in relation to a certain treatment varies significantly. Several of the political groupings in the Parliament such as the Greens, the United Left, and the Nordic Green Left are also clearly opposed to the directive. Though enhanced patient mobility seems to call for more standardisation of healthcare services, it is not mentioned in the proposed directive⁵⁸.

Potentials for further Nordic service standardisation initiatives

In general, the sector seems positive towards standardisation initiatives within healthcare services, especially the private sector, which sees enhanced internationalisation possibilities if common standards are implemented.

Several stakeholders from the private healthcare sector as well as standardisation organisations have underlined that achieving common EU standards and influence these would be preferable. However, they are not optimistic that this will actual happen, and further fear that if developed and implemented, EU standards within healthcare services will not be demanding enough for the advanced Nordic healthcare markets. Furthermore, even if

⁵⁶ Source: <http://www.euractiv.com/en/health> 18-08-2008

⁵⁷ Source: <http://www.euractiv.com/en/health> 28-10-2008

⁵⁸ Source: <http://www.euractiv.com/en/health> 18-08-2008

the directive on patients cross border mobility will be approved, it is still very doubtful if any standardisation initiatives will be taken at the European level. One has to remember that healthcare services remain excluded from the services directive. Thus, in practice many of the consulted stakeholders are positive towards investigating the possibilities for developing Nordic standards.

Though standardisation initiatives within public healthcare service has not been high on the political agenda, the ongoing cooperation in the Nordic Council of Ministers on common quality indicators indicates that the national healthcare authorities are interested in developing the cooperation further.

Relevant standardisation areas mentioned by stakeholders include the following:

- *Quality measurement and benchmarking*: what is good quality and how should it be measured?
- *Administration*: what characterises good administration procedures?
- *Patient flows*: what characterises a good patient flow, and how is the patient treated before, during and after inscription?
- *Access to information*: what information should be given to patients and how should it be given. Also, how accessible should the healthcare facility be in terms of communication and information e.g. phone hours, web page, etc.
- *Complaints handling*: how should complaints be handled, for example regarding timeframe?

Both public and private stakeholders have expressed special interest in looking further into the possibilities of Nordic standards within quality measurement and benchmarking. Stakeholders underline that a common way of defining and measuring quality is the cornerstone in extended patient mobility as well as in creating transparent framework conditions for the healthcare companies that considers establishing branches in other Nordic countries. Exchange and sharing of important knowledge and experiences across the region would also be much easier with a common 'language of quality'.

Possibilities to influence EU standardisation processes

The many differences between the Nordic healthcare model and the majority of the other EU countries, together with the general difficulties in EU cooperation on healthcare services, makes it difficult to come to any definite conclusion about the possibilities for the Nordic countries to influence EU standardisation processes.

However, the quality measurement indicators developed by the Nordic countries have been widely used by the OECD in the organisations' own development of an international quality measurement method⁵⁹. This indicates that it is possible for the Nordic countries to contribute to and influence international processes within healthcare services.

Barriers

Though the region's healthcare sectors share several similarities, there do exist several important differences in the huge and complex healthcare sectors. Also, standardisation processes should necessarily include both relevant public authorities and institutions, still largely dominating the Nordic healthcare sectors, as well as private market stakeholders. This will potentially make standardisation processes complex and wide-ranging.

⁵⁹ Interview with Marianne Christensen, consultant in Nordic and international cooperation in the Danish National Board of Health

Another barrier could be the sometimes very different standardisation procedures. In Denmark, for example, standards are normally developed by the scientific associations (lægevidenskabelige selskaber) whereas in Sweden, it is the National Board of Health and Welfare (i.e. the State) that is responsible for standardisation within the health care sector.

Summary and recommendations

The high economic and social importance of the Nordic healthcare sector, combined with the potentials related to a higher degree of standardisation within the sector, makes the Nordic healthcare sectors an interesting case which deserves further investigation.

Healthcare services are not included in the services directive. However, a newly proposed EU directive on patient's mobility will most probably have great effects on European and Nordic cooperation within health care. It is recommendable to follow the legislative and political processes closely.

Standardisation of healthcare services could enhance patient mobility, organisational cooperation, and exchange of knowledge, and make it easier for private healthcare companies to establish branches in other countries. Together, this might contribute in strengthening the Nordic healthcare sectors, heighten quality and make the sectors more efficient and competitive. Both public and private stakeholders seem positive about standardisation initiatives within healthcare services.

Standardisation of quality measurement methods seems to be of special interest to most stakeholders. During the last eight years, the Nordic countries have cooperated via the Nordic Council of Ministers to develop common quality indicators and benchmark methods. Service standards have been discussed in this connection. Both the discussion about standards and the work on developing quality indicators have, however, stranded due to other political priorities. Thus, there is a need to bring standardisation and the question of common quality indicators on the political agenda again. With the coming Icelandic presidency's focus on healthcare there seems to be good opportunities for doing this now.

Standardisation initiatives within the healthcare sector should naturally include a wide range of both public authorities and private stakeholders. Creating a platform or a forum, where the many and very diverse stakeholders from all of the Nordic countries can meet and try to find a common foothold seems to be one of the first steps needed. The establishment of such forum should be coordinated with the work done in the Nordic Council of Ministers. There is also no doubt that further in depth studies must be carried out to concretise the suggested areas for standardisation further and to assess the political and legal aspects of the specific possible standards. Healthcare services are heavily regulated and highly political matters. Actual standards therefore have to be in line with both national and EU policy and legislation.

Possible standardisation initiatives to be considered

It is especially recommended looking further into the possibilities of Nordic standardisation initiatives within:

- **quality measurement**

Other areas to consider could be Nordic standardisation initiatives within:

- good administration;
- patient flows;
- patients access to information, and
- Complaints handling

Creating a platform or a forum, where the many and very diverse stakeholders from all of the Nordic countries can meet and try to find a common foothold seems to be one of the first steps needed

Chapter 9. Retail trade

Introduction

The retail sector is foremost a very important job creator in the Nordic countries, and of course of crucial importance in supplying citizens with important goods. Several Nordic based retail concepts have also achieved great international success, which points to the economic and international potential of the sector.

Some parts of the retail sector are clearly characterised by Nordic rather than international integration and together with the fact that the sector, through for example environmental labels and bar codes, is familiar with international standards, one could immediately conclude that further Nordic standardisation within retail trade seems reasonable and rather straightforward. However, when further investigated, the sector as well as the question of standardisation, appears much more complex.

Though the consulted retail industry associations as well as external retail trade experts in general are positive towards standardisation, many barriers remain. This is especially true within the important Nordic grocery sector, which today is dominated by only a few players. The industry mostly seems positive towards common Nordic labelling of products. When it comes to service standardisation and to suggesting specific areas for standardisations, the industry's stakeholders are much more reluctant.

The retail sector in the Nordic countries

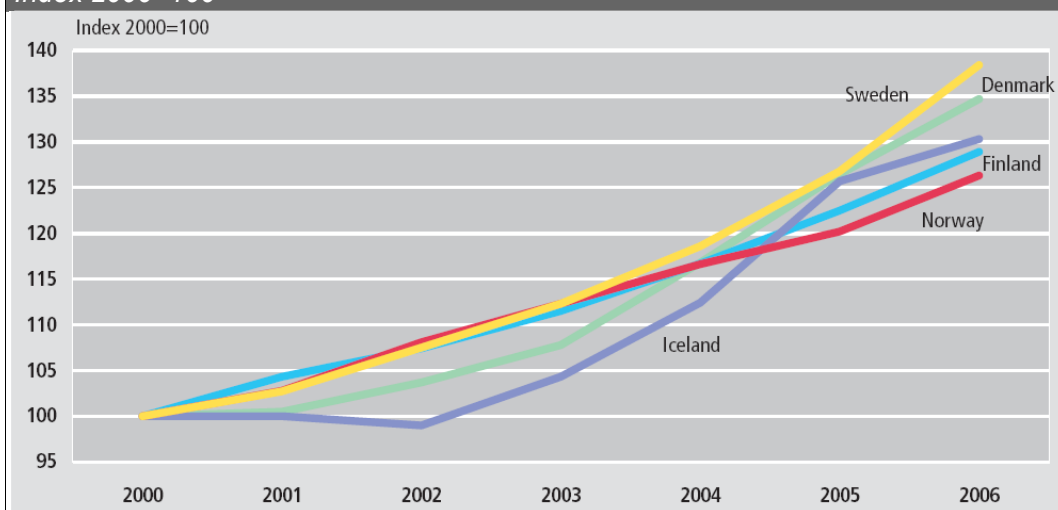
Retail trade has increased noticeably in recent years and is in general of great economic importance in all of the Nordic countries, especially regarding employment since it is a labour intensive sector. In 2004, the retail sector employed more than 600.000 persons only in Sweden, Denmark and Finland⁶⁰.

As illustrated in figure 9.1, next page, retail sale increased between 25 and 40% from 2000 to 2006. Sweden and Denmark experienced the largest growth. In Iceland, retail sale was almost unchanged from 2000 to 2002, but in the four recent years, the sale has grown extraordinarily here. Even in Finland and Norway, the countries that experienced the smallest growth rates, retail trade has increased with at least 25%.

⁶⁰ Source: EMCC 2008: <http://www.eurofound.europa.eu/pubdocs/2007/32/en/1/ef0732en.pdf>

Figure 9.1: Volume of sales index for retail trade, constant prices.

Index 2000=100



Source: Nordic Statistical Yearbook 2007

Traditionally, the Retail trade sector is divided in to two main sub sectors; one being retail trade of groceries, mostly food, beverages and tobacco, and the other being retail of other shopping goods such as clothes, furniture, books, and electronics.

When examining the growth rates of the different branches of the retail sector it is clear that the biggest growth has been taking place within shopping goods (i.e. non-grocery goods). The next table shows recent years' growth within different branches. Consulted stakeholders also believe that the biggest future economic potential lies within this sector. Growing wealth, at least in the Nordic countries, will more often result in increased demand of goods such as furniture, clothes, and electronics than in increased demand of groceries.

Table 9.1: Volume of sales index for retail trade, constant prices, 2006

Index 2000=100

	Denmark	Finland	Iceland	Norway	Sweden
Total retail trade	134.7	128.9	130.3	126.3	138.3
Food, beverages and tobacco	115.3	120.3	111.4	123.7	118.1
Non food products	148.4	134.3	144.2	128.6	156.6
Textile, clothing and leather goods	145.1	130.2	166.4	125.0	133.5
House equipment	149.1	137.4	170.3	133.8	169.5
Books, newspapers and others	222.9	140.1	112.9	116.0	126.6
Retail sale via mail order houses	121.5	120.4	97.0	99.9	183.6

Source: Nordic Statistical Yearbook 2007

The Nordic retail markets are characterised by a very high degree of company concentration compared to other European countries, especially within retail trade of groceries. Today, the Nordic markets for groceries are dominated by 4-6 large corporations e.g. ICA, COOP, Reitangruppen and Dansk Supermarked.

Some politicians as well as consumer protection organisations are concerned about the fact that groceries on average are much more expensive in the Nordic countries and selection is sparser than in the rest of Europe. They argue that the high company concentration can be one of the reasons for this, and that entrance possibilities for new and/or foreign retail traders should be improved⁶¹.

Internationalisation potentials of the Nordic retail sectors

Retail trade has in recent decades seen a strong trend of internationalisation and globalisation, where large chains, most of them American, Japanese or British, operate in more and more countries. However, on an international level the Nordic markets are very small and do not seem to have been attractive for the large international retail chains. Hence, today the Nordic retail markets are still widely of national character and, though to a lesser content, Nordic.

Most Nordic retail markets for groceries are saturated meaning that even small complications and extra costs in connection with establishment of a retail chain can keep retail chains from going into the other Nordic markets. To this is added the highly national character of customers' demands and expectations to groceries, making it hard to market groceries in the same way across the Nordic borders. However, some of the large Nordic grocery chains such as ICA, Dansk Supermarked, Reitangruppen and Coop Norden do have activities in several of the Nordic markets.

COOP Norden - The difficulties of cross border marketing of groceries

In 2001 the Swedish, Norwegian and Danish retail cooperatives KL, NKL and FDB decided to merge into Coop Norden. The reason behind the joint venture was a belief that the three Nordic retailers together would be more competitive in the increasingly internationalised retail market. In practice joint Nordic marketing of groceries was very difficult, and only few products could be marketed the same way in the different countries. In 2008, most activities were again moved to the national coops. Today Coop Norden is limited to a joint Nordic purchasing company.

Source: www.ccop.dk and interviews

Within shopping goods, the market seems more internationally as well as Nordic integrated. According to stakeholders and retail experts differences in national cultures are of less importance regarding customers preferences in this market. An example of both Nordic and international integration is the electronic equipment retail chain 'Expert'. The chain has branches in 22 countries world wide and is one of world's largest retail traders of electronic equipment. In Scandinavia, the different national sub chains cooperate closely when purchasing. This has made Expert the biggest purchaser of electronics in Northern Europe. Furthermore, in Denmark the Expert chain is owned by the Norwegian company A Wilhelmsen. Some originally Nordic retail concepts have also achieved great success outside the Nordic countries e.g. IKEA, H&M and Jysk.

⁶¹ See for example: Nordic Food Markets, Konkurrencestyrelsen 2008

Level of standardisation

The retail sector is fairly used to handling standards, but mainly related to products. Many products have CE labelling and/or national labels and certifications regarding for example nutrition, fair trade, and environmental impact. At the Nordic level, the Swan Label has been quite successful. The Swan Label, whose goal is to provide consumers with more sustainable goods, is a voluntary license system where applicants follow certain criteria defined by Nordic Ecolabelling. The criteria promote products and services belonging to the most environmentally sound and take into account factors such as free trade and proportionality. The system works in all of the Nordic countries and now covers around 66 product groups.

Also, the extensive use of the Euro Pallet, a standardised pallet used all over Europe, has influenced the logistics of retail traders significantly. The foremost example of standardisation within retail trade though, must be EAN and UPC bar codes, which today is used by most retail traders all over the world. However, as described most standards within retail trade are not directly linked to the retail sector itself, but are standards used by the manufacturing industry, transport sector, and other sub suppliers in the retail trade supply chain.

Bar Codes

A bar code is the small image of lines and spaces that is affixed to retail store items, identification cards, and postal mail to identify a particular product number, person, or location. There is no single standard bar code; instead different bar code standards called symbologies serve different uses, industries, or geographic needs. Since 1973, the Uniform Product Code (UPC) has been the standard bar code used by most retail stores. Another increasingly used bar code system is The European Article Numbering system (EAN); this allows for an extra pair of digits for country identification and is becoming widely used.

A UPC or an EAN bar code number can be obtained through the global not for profit organisation GS1. The organisation is specialised in the design and implementation of global supply chain standards

Source: <http://searchcio.techtarget.com> and www.GS1.org

Internationalisation and standardisation at the EU level

Retail trade is included in the services directive, but so far very few initiatives concerning standardisation of services in the sector have been launched. Retail trade is however indirectly on the political agenda, since consumer rights are of rising concern for the EU Commission. Today, there exists EU legislation on consumers' claiming rights, but the Nordic countries in general have a higher degree of consumer protection than given in the EU legislation. CEN has an extensive work programme for consumer goods, but no standardisation initiatives are planned within the service parts related to retail trade.

Payment services with international credit cards in retail shops have also to a wide degree been standardised in most of Europe. However, this is due to requirements from the operators of the dominating credit card systems, and is mostly not actual standards e.g. ISO and CEN standards.

Potentials for further Nordic service standardisation initiatives

In principle, the sector is positive about standardisation, but it is not really on the agendas of the retail industry associations, and the industry has few ideas for specific areas, where standardisation is needed or could be useful.

The Swedish industry organisation, Svensk Handel, is positive towards the development of Nordic standards, underlining however that a Nordic standard only should be the stepping stone towards international standardisation.

The biggest potential for standardisation seems to be within the shopping goods sector, i.e. non-grocery goods, where cross border marketing is easier than in the grocery sector. The fact that the Nordic grocery markets are dominated by few but large retailers makes standardisation within this sector unlikely, since the dominating players may be uninterested in changing market conditions. However, the political wish to ease market access and enhance competition in the Nordic grocery markets could call for further investigations of the possibilities and impact of Nordic standardisation initiatives within the retail trade sector of groceries.

The only single area mentioned by several stakeholders, however mostly by external retail experts⁶², where standardisation could be relevant is:

- *Price setting* - this does not mean that prices should be regulated, but that the conditions and labelling in relation to price setting in offers and sales campaign should be standardised. An example is how to calculate and label 'now' and 'before' prices.

Other areas mentioned individually by stakeholders include:

- *Complaints handling*

A specific area where the Nordic retail industry really seems to agree, but which is not directly linked to the provision of services, is the usefulness of common Nordic labelling such as the Swan Label. The retail industry does see a great potential in extending Nordic cooperation here. Labelling of products however mainly lies within the manufacturing industry, but retailers of course play a very crucial role in the marketing of the products, and should therefore be involved in the eventual development of new Nordic labels and product certifications.

Barriers

The barriers related to standardisation within the retail trade sector are many, and have to a certain degree already been described. Some of the consulted experts also point to the fact that the retail industry organisations' positive view towards standardisation is rather theoretic. In practice, there remains an enormously task of convincing their members of the usefulness of standards.

Summary and recommendations

The retail sector is of great economic and employment wise importance in all of the Nordic countries. Some parts of the retail sector are definitely characterised by Nordic integration and a handful of Nordic based retail concepts have also achieved great international success, pointing to the economic potential of the sector.

The sector though, is characterised by high complexity and seems rather divided in the question of joint Nordic standardisation initiatives. The retail industry associations are in general positive about the idea of standardisation, but the topic is not on their agenda, and they have few suggestions for actual areas for potential standardisation.

⁶²Experts from Scandinavian Retail Institute and Icelandic Retail Institute

The biggest potential for standardisation seems to be within the shopping goods sector, i.e. non-grocery goods, where cross border marketing is much easier than in the grocery sector. Furthermore, the Nordic grocery markets are saturated and dominated by only a few large retailers. This makes the dominating players fairly uninterested in changing market conditions via for example standardisation. Still, the political wish for opening up access to the Nordic grocery markets in order to enhance competition, could make it interesting to investigate further the possibilities as well as potential impact of Nordic standardisation initiatives within the grocery sector.

Still the many barriers and the few tangible suggestions from the industry to further standardisation, makes retail trade services a less interesting target in terms of Nordic standardisation initiatives, when compared to most of the others sectors studied.

Possible standardisation initiatives to be considered

In general, the potential of standardisation seems greatest within the shopping goods sector, i.e. the non-grocery sector. Some stakeholders have pointed towards the need for looking further into possible Nordic standardisation initiatives within:

- **price setting** (in relation to price setting in offers and sales campaign. An example is how to calculate and label 'now' and 'before' prices).

However the many barriers to further standardisation, makes retail trade services a less interesting target in terms of Nordic standardisation initiatives, when compared to most of the others sectors studied. It is therefore recommended to focus standardisation initiatives on other sectors.

Chapter 10. Security services

Introduction

Numerous factors make the security services sector relevant from a Nordic perspective. Firstly, the economic potentials are substantial, which is reflected in the continuous rise in activity in the sector. Secondly, the extensive national Nordic regulation within the sector, combined with the lack of international regulation makes the sector interesting from a Nordic standardisation perspective. Lastly, the Nordic countries have large international players in this sector, e.g. G4S and Securitas. The textbox below corroborates the historic and present strong Nordic position in the private security sector.

A Nordic three generation 'security service and cleaning' tale

It all began in 1901 in Copenhagen with the establishment of a night guard firm called Kjøbenhavn-Frederiksberg Nattevagt by Julius Philip-Sørensen. This company was later acquired by Danske Nattevagt A/S in 1908. In 1915, Julius Philip-Sørensen's son Erik Phillip-Sørensen was appointed as managing director of Danske Nattevagt A/S. In 1934, Erik Philip-Sørensen got the idea to start a cleaning company which was called Det Danske Rengøringsselskab. This was the first step in creating what was to become one of the largest cleaning and facility service companies in the world. In 1964, the company changed name to International Sanitary System and later to Integrated Service Solutions, ISS.

Now let's turn back to the founder of what was later to become ISS, Erik Phillip-Sørensen. The Erik Philip-Sørensen dynasty expanded gradually and the most important establishment was the formation of Securitas AB in Sweden in 1934. Before Erik passed away in 1956, he had two sons Nils Jørgen Philip-Sørensen and Sven Philip-Sørensen. Fate willed that they both got involved in similar businesses as their father. Erik and Nils Jørgen took over the family business, and were highly involved in the acquisition of the Group 4 security company in 1970. Group 4 merged in 2004 with British Securior to establish the world's largest security service company G4S. Through the years, both Sven and Nils Jørgen have had managing positions in G4S and Securitas AB. To conclude, the bright idea that Julius Philip-Sørensen got in 1901 to establish a night guard firm in Copenhagen had a century later lead to over a million jobs worldwide in the private security and facility service industry.

Note: Number of employees in 2008 - ISS (415.000), G4S (500.000) and Securitas AB (230.000).

Source: Interview with Mogens Hansen, Vice Director Sikkerhedsindustrien

Security services in the Nordic countries

It is important to note that the focus of this study is mainly on private security service providers. This implies that all public security service like the security services provided by the police is not part of the study. Furthermore, there exists a large security sector consisting of both public and private players that have their own security personnel. Copenhagen Airport is a prominent example of a private enterprise that has a large security force. Museums are an example of publicly funded institutions that also often have their own security force. Last, public institutions such as parliaments and municipalities also

employ their own security force. This layer of semi-public and private security providers is vital and will be returned to subsequently.

Private security service providers deliver a wide range of different services such as, guarding, transport of valuables and VIP's, electronic surveillance, airport security, maritime security, etc. It is important to stress the difference between the provision of private and public security services. The public providers such as the police provide basic security, whereas the private security providers deliver additional security as a response to individual requests.

The sector has over the past two decades experienced a considerable growth at the European level.⁶³ This growth has indeed also been present in the Nordic countries. Statistics from the Confederation of European Security Services (CoESS) suggest that the Swedish market for security services has grown with around 5-7% annually from 2000 to 2003. Furthermore, the annual turnover in the Swedish private security sector was more than 500.000.000 € in 2002. Data from CoESS also suggests that the Finnish security sector has experienced a large expansion in the early 21st century. It is estimated that the annual turnover growth rate in the Finnish private security sector has been around 10%.⁶⁴

There are several explanations for this growth in private security services. First, the increased general concern about personal safety has stimulated the demand for security services, which the market has responded to by increasing the supply of security services. Especially the development of new public spaces such as large shopping malls, and in general places where people congregate such as airports, stations, stadiums, concerts, metro stations and even schools have been a large driver in increasing the demand for security services. Second, due to restrictions on budget spending and the shrinking of public finances, public security services have concentrated their operations on a few key areas and have as a part of this process delegated more and more tasks from the public domain to the private security service providers. Third, the use of subcontracting and the tendency to outsource service operations by public and private firms, which previously had their own security services, have naturally led to an increase in staffing, and in general the volume, of the private security sector. The above three developments have definitively contributed to the expansion and diffusion of the private security sector.⁶⁵

This rapid growth of the sector has called for a rapid modernisation process of the sector. Focus has especially been on enhancing professionalism and image since it is of cardinal importance for the sector. It has been and still is a great task for the sector to constantly adapt to the rapid growth.

Volume and structure of the security service sector

The volume of the private security sector is quite substantial. In table 10.1 some sector data is presented. Before drawing harsh conclusions in regard to the numbers provided in the table, it is important to note that the provided numbers only cover members of CoESS. This means that there most likely is a very large share of SMEs that are not covered by the theses numbers. Only very few SMEs normally bother to participate in organisational work at the European level. Despite the data uncertainty, the numbers still provide some useful insights and can be used as an indicator for the structure of the sector in the Nordic countries.

⁶³ SPOT – Private Security and Work Organisation – Transversal and Thematic Report (2003).

⁶⁴ Panoramic overview of the private security industry in the 25 member states of the European Union (2004).

⁶⁵ SPOT – Private Security and Work Organisation – Transversal and Thematic Report (2003).

Table 10.1: The Nordic security sector <i>Data from 2006-2007</i>			
Country	No. of enterprises	No. of employees	Employee per capita
Denmark	338	5250	1/1029
Finland	230	7000	1/743
Sweden	280	11500	1/783
Norway	257	10000	1/480
<i>Source: Confederation of European Security Services</i>			

On the basis of the data in table 10.1 it is evident that the private security sector is not equally sized in the Nordic countries. It is rather surprising to see that the number of enterprises in Denmark is the highest, while the number of employees is the lowest. The near opposite is true for Norway, i.e. the country has the second lowest number of enterprises and at the same time the second highest number of employees. Furthermore, the private security force per inhabitant differs a lot in the Nordic countries. E.g. in Denmark there is 'only' one private security person per 1029 citizens, whereas in Norway there is one private security person per 480 citizens.

The Nordic security service sector is divided up into a public and a private part. The police is the main player in the public security sector, whereas the private sector is more heterogeneous. In order to give an impression of the heterogeneity of the companies in the sector, data from Denmark and Sweden is presented below.

Table 10.2: Composition of the Danish and Swedish security sector				
	Denmark		Sweden	
Size of firm	No. of firms	Share	No. of firms	Share
1 – 4 employees	350	84,8%	232	82,9%
5 - 19 employees	50	12,1%	25	8,9%
20 - 99 employees	10	2,4%	20	3,6%
> 100 employees	3	0,7%	13	4,6%
Total	413	100%	280	100%
<i>Source: Confederation of European Security Services</i>				

It is obvious from table 10.2 that the composition of private security sector firms in Denmark and Sweden are very much alike. More than 80% of all firms in this sector have between 1 to 4 employees. The difference between Denmark and Sweden are largest when it comes to firms with more than 100 employees. The relative share of +100 firms in Sweden is more than six times large than in Denmark.

Internationalisation potentials for the Nordic security sector

Feeling safe whether it be in the public or private domain is a normal and very basic human necessity. Unfortunately, there has been a tendency of people in general being more worried about their personal safety both in public and private spaces. This tendency has increased the demand for additional security services.

The rapid growth of the Nordic private security sector, together with the industry composition definitively provides strong potentials for further internationalisation of the sector. Furthermore, the Nordic countries hold a very strong position within the private security sector due to the presence of several large players such as G4S and Securitas. See next text box.

Nordic strongholds in the private security sector

G4S (formerly known as Group 4 Securitor): G4S is the world's largest security services provider delivering services within all areas of private security. The company has its origins in a guarding business founded in Copenhagen in 1901 called Kjøbenhavn Frederiksberg Nattevagt and was subsequently renamed Falck. In 2000 Falck merged with group 4 and subsequently in 2004 with Securitor. Today the firm employs over 500.000 people across more than a 100 nations and six continents. The company had a revenue of 5,6 billion euro in 2007. The company is headquartered in Crawley, Sussex, England and lead by Danish chairman Alf Duch-Pedersen and British CEO Nick Buckles.

Securitas AB: Securitas AB is one of the largest security services providers in the world controlling around 12% of the global security market. The company is operating in more than 30 countries around the world and has more than 231.500 employees. Securitas AB was founded in 1934 in Sweden and has gradually expanded through numerous acquisitions. Today the company is headquartered in Stockholm, Sweden and the company is lead by Swedish president and CEO Alf Göransson.

Source: www.g4s.com and www.securitas.com

Level of standardisation

The private security sector is regulated by law in the Nordic countries. This ensures a minimum national playing field for the provision of security services. In general an authorisation is needed in order to deliver security services. This authorisation is usually provided by the national police and the department of justice. The authorisation procedure provides some kind of lower limit in regard to the provision of the services. It is important to note that there often are different rules when it comes to private providers and public providers of security services.

The Nordic countries all have national legislation within private security services, which dates back more than 30 years for some of the Nordic countries. For example, in Sweden a law and decree on the private security industry was accepted in 1974. Denmark, Norway and Finland followed in 1999, 2001 and 2002, respectively, with laws on private security services.⁶⁶

The level of standardisation in the private security sector has historically been very low. Presently the level of standardisation is still very infantile, but on the rise.

In Denmark, the ISO 9001 quality standard is being implemented at a rapid pace in the private security sector. This is partly due to the fact that the industrial organisation behind the private security sector has established a partnership with Danish Standards, which implies that much of the time demanding paperwork is taken care of by the industrial organisation and not by the individual firms. This arrangement has been especially fruitful for SMEs, since they now can participate in the standardisation work without having to bind a large amount of resources in the time demanding paper work.

An important turning point from a Nordic perspective came in 2007, when Standards Norway (SN), established a working group whose sole responsibility was to define a standard contract for the guarding and security sector in Norway. The initiative behind setting up the group came from the private sector enterprises. The working group con-

⁶⁶ Panoramic overview of the private security industry in the 25 member states of the European Union (2004).

sisted of key stakeholders such as representatives from the large industry players in the security sector, industrial organisations, labour associations etc.

In May 2008, the standard 'NS 8434 Alminnelige kontraktsbestemmelser for manuelle vakt- og sikkerhetstjenester' was implemented. The standard defines very thoroughly the obligations between the customer and the provider of the given security service. The standard covers areas such as contract period, quality definitions, quality assurance, good quality practice, complaints handling, insurance, termination of contract etc. The Standards Norway (SN), initiative is of paramount importance and sets a good example for the rest of the Nordic countries within this field.

Internationalisation and standardisation at the EU level

Private security services have also made it to the European legal agenda. This has primarily happened through the two organisations Confédération Européenne des Services de Sécurité (CoESS) and UNI property services. The work in those two organisations has not been standard related but still are of interest in relation to this study. In 2001 CoESS and UNI published a joint declaration on harmonising the European legislation governing the private security sector.⁶⁷

One of the main objectives of the declaration is to harmonise national legislation so that national laws do not hamper the functioning of the Internal Market. In 2004, the two organisations sent out yet another declaration where they proposed a European model of private security services.⁶⁸ The European model is built up around some key principles in regard to a behavioural and ethical codex. The aim of the model is to guarantee a high level of professional ethics in private security businesses all over Europe.

The issue of standardisation in the private security sector is not an untouched topic at the European level. In 2004, CoESS and CEN along with national representatives initiated a standardisation process for the private security sector. The work progressed as planned but discrepancies between the involved stakeholders meant that a standard for the provision of private security services could not be agreed upon. As a compromise, the involved parties instead developed a standard which defines the terminology used in the private security sector. The standard is called *Security service providers – Terminology* and was approved by CEN in December 2007 and introduced in the member states in January 2008.

CEN has also initiated a standardisation process for airport security services. The working committee is set to start its work in November 2008, and the standard is scheduled to be finished in 2011.

Potentials for further Nordic service standardisation initiatives

The potentials and willingness to develop standards within the security sector are high. Standards are believed to be an instrument which can improve the rather "shady" image of the sector. Furthermore, introduction of standards is also regarded as a way to weed out the so called 'cowboy firms' in the business, which in some cases only consist of "*one person, a German shepherd dog and a pickup truck*", as Mogens Hansen, Vicedirector of Sikkerhedsindustrien in Denmark expresses it.⁶⁹

⁶⁷ Joint declaration of CoESS and UNI-Europa on the European harmonisation of legislation governing the private security sector. 13 December 2001.

⁶⁸ Joint declaration of CoESS and UNI-Europa 'Towards a European Model of Private Security'. 15 October 2004.

⁶⁹ Sarcastic quote from interview with Mogens Hansen, Vice Director Sikkerhedsindustrien

According to the consulted stakeholders in the private security sector, the largest potential in relation to introducing standards exists in opening up the market. By opening up the market the size of the market will increase, which will lead to enhanced competition. The private security providers are naturally very eager to compete in the part of the market which is currently dominated by public institutions or private enterprises with their own security force.

In the light of the standardisation 'breakdown' during the preparation of what was to become the *Security service providers – Terminology* CEN standard, it is noticeable to see the Nordic interest in developing national or Nordic standards. The bargaining breakdown indicates that the area is sensitive and that large commercial interests are at stake. However, the successful development and subsequent implementation of the Norwegian NS 8434 standard shows that it is possible to define standards that all involved stakeholders within the private security sector can agree upon. Furthermore, the standard was developed within a year and the process was described as being very inspiring.

Following the introduction in May 2008 the largest representative of the private security sector in Norway (G4S) contacted Standards Norway, and requested an English translation of the standard, which indicates that the standard has potentials outside Norway. The immediate response to the standard in Norway has been very positive and the Confederation of Norwegian Enterprises (NHO) also demands that members implement the standard.

The CEN bargaining breakdown combined with the Norwegian success story gives a very strong indication of the potentials in regard to developing Nordic standards for the private security sector. Hopefully, the success of the Standards Norway is a first step in the direction of creating a Nordic standard within private security services. A well functioning Nordic standard could later on be used as a stepping stone to a standardisation initiative at the European level.

Key stakeholders believe that standardisation initiatives have large potentials in the following areas:

- *Quality*: what is good quality and how should it be measured?
- *Education/Training*: education/training is required in order to carry out various types of security services.
- *Contracts*: which clearly defines what kind of service is being bought.
- *Complaints handling*: a standard on complaints handling is highly sought after.
- *Public Tender Material*: a standard on public tender material would be very beneficial in the process of enhancing the competition in the market for private security services.

Possibilities to influence EU standardisation processes

The introduction of a Nordic standard for private security services could very well function as a good practice case where the Nordic countries could demonstrate to CEN that it could actually be possible to reach a consensus on a sensitive area such as private security services.

The possibilities of influencing an EU standardisation process are already many due to the Nordic stronghold position within this sector. Furthermore, Norway, due to their front runner position, has a lot of experience in regard to the process of involving the key stakeholders and the negotiation process.

Barriers

The greatest obstacle in relation to introducing standards in the private security sector relates to the existing norms. A difference in relation to the guarding part of the private security in the Nordic countries arises when it comes to the question of whether firearms are allowed or not. Guards in Sweden are allowed to carry and use firearms under certain regulations, which is not the case in the other Nordic countries.

Summary and recommendations

The growth of the private security sector, along with the interest and awareness of the possibilities relating to standards, makes the Nordic private security sector a case which deserves further scrutiny. Further standardisation of the sector could first of all help to improve the sectors shady image. In the longer run an introduction of standards would also help to enhance the competition in the sector to the benefit of all involved parties. Especially increased competition for the market which is currently not accessible for the private security providers should be in the interest of everybody. This increased competition through common standards should ensure that the security services are provided in the most cost effective way while still being provided at a high quality level.

In the light of the standardisation 'breakdown' during the preparation of what was to become the *Security service providers – Terminology* CEN standard, it is noticeable to see the Nordic interest in developing standards. However, it is recommended to follow the work of the newly established CEN project committee on airport security services. Successful European standardisation work within this familiar sector could serve as inspiration or maybe even open up the possibilities for launching European standardisation initiatives within the private security service sector once again.

The knowledge and experiences from the Norwegian standardisation process could very likely be used for a standardisation initiative. First task however seems to be to gather more detailed knowledge about the proposed standardisation areas, for example to ensure that initiatives will be in line with the different national regulations. It could be done through an in depth study and/or a Nordic idea generating workshop. A platform or forum where the stakeholders can meet and discuss and eventual develop standards will also have to be created.

Possible standardisation initiatives to be considered

Stakeholders especially recommended looking further into the possibilities of Nordic standardisations of:

- **education and training of guards and staff;**
- **quality measurements, and**
- **public tender material**

Other areas to consider could be Nordic standardisation initiatives within:

- Complaints handling
- Public Tender Material

First task seems to be to gather more detailed knowledge about the proposed standardisation areas, for example to ensure that initiatives will be in line with the different national regulations. It also seems wise to follow the work of the newly established CEN project committee within airport security services.

Chapter 11. Tourism

Introduction

One of the great economic hopes for the North is tourism. The sector generates substantial employment in both capitals and peripheral areas of the Nordic region. However, international competition in the tourism sector has sharpened considerably during the last decade. The Nordic countries must be better at attracting international tourists, and many experts as well as stakeholders point towards the need for further Nordic cooperation in doing this.

Though the sector is characterised by high complexity and divergent opinions towards standardisation, central stakeholders, including both industry associations and national tourist boards, from Norway, Sweden, and Denmark do see a clear advantage in a common Nordic profiling, and mention Nordic standardisation initiatives and classifications as important tools in this process.

Tourism services in the Nordic countries

The tourism sector has for the last 20 years been growing tremendously in most parts of the world and still seems to have a great economic potential. Today, tourism already plays a very important role in the Nordic economies. The number of employees in Sweden, Denmark, Norway, and Finland reached 3,5 million in 2005, and this was only in the hotel and restaurant sector. Next to this come employees in travel agencies, sights, museums, and amusement parks. Tourism especially seems to have been growing in urban areas such as Copenhagen and Stockholm⁷⁰, but for the many peripheral areas in the Nordic countries that possess unique possibilities for natural experiences and a clean environment, the potential of tourism also seems great and one of the only realistic job creators in the future.

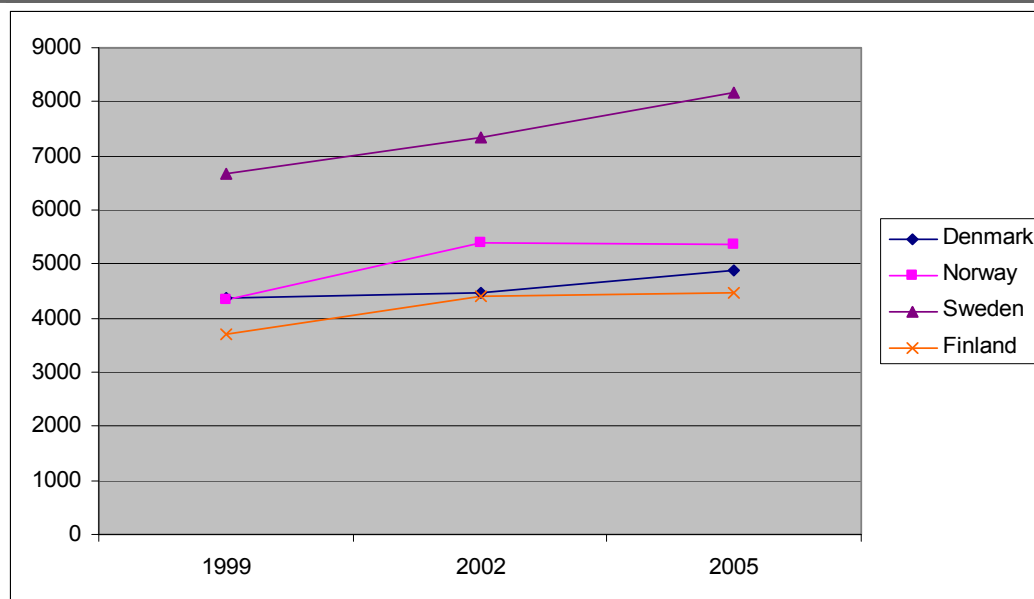
The hotel and restaurant sector is the single most important subsector of the tourism economy and alone counts for more than 70% of its turnover and employees⁷¹. The sector is highly labour intensive and an increasing turnover has also led to an expansion in the number of employees in the recent years.

Figure 11.1 illustrates the increasing turnover the hotel and restaurant sector has experienced during the last decade. Except for Norway, the turnover in all of the Nordic countries has increased noticeably throughout the period. Especially Sweden has experienced a significant increase since 2002.

⁷⁰ Source: www.arlanda.se and www.videnomturisme.dk

⁷¹ Source: Statistics in focus: Hotels and restaurants in Europe, Eurostat, 2004

Figure 11.1: Turnover, Hotels and restaurants sector 1999 to 2005.

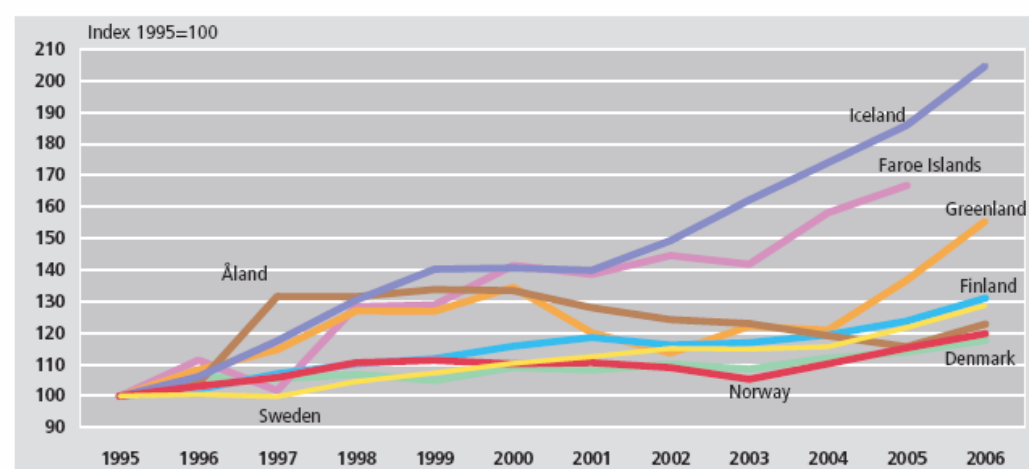


Source: Eurostat 2008

In addition, figure 11.2 exemplifies the increase in tourists' nights spent from 1995 to 2006. Iceland has experienced an enormous increase along with the Faroe Islands, whereas the increase in largest Nordic countries - Sweden, Norway, Denmark, and Finland - has been very moderate

The moderate increase could point to the fact that international competition in tourism has sharpened considerably during the last decade. Several regions and countries around the world today experience a growth in international tourist arrivals that far exceeds those of the Nordic region.

Figure 11.2: Guest nights spent. Index 1995 = 100



Source: Nordic Statistical Yearbook 2007

In general, the tourism sector is characterised by many SMEs operating at a very local level. Nevertheless, an increasing part of the tourism industry is organised by international chains with branches in several Nordic countries and beyond. When focusing, for example, on large hotel chains, the Nordic market is quite integrated. Many of these chains have begun their international expansion in the Nordic market and some such as Scandic and First Hotels do still have the Nordic countries as their core market.

Internationalisation potentials of the tourism sector

When it comes to growth in international tourist arrivals Europe is clearly lacking behind destinations in for example Asia and Africa⁷². The growing availability of cheap flight tickets is an important determinant in the heightened international competition. The low-cost labour force in the upcoming economies furthermore makes it hard for the Nordic countries to compete - at least when it comes to price. The future international competitiveness of the Nordic tourism sector therefore seems to rely more and more on quality and innovativeness.

Traditionally, the Nordic countries have relatively few tourist arrivals from outside Europe. It is difficult to market Nordic destinations in the highly competitive global tourism market, due to the fact that the Nordic countries are relative small and little known and are placed in the periphery of Europe. Today, the major part of tourists visiting the Nordic countries comes from other Nordic countries.

Attracting international tourists therefore plays a crucial role in securing future growth and jobs in the Nordic tourism sectors. The Nordic countries must be better at attracting international tourists, especially from the emerging economies of e.g. India, China and Russia. Experts, as well as some of the consulted sectors stakeholders, point towards the need for further Nordic cooperation in doing this.

Common culture and history can be exploited to attract more tourists to the North. The Nordic nature, a clean environment, leftovers from the Vikings, long existing monarchies and well functioning welfare states are all factors that make the Nordic countries a unique experience. Furthermore, many tourists today consider the Nordic countries as one destination and will visit two or even more countries during the same trip. The impressive growth in cruise ships visiting the Nordic countries is a clear example of this⁷³. A cruise typically includes visits to cities in most of the Nordic countries.

At the same time, the hotel and restaurant sector faces a number of employment and labour related challenges such as an ageing Nordic workforce, high staff turnover, skill shortages and growing demand for flexibility and multi skilling. These socioeconomic challenges make it even more difficult to compete internationally and seem to support the idea of a strengthened Nordic cooperation within a broad range of areas.

Level of standardisation

Most parts of the tourism sector are familiar with standards and some of the most widespread types of standards are hotel classification systems. However the level of standardisation differs considerably in the Nordic countries, also when it comes to classification of hotels.

⁷² Comprehensive sectoral analysis of emerging competences and economic activities in the European Union: Hotels and restaurants (preliminary draft). The study will be published in spring 2009.

⁷³ Source: www.visitdenmark.dk

The European guidelines concerning classifications of hotels, restaurants, and cafés in Europe are laid out by the European organisation for hotels, restaurants and cafes, HORESTA. In 1996, the Danish Association of Hotels and Restaurants, HORESTA, introduced a parallel classification system in Denmark. Shortly afterwards, the system was adopted by the Swedish hotel industry. Today the classification system is applied in Denmark, Sweden, Greenland, Åland, Iceland, and the Baltic Countries.

So far, Finland has chosen to stay out of the HORESTA classification system, while Norway at the moment is considering introducing it. The classification system primarily functions to evaluate hotels and uses a label with a certain number of stars according to the standard (quality) of the hotel.

According to the management of HORESTA, the experiences with the system have been positive. When introduced in Denmark in 1996 investments in the hotel industry were almost doubled, since many hotels had to be refurbished and improved in order to reach the desired number of stars. HORESTA states that the classification system has heightened the quality of hotel supply in Denmark fundamentally, and has increased transparency making it much easier for the customers to find a hotel that corresponds to their expectations.

From interviews with stakeholders it seems that Denmark in general has more well developed classifications and standards within the tourism sector than the other Nordic countries. As an example, senior consultant of VisitDenmark, Niels Henrik Larsen, points out the fact that tourism standards in Denmark are way more advanced than for example the ISO standards, which is why Denmark has chosen not to make use of ISO standards.

Active Denmark

Visit Denmark has founded a network and association for tourism related companies called Active Denmark. The association offers a wide range of labels within active vacation. The labels are quality standards that can be used at inns, hotels, sights and so forth.

The association has labelled companies within 6 themes: cycling, angling, golf, wellness, gastronomy and walking. Regarding gastronomy for example, the criteria among other things concern detectability in the origin of primary products to the locality and the presence of skilled labour in the kitchen.

Active Denmark's labels both relate to consumers and the industry. Consumers are guaranteed a certain level of services and thematic activities, whereas the industry can use the label as marketing

Within other issues such as environment, tourist sights and special thematic activities and services there are also a number of rather newly developed standards and classification systems in Denmark. For example, Visit Denmark has initiated the association *Active Denmark*, which offers a set of standards and labels that can be used to market specialised thematic services of hotels, restaurants and sights.

The level of standardisation in Iceland, Norway and Finland is low compared to Denmark and Sweden. Besides the introduction of the HORESTA classification system for hotels, Iceland has not introduced other standards. Gudrun Rögnvaldardóttir from Icelandic Standards believes that the major reasons behind the few developed Icelandic standards are companies' lack of knowledge concerning standardisation combined with shortage

of time and money. In general, Icelandic Standards consider the EU standards to be adequate, but they found it necessary to introduce the more demanding HORESTA classification system, because this gave the small Icelandic hotel sector a needed way to heighten their profile in the Nordic as well as the international market.

In Norway, large hotel chains dominate the sector, and they are generally negative about common standardisation, according to Bjørn Bjerke, regional manager of NHO Reiseliv. The reason that Norway has not yet joined HORESTA is mainly because of the reluctant response from the industry.

In Finland there seems to be a generally reluctant opinion about introducing standards among the important stakeholders, since existing standards have proven to be of little value. For example, owners of both small and big hotels agree that the HORESTA classification system is not exhaustive enough. It only focuses on technical qualities and misses out factors such as the hotel spirit, location, and the quality of hotel meals.

Internationalisation and standardisation at the EU level

Tourism is included in the Services Directive and some European and international standards do exist within the sector. CEN has, for example, standardised the terminology and description criteria for hotels and other tourism accommodations as well as for travel agencies and tour operators following the international standards ISO 18513:2003 and the British standard BS 13809:2003.

A CEN study on accessibility in tourism and transport has been carried out during 2007/2008. Recommendations of the study is to develop a number of so called CEN Workshop Agreements⁷⁴ within specific areas such as accessibility signs, symbols and labels and accessibility criteria and terminology.

A new study⁷⁵ initiated by the European Commission on the hotel and restaurant sector recommends, in a preliminary draft, to develop European certifications and standards of core skills in the hospitality sector. This will enhance workers mobility and hence contribute to avoiding bottlenecks and the general lack of skilled labour which is becoming urgent in some member states.

However, experiences from, for example, studies and Social Dialogue processes clearly points to general difficulties in reaching agreements at the European level within the tourism sector, and the existing European standards are rarely applied by the tourism industry. HOTREC has developed a set of broad guidelines for classification of hotels, but in general their members are firmly opposed to the implementation of European standards. According to HOTREC this would undermine diversity, which is one of the key competitive parameters in the tourism sector⁷⁶.

HOTREC's guidelines for classifications of hotels and catering companies, the EHQ system, is an umbrella system for the national or regional quality programmes in Europe. The aim is not to replace existing quality programmes, but rather to evaluate them and make their significance comparable. Still, most European as well as Nordic hospitality companies prefer to use national or their own standards.

11.1.1 Potentials for further Nordic service standardisation initiatives

In general, most consulted stakeholders within the tourism sector in the Nordic countries, including both industry organisation and national tourist agencies/boards, are positive about Nordic cooperation and to look further into the possibilities of standardisation ini-

⁷⁴ CEN Workshop Agreement: "*The CEN Workshop Agreement (CWA) is an agreement developed by a CEN Workshop. The CEN Workshop is an open process that aims at bridging the gap between industrial consortia that produce de facto standards with limited participation of interested parties, and the formal European standardization process, which produces standards through consensus under the authority of the CEN member bodies*" (Source www.cen.eu 2008).

⁷⁵ Comprehensive sectoral analysis of emerging competences and economic activities in the European Union: Hotels and restaurants (preliminary draft). The study will be published in spring 2009.

⁷⁶ Source: www.hotrec.org

tiatives. The only exception is the Finnish tourism industry, where neither standardisation nor Nordic cooperation is regarded as a passable way for developing the Finnish tourism sector.

The differences between the Nordic countries regarding existing standards within the tourism sector, however also seems to generate some differences in the engagement and enthusiasm towards the subject of further Nordic standardisation.

According to chief consultant of VisitDenmark, Niels Henrik Larsen, the Danish tourism standards are constantly redeveloping and he sees great advantages in being the leading country when it comes to quality standards in tourism. *"If a country profiles itself on quality and becomes the leading country, it strengthens the competitiveness of the country"* he declares. Furthermore the development of standards will make it easier to influence negotiations concerning standardisation in the EU. Still, he is aware that Denmark needs to collaborate because of its relatively small size. He sees cooperation with the Nordic countries as exceedingly advantageous.

The HORESTA vice manager, Henrik Mühlendorf, believes that the development of standards in the Nordic countries will enlarge in the future. If Sweden integrates some of the new Danish initiatives, he expects the other countries to follow. He points out 'accessibility' as one potential area for common Nordic standardisation. *"The segment of elderly is growing rapidly and increased accessibility combined with consideration of disabled in hotels and sights will attract a lot more tourists within these segments"* he states. He also thinks that Nordic standards in general will be needed to market the Nordic region in the increasingly globalised tourism market.

In Sweden, there has not been the same engagement from the industry. According to Rikard Bergsten from SHR, the development of standards has mostly been a result of special demands from the customers. This has led to a situation where many small enterprises are not able to fulfil the standards and hence must give up to be part of the classification systems. This situation could be avoided if the development of standards is done in much closer cooperation with the industry and not only the customers. Though the tourist companies in Sweden have been rather reluctant and unengaged in the development and implementation of standards, SHR is positive about Nordic standards. Rikard Bergsten points out that Nordic standards and classification systems will help create a more integrated Nordic market by making hotels easily searchable for customers.

Iceland, Norway, and Finland are considering different standards, but none are scheduled. For example, a standard regarding tourist busses has been considered in Iceland, but financial circumstances hindered its development.

When it comes to the potential for further Nordic standardisation initiatives in the sector, the spokesmen in both Iceland and Norway are positive. The spokesman of the Finnish tourist board is more reluctant, at least for initiatives within the hotel industry. The industry is reluctant, and without any interest from the industry it seems irrelevant to launch standardisation initiatives.

In summation, it is evident that the Nordic tourism sector is still characterised by high complexity and many divergent opinions towards standardisation initiative as well as actual Nordic standards. However, the central stakeholders (industry organisations and tourists boards/authorities) from Norway, Sweden, and Denmark do see advantages in enhanced Nordic cooperation. Their suggestions to possible areas for Nordic standardisation initiatives include the following:

- *Accessibility* - for disabled and elderly in hotels, restaurants, and sights
- *Sustainable tourism* – a growing market, where several of the Nordic stakeholders see natural possibilities for Nordic cooperation. Some standards such as the 'Swan Label' and the Danish developed 'Green Key' already exist for environmental labelling of hotels. Nordic cooperation in developing sustainable tourism has also been treated

by the Nordic Council of Ministers, though actual standardisation initiatives have not been on the agenda⁷⁷. A tangible suggestion is to look further in to the possibilities of some kind of classification and labelling of sustainable tourism providers.

- *Classification of sights* – for example in regards to accessibility and available services at the sight (transport, toilets, restaurants, shops, etc.)
- *Labelling of specialised thematic activities and services* - such as the Danish association Active Denmark's labels. This seems to contribute to innovation and product development, and, at the same time, functions as a clear branding platform for the labelled tourism service suppliers.

Possibilities to influence the EU standardisation processes

Many of the consulted stakeholders see an advantage in a Nordic profiling concerning impacting and contributing to international standardisation within the tourism sector. This especially regards environment and sustainable tourism, since these issues are already well developed and implemented in the Nordic countries.

Several stakeholders have actually underlined that the structural similarities in the Nordic countries regarding high minimum salaries, claim Nordic rather than European standards. Furthermore, it seems easier to reach agreements in the Nordic countries than at the EU level. In several of the Nordic countries as well as in other European countries, the tourism sector is firmly opposed to the idea of European standards.

Barriers for standardisation

The Nordic collaboration has reached a point where standardisation in the tourism sector is somewhat developed, especially in regard to hotels. Still, there are different opinions about the advantages of having Nordic versus European standards. Obviously, the big international hotel chains are normally not especially interested in Nordic collaboration, and as mentioned, this is one of the main reasons why Norway has hesitated in participating in the HORESTA hotel classification system.

For some small enterprises as well, standardisation can be seen as a negative development, since they often have difficulties in fulfilling the requirements. In addition, a barrier towards Nordic standards can be the national tourism sectors' fear of losing uniqueness.

Summary and recommendations

The tourism sector has for the last 20 years been growing tremendously in most parts of the world and still seems to have a great economic potential, also for the Nordic countries. However, international competition within tourism has sharpened considerably during the last decade. The Nordic region must be better at attracting international tourists and many experts as well as stakeholders point towards the need for further cooperation in doing this. Besides that, the Nordic countries are placed in the periphery of Europe,

⁷⁷ Source: Nordisk Ministerråd: "Arktisk bæredygtig turisme" - <http://www.norden.org/webb/news/news.asp?id=1439> og "A Road Map for Sustainable Tourism in the Nordic Countries" - http://www.nordicinnovation.net/img/A_Road_Map_to_Sustainable_Tourism_050203.pdf

which makes the need for a joint and strong profile in the international tourism market even more evident.

The standardisation perspectives within tourism seem to be both Nordic and international. Within some areas Nordic standards seem to be the natural way to go, but within for example accessibility, preliminary EU standardisation work has been initiated.

There seems to be big potentials in Nordic standardisation initiatives within accessibility. Already, the Nordic countries are known as a travel destination where it is easy to travel as elderly and disabled. With an increasing segment of elderly, accessibility in sights, hotels, and restaurants will be a clear competitive parameter in the future tourism market. A CEN study on accessibility in tourism and transport has been carried out during 2007/2008. The study recommends that a number of so-called CEN Workshop Agreements⁷⁸ be established within specific areas such as accessibility signage, symbols and labels, together with accessibility criteria and terminology. It seems natural to attempt to support and influence the further implementation processes resulting from these recommendations.

There also seems to be a potential for common Nordic certification and standardisation initiatives within sustainable tourism. No CEN initiatives are scheduled here, so Nordic stakeholders must be gathered to find out whether to develop actual Nordic standards or to take a joint approach in bringing the topic on the European standardisation agenda. A suggestion is to look further in to the possibilities of some kind of classification and labelling of sustainable tourism providers. However, generation of more tangible ideas for possible standardisation and certification areas within sustainable tourism will also be needed. This could be done through further studies or/and a number of workshops for relevant Nordic stakeholders.

Even though the potentials and the need for enhanced Nordic cooperation and common Nordic standards within tourism services clearly are great, initiatives must take the sector's high complexity and divergent opinions towards standardisation into consideration. In general, there seems to be a need for creating a platform where the many stakeholders of the Nordic tourism industry can meet and try to find a common foothold.

Also, it will be necessary to convince more parts of the industry of the necessity and strategic advantages of Nordic cooperation. Thus, further studies documenting the possible advantages and effects of common Nordic cooperation and standardisation of tourist services should be carried out. Furthermore, it is important to keep in mind that the sector is dominated by SMEs operating at a very local level. Experiences, from for example Sweden, shows the importance of including these in the standardisation process. SMEs and/or SME representatives should therefore be included in a Nordic standardisation initiative. This might require tangible economic incentives such as possibilities for coverage of expenses in connections with Nordic meetings, etc.

⁷⁸ CEN Workshop Agreement: "*The CEN Workshop Agreement (CWA) is an agreement developed by a CEN Workshop. The CEN Workshop is an open process that aims at bridging the gap between industrial consortia that produce de facto standards with limited participation of interested parties, and the formal European standardization process, which produces standards through consensus under the authority of the CEN member bodies*" (Source www.cen.eu 2008).

Possible standardisation initiatives to be considered

It is especially recommended to look further into the possibilities of Nordic standardisation initiatives within:

- **Accessibility**
- **Sustainable tourism**

Other possible areas for standardisation initiatives could also be:

- Classification of sights - in regards to accessibility and available services at the sight (transport, toilets, restaurants, shops, etc.)
- Labelling of specialised thematic activities and services

It is recommended to support the creation of a platform, where the many different Nordic stakeholders can meet and discuss a possible joint Nordic approach to standardisation of accessibility in tourism. Furthermore, it is recommended to carry out studies aimed at documenting the effects and advantages of international standardisation and Nordic cooperation within the tourism sector. Results should be used in convincing the tourism industry in the possibilities of Nordic cooperation and standardisation initiatives.

Chapter 12. Transport and logistics

Introduction

The transport and logistics sector has natural relevance to international standardisation due to its highly international structure. The Nordic market for transport and logistical services is already integrated and international oriented, and increased internationalisation and cooperation is also in focus right now.

The transport sector has come far in its standardisation work both at European and international level, and most stakeholders in the Nordic countries seem positive about increased collaboration and standardisation. However, different opinions exist whether to join forces in influencing European and international processes or to actual develop Nordic standards.

The transport sector is traditionally divided into sub sectors depending on the form of transport. Normally, the sub sectors are land, water, air and auxiliary activities. The term 'auxiliary activities' covers, inter alia, warehousing and cargo-loading services. Moreover, there is a division between freight transport and passenger transport. The focus in this study will lie on central Nordic actors within freight transport services and logistics.

Transport in the Nordic countries

The Nordic countries have some similarities when looking at the number of employees within the transport sector as a whole. However, the workforce and turnover is divided differently between the sub-sectors. For example, all countries have large workforces within land transport, but the highest turnover lies in different sub-sectors. Only Finland has both the majority of the employees and the highest turnover in the land transport sector.

Table 12.1: Turnover and employees in four Nordic countries								
	Land		Water		Air		Supporting/auxiliary	
	Turnover (EUR Million)	Employees (thousands)	Turnover (EUR Million)	Employees (thousands)	Turnover (EUR Million)	Employees (thousands)	Turnover (EUR Million)	Employees (thousands)
Sweden	14305	133	3784	17	2852	14	18219	58
Finland	6588	71	2172	8	1999	7	5633	27
Denmark	7469	79	13960	13	2560	12	9810	31
Norway	7370	65	12841	23	2570	10	9446	28
Total	35732	348	32757	61	9981	43	43108	144
Source: Eurostat 2004								

As seen in table 12.1, the Nordic countries can be said to complement each other in the different sub-sectors. While Sweden is leading within land transport, Denmark is one of the world leaders within international sea transport. All in all, transport and logistics engage about 600.000 employees in the Nordic countries.

The Nordic transport sector has a structure that differs from the rest of Europe because it consists of large logistic companies and small haulage firms. The common pattern in Europe is most often the other way around. Moreover, the Nordic countries are extremely dependent on a well-working and highly effective transport structure because of the long travelling distances. Several industries in the Nordic countries are also entirely dependent on competitive transport agreements to reach markets on the continent.

The Nordic market has a quite integrated structure. Many large companies within transport and logistics, such as Schenker and Dancargo, operate in all of the Nordic countries. However, the market is far from limited to the Nordic region. Schenker is, for example, an important operator worldwide. Furthermore, Nordic transport and logistics enterprises have a worldwide reputation as being both efficient and environmental forerunners.

Another important feature of the Nordic transport sector is its engagement in various projects and organisations with international perspectives. There are numerous projects and organisations that have as their main purpose to make the Nordic transport and logistics sector stronger in the international market.

The Nordic Association of Freight Forwarders

The NSF organises logistic providers and freight forwarders in the Nordics. The member countries are Denmark, Finland, Norway and Sweden with their respective national forwarder's organisations.

The NSF was founded in 1920. The main task of the association is to maintain and develop the General Conditions of the Nordic Association of Freight Forwarders, i.e. the NSAB document.

Source: The Nordic Association of Freight Forwarders

The Nordic Triangle is a project that connects the capital cities of the Nordic countries via extended road and rail networks. Ports and airports are also involved in the project, which seeks to create a transport network of high quality to ensure a sustainable development in the sector in all of the Nordic countries. It also seeks to connect the Nordic region with the rest of Europe and Russia⁷⁹.

The employees in the sector are gathered within **The Nordic Transport Worker's Federation**, which unites workers within the transport sectors in all the Nordic countries with a total of 400.000 workers

affiliated through each country's trade unions. The federation works to strengthen the employees' position in an integrated Nordic market of transport services⁸⁰.

Internationalisation potentials of the Nordic transport sectors

It is hard to imagine freight and passenger transport with no crossing of country borders. The market for freight transport and logistical services itself is built on the concept of import, export, and cross-border deliveries, and is today already one of the most internationalised service sectors. As discussed, the Nordic transport sector is also highly international both when it comes to companies and the market structure.

⁷⁹ Publication for the Swedish Ministry for Industry, Employment and Communications (2003) http://www.vv.se/filer/publikationer/nordiska_triangeln.pdf

⁸⁰ Nordic Transport Worker's Federation webpage, <http://www.nordictransport.org/>

Schenker – an international player in the Nordic transport sector

Schenker is a major international company with a leading position in the transport and logistics sector in the Nordic countries. The company was founded by Gottfried Schenker in Vienna more than a hundred years ago. In 2006, Schenker merged with the American logistics company BAX Global, making them an ever more powerful source of income for the parent company DB Logistics.

Schenker Sweden had in 2007 a turnover of around 14 billion SEK and 3.800 employees working at 70 offices throughout Sweden. Worldwide Schenker has 88.000 employees at 2.000 locations in 130 countries. The annual turnover for 2007 for Schenker World was EUR 18 billion.

Due to their size Schenker often applies own standards when it comes to services. Concerning technical equipment and quality they use ISO and CEN standards. For agreements within the Nordic countries they use the NSAB document (see next chapter) .

Schenker is market-leading in intermodal transport in Europe, and they have had a structured programme for environmental issues since 2006, called KNEG (Climate neutral goods carriage on the road), which involves several large actors in Sweden such as Preem Petroleum AB and Volvo Trucks. Schenker do welcome more standards on the environmental area, and preferably a standardised system for eco-labelling of goods vehicles. This would be a great way to benchmark transport companies throughout the world.

Source: DB Schenker

The Nordic transport and logistics suppliers are increasingly in competition with companies based outside the region, which on some occasions enjoy advantageous framework conditions with lower salaries and fewer regulations concerning working conditions and safety matters. The Nordic transport sector does, however, have competitive strongholds within certain important areas. For example, the Nordic countries are world famous for their serious work with environmental issues and the transport sector is no exception. The increased political focus on climate and environment could generate many new possibilities for the Nordic transport and logistics sector in the coming years.

Today, the Nordic countries have a modern and well-developed railway system. Sweden has over the past twenty years managed to drastically reduce the size of the rail network and the number of goods wagons, while at the same time increase the freight volume carried on rail. If the rest of Europe is willing to modernise their railway systems as well, and standards will be established concerning signalling and traffic management, this could prove to be useful for logistic solutions throughout the world.

Moreover, the ferry traffic in the Nordic countries is more developed and modern than anywhere else in the world. By extensive shipping between Sweden and Finland, the world market has a useful link of transport between the north-western and north-eastern parts of Europe. Since Eastern Europe has become more and more involved in international trade since the fall of the Soviet Union, this link will definitely be of increasing value in the future. The sea route between Sweden and Finland is by many international actors considered both faster and more reliable than the land route across Poland⁸¹.

⁸¹ The Nordic Association of Freight Forwarders, <http://www.swedfreight.se/en/The-Nordic-Association-of-Freight-Forwarders/About-The-Nordic-Association-of-Freight-Forwarders/The-Nordic-Transport-Industry-and-Market/>

Level of standardisation

The transport sector has come far in its standardisation work, both at European (CEN) and international (ISO) level. In pace with increased computerisation, standards have increased in use and importance since the end of the 1980s.

Within international standards, sea shipping is the most developed transport sub-sector and the shipping sector has a long tradition of using ISO standards. Environmental issues and quality measurement are by far the two areas where standards are most widely applied. Both air and sea traffic are highly global markets and ISO standards are therefore preferred here, whereas CEN seems to be the dominant standard system within road traffic.

Nordic standards are unusual today, but there do exist a few examples. The Nordic Association of Freight Forwarders (NSF) has had a Nordic standard for agreements within transport since the 1920s, the NSAB document, which is widely used in the Nordic countries.

Internationalisation and standardisation at the EU level

With its 1.1 million enterprises and 8.6 million employees in the EU-27⁸², the transport sector is one of the largest employers in Europe. The sector is also of essential importance to one of the ground pillars of the EU, namely to ensure the free movement of goods, people and services throughout the member countries. This makes transport and logistics, along with energy, one of the corner stones of the EU. Though transport has been omitted from the Services Directive, the vitality of the transport sector together with the increased focus on climate and environment places the transport sector on the foremost political agenda of the EU. The EU Commission is right now working on a plan for a more sustainable freight system in Europe, including efforts targeting transport by sea and rail⁸³. The actual implications and possibilities of the plan are not to judge at this stage, however, it seems likely that environmental issue will be even more relevant and urgent in relation to future standardisation initiatives.

The transport and logistics sector is as mentioned already highly internationally harmonised and applies several ISO and CEN standards. Some international regulations and standards are however problematic in the view of the Nordic transport sectors. An area where different regulations make it difficult for the Nordic countries to act in the European market is the length of lorries. Sweden and Finland mainly use 25 metres long lorries. European regulations will not allow these trucks in the rest of Europe, where the longest permitted length is 18 metres. Studies show that both the EU and the Nordic countries lose incomes by changing their standards. There is not yet a solution concerning who is to change their regulation. However, research in how to find a solution is ongoing at both Swedish and European level⁸⁴.

CEN is continuously working with the transport and logistics sector both in connection with service standards and standards on technical and physical equipment. Within transport services, CEN has launched the working programme "CEN/TC 320 Transport – Logistics and services." An environment related standard within freight transportation was also

⁸² ERTRAC 2006

⁸³ www.euractive.com/en/transport, 19-12-2008

⁸⁴ Nordic Road and Transport Research No. 1 2008
<http://www.nordicroads.com/website/index.asp?pageID=190>

scheduled to be developed within the work program. The standard should treat the declaration and reporting of environmental performance in freight transport chains. However, it was not possible to reach consensus in the working group, so the standard was never developed. The transport and logistics work program was formerly led by representative from Dansk Standard. In 2008 the chair was handed over to a Dutch representative⁸⁵. The next scheduled standard to be developed is a standard concerning self storage services.

Potentials for further Nordic service standardisation initiatives

Most of the consulted stakeholders, including the industry organisations in the Nordic countries and the interviewed company Shenker, seem to agree upon the need for further standardisation within the transport and logistic sector.

There are two views that seem common for most of the Nordic countries. First, there seems to be a consensus on the importance of working together within the Nordic countries to achieve impact at the European level. Second, there is a major challenge to this cooperation because many central actors lack resources and interest in these issues. However, the central industry organisations state that if some other country takes the initiative to launch a Nordic standardisation initiative, they will be positive. Thus, the needed will to collaborate seems to be there.

To improve competences and become strong actors in the world market of transport and logistics, both the Norwegian, Swedish and Finnish transport industry organisations, think it might be a useful to develop Nordic standards within environmental issues, and then later influence the EU standardisation work. In Iceland and Denmark relevant industry organisations are very reluctant towards actual Nordic standards. But the Danish Association for Transport and Logistics underline that here might be some niches such as timber transport, where Nordic standardisation could be relevant.

The Finnish transport and logistics organisation states that Finland has a high dependency on the other Nordic countries regarding road transport because of their geographical position. It is essential for them to work out well-functioning standards and agreements, especially with Sweden, who is their closest business partner.

Areas where standardisation initiatives are requested (many of the areas would also include harmonisation of regulations prior or parallel to the implementation of actual standards):

- *Environmental standards and certifications:* environmental issues are highly relevant right now, which is demonstrated by the fact that the EU is working on a number of projects and reports on GHG omissions and environment-friendly solutions such as increased usage of rail transport. Several Nordic stakeholders believe there is a need for further specified regulations and common standards within environmental management and monitoring. The Norwegian business association for transport and logistics has established environmental goals to be reached for all their member companies jointly by 2020. Schenker has done much the same for all their Swedish branches.
- *Information technology:* according to the Swedish association for transport and logistic companies, many stakeholders request increased standards within ICT and security. In terms of administration, a more standardised system for computer software and cargo registration would make Nordic cooperation and integration much easier.

⁸⁵ Source: interview with Søren Østergård former Chairman of the Transport and Logistic working group / www.cen.eu

- *Security measures:* security measures within transport have increased immensely since the terrorist attack of 9.11 based on requests from clients but also from governmental initiatives. The problem, as the business organisations see it, is that there are too many diversified regulations and standards, which are not well coordinated. Therefore this area needs reconsiderations, harmonisations, and common standards.
- *Standardised agreements and contracts:* the Finnish transport and logistic association states that due to increased procurement and outsourcing of transport and logistical services, confusion about what to include in the contracts and what rules to follow sometimes arises. Even if the mother company claims to follow the requested standards, it is hard to know for sure if all the sub-contractors also do so. This causes little transparency for customers. Therefore, there is a need for a more clearly established set of guidelines in this area. All the consulted industry associations and companies agree that there is a lack of clarity in the area of common agreements and contracts.

Possibilities to influence EU standardisation processes

According to the former chairman of CEN's transport and logistics work program, Søren Petersen, the Nordic countries traditionally have been good at contributing to EU standardisation work within transport and logistics.

Though it can be difficult to reach consensus at the European level within environmental standardisation, the growing focus on climate and the coming EU plan for a more sustainable freight system might very well put pressure on the sector and open new possibilities for joint Nordic actions.

Barriers

One of the prevalent barriers is the potential standardisations areas' close connections to harmonisation of regulations. Harmonisation of regulation will in many cases have to be carried out prior to or parallel with standardisation processes.

12.1.1 Summary and Recommendations

Even though the sector is already highly internationalised and globalised, many transport and logistical companies in the Nordic countries are focusing on further internationalisation right now. This is evident through all the associations and projects with international approaches that have been initiated in recent years. There is a lot to be gained if the sector were to be more standardised, both within the Nordic countries and at European level.

For example, increased standardisation will enable freight trafficking across country borders with less administrative work and therefore be both easier and faster. Both transport companies and clients will gain from a more integrated market. The worldwide reputation of Nordic transport efficiency and environmental work combined with their strongholds in specific areas such as rail and ferry traffic also add to the relevance of Nordic standardisation initiatives.

Several stakeholders in the Nordic countries seem positive about increased collaboration on standardisation initiatives. The Nordic as well as the European markets are already integrated, and the Nordic countries have a lot to gain from cooperation, not least to become a more important actor in the European and international arena.

International standardisation work within the sector is already quite advanced, and the Nordic countries have traditionally been good at influencing standardisation processes at the EU level within the sector. Therefore, new Nordic standardisation initiatives should be focused on areas, where existing European standardisation work is weak and where Nordic countries have clear strongholds.

With this in mind, the most obvious focus for Nordic standardisation initiatives within the transport and logistic sector seems to lie within environmental performance, management, and monitoring. Environmental standardisation is however very politically, legally and technically complex. It is therefore needed to generate more specific ideas for the exact focus of possible Nordic standardisation initiatives within environment and to investigate in depth, the barriers and possible effects of the specific initiatives. An environmental standardisation initiative taken by Danish representatives in CEN has failed before. Hence, the question of what approach that should be taken, e.g. if to try to influence the work done in CEN firstly or if to develop actual Nordic standards as a stepping stone, also needs further investigation and consulting of the primary stakeholders.

Possible standardisation initiatives to be considered

Stakeholders especially recommended looking further into the possibilities of Nordic standardisation initiatives within:

- **environmental issues** such as environmental management, performance and monitoring

Other areas for possible standardisation initiatives mentioned by stakeholders include:

- information technology;
- security issues, and
- contracts for procurement and outsourcing

It is recommended to initiate a process, be it further studies, consulting of primary stakeholders or workshops, aimed at generating specific ideas for the exact focus of possible Nordic standardisation initiatives within environment, and to investigate in depth, the barriers and possible effects related to the specific initiatives.

Central stakeholders

Conclusively, a list of central stakeholders within each of the eight studied sectors is presented in table 13.1. The list is not exhaustive but contains some of the most important stakeholders in regards to standardisation within the relevant sectors. Not all of the listed stakeholders have been interviewed for study.

The Nordic standardisation organisations are not included in the list. For an introduction to these organisations please see chapter 3.3.

Table 0.1: List of central stakeholders					
Sector	Organisation	Contact person	Phone	Email	Country
Eldercare					
Eldercare	Ældresagen	Olav Felbo, Senior Consultant	+45 33 69 86 30	olav.felbo@aeldresagen.dk	DK
Eldercare	Ældresagen	Margrete Kähler, Senior Consultant	+45 33 96 86 34	margrete.kahler@aeldresagen.dk	DK
Eldercare	Dansk Industri Service	Frank Bill, Director of DI Service	+45 33 77 30 66	fbi@di.dk	DK
Eldercare	Kommunernes Landsforening	Peter Kjærsgaard Pedersen, Head of Social- and Health policy	+45 33 70 34 47	pkp@kl.dk	DK
Eldercare	Vårdföretagarna	Ari Kirvesniemi, Director of Vårdföretagarna	+46 08-762 69 99 / +46 070-345 69 99	ari.kirvesniemi@almega.se	SWE
Eldercare	Sveriges Kommuner og Landsting.	Ellinor Englund	+46 08-4527546	elli-nor.englund@skl.se	SWE
Eldercare	Socialstyrelsen, Chief of Äldre-nheten	Christer Neleryd	+46 075-247 35 42	christer.neleryd@socialstyrelsen.se	SWE
Eldercare	NHO Service	Lasse Tenden, Senior Consultant	+47 23 08 86 41	lasse.tenden@nhoservice.no	NOR
Eldercare	Regeringen, Helse- og omsorgsdepartementet	Andreas Edvard Disen, Head of ministry of health and care services	+47 22248592	andreas-edvard.disen@hod.dep.no	NOR
Eldercare	Seniorsaken, Director	Tore Henning Larsen	+46 90 86 67 05 / +46 66 91 16 00	thl@seniorsaken.no	NOR
Eldercare	Samfundet Folkhälsan	Stefan Mutanen, Director	+358 (09) 315 5461	Stefan.mutanen@folkhal-san.fi	FIN
Eldercare	Ministry of social affairs and health	Reijo Väärälä, Deputy Director-General of Social Services	+358 (09) 160 73773	reijo.vaarala@stm.fi	FIN
Eldercare	Icelandic Federation of Trade and Services	Andrés Magnusson, Director	+35 45113000	andres@svth.is	IS
Eldercare	Association of Local Authorities in Iceland	Mrs. Anna Gudrun Björnsdóttir, Head of Division Devel-	+35 4515 4900	anna.gudrun.bjorndottir@samband.is	IS

		opment & International Relations			
Eldercare	Attendo Care	Dorte Kofod, Head of Region	+45 48 20 72 20 / +45 40 61 63 30	Dorte.kofod@attendo.se	DK, SWE, NOR
Eldercare	Aleris	Geir Lægheid, CEO of Aleris	+45 30 78 55 79	geir.lageid@aleris.no	DK, SWE, NOR
Eldercare	Carema Åldreomsorg	Björn Eriksson, Senior Consultant	+46 85-7870076	bjorn.eriksson@carema.se	SWE, NOR, FIN
Eldercare	Norlandia Omsorg, Director	Nina Torp Høisæter	+46 22 98 97 07 / +46 98 22 25 17	ni-nath@omsorg.norlandia.no	NOR, SWE
Energy					
Energy	Dansk Energi	Lars Aagaard Vice Director	T: +45 35 30 04 50	laa@danskenergi.dk	DK
Energy	Energistyrelsen	Flemming G. Nielsen, Head of Department	T: +45 33 92 76 15	fgn@ens.dk	DK
Energy	Svensk Energi - ELForsk	Lars Wrangsten	vxl 08-6772500, direkt 08-677 26 77		SE
Energy	Energi-marknadsinspektionen	Kajsa Fernqvist	Tel. 016-544 21 21	Kajsa.fernqvist@energimarknadsinspektionen.se	SE
Energy	Energimyndigheten	Fredrik Selander Chief lawyer	Tel:016-5442070	Fredrik.Selander@stem.se	SE
Energy	Samorka	Gústaf Skúlason	Tel. +354 588 44 30	sa@samorka.is	IS
Energy	Näringslivets huvudorganisation	Kristin Haaland	Telefon: + 47 23 08 80 00	kristin.haaland@nho.no	NO
Energy	Energibedrifternes Landsforening	Axel Collett	Dir. nr:+ 47 23088935 Mobil: 92200045	ac@ebi.no	NO
Energy	Finsk Energiindustri	Pertti Lindberg	Vxl: +358 9 530 520	Pertti.lindberg@energia.fi	FI
Energy	Nordenergi	Bo Källstrand	Tel: 08-677 26 15	bo.kallstrand@svenskenergi.se	DK, SE, FI og NO
Energy	NordReg	Petteri Pousi		petteri.pousi@emvi.fi	DK, SE, FI, NO og IS
Energy	Nordisk Energiforskning	Amund Vik	Tel +47 91608347	amund.vik@nordicenergy.net	
Engineering consultancy					
Engineering consultancy	Svensk Teknik och Design	Cemille Üstün, internationella frågor	+46 8 762 67 04	Cemille.ustun@std.se	SE
Engineering consultancy	Foreningen af Rådgivende Ingeniører	Henrik Garver	+45 35 25 37 37	hg@frinet.dk	DK
Engineering consultancy	The Finnish Association of Consulting Firms, SKOL	Timo Myllys, Director	+358 20 595 5100	skolry@skolry.fi	FI
Engineering consultancy	Bransjeforeningen Abelia	Rune Foshaug	+47 23 08 80	Rune.Foshaug@abelia.no	NO
Healthcare					
Healthcare	Sammenslutning af Privathospitaler & Privatklinikker i	Martin Koch Pedersen, direc-	+45 33 74 60 00	mkp@danskerhverv.dk	DK

	Danmark	tor			
Healthcare	Sundhedsstyrelsen	Marianne Kristensen, consultant international cooperation	+45 72 22 76 60		DK
Healthcare	Institut for kvalitet og akkreditering i sundhedsvæsenet	Karsten Hundborg, director	+45 87 45 28 80	kh@ikas.dk	DK
Healthcare	Sveriges Kommuner och Landsting, SKL	Roger Molin, Head of department	+46 84 52 76 65		SE
Healthcare	Socialstyrelsen	Mona Heurgren, Head of department	+46 75 24 73 609	Mona.Heurgren@socialstyrelsen.se	SE
Healthcare	Helse- og omsorgsdepartementet	Ole t. Andersen, director	+47 22 24 87 89	ota@hod.dep.no	NO
Healthcare	HSH, Seksjon for helse, utdanning, kultur og frivillighet	Inge Johanne Wremer, Consultant	+47 22 59 17 57		NO
Healthcare	Førbundet før hælsservice	Talvitie Jarno, political consultant	+355 (09) 4202 3244	jarno.talvitie@ek.fi	FI
Healthcare	Capio Sjukvård Norden	Karin Möller	+46 31 732 40 11	karin.moller@capio.se	FI & SE
Healthcare	Icelandic Federation of Trade and Services	Andrés Magnússon	+354 511 3000	andres@syth.is	IS
Healthcare	The Directorate of Health	Matthias Hall-dorsson, Deputy Medical Director of Health	+354 510 19 00		IS
Retail trade					
Retail trade	Svensk handel	Ann Christianson, Internationell frågor	+ 46 8 762 77 62		SE
Retail trade	Finsk handel	Juhani Pekkala, director	+358 9 1728		FI
Retail trade	HSH, Seksjon daglivare- og servicehandel	Thomas Angell, Director	+47 22 54 17 90		NO
Retail trade	Dansk Erhverv	Henrik Hyltoft, Market Direktor Retail	+45 33 74 62 17		DK
Retail trade	Icelandic Retail Institute (Bifrost Univesity)	Emil B. Karlsson, Director	+354 822 1203	emil@bifrost.is	IS
Retail trade	Icelandic Federation of Trade and Services	Andrés Magnússon, Director	+35 45113000	andres@syth.is	IS
Retail trade	Scandinavian Retail Institute	Benno Schnoor Clausen, consultant	+45 70 23 30 10	bsc@retail-institute-scandinavia.dk	DK, IS, FI, SE & NO

Security services					
Security services	Sikkerhedsbranchen	Mogens Hansen	+45 36 34 90 70	mh@sikkerhedsbranchen.dk	DK
Security services	Vagt og alarmbranchens arbejdsgiverforening	Henrik Uldal	+45 33 77 47 41	hul@di.dk	DK
Security services	Dansk Industri	Frank Bill, Director DI Service	+45 33 77 30 66	fbi@di.dk	DK
Security services	NHO Service	Jan-Eddie Tinlund	+47 23 08 86 74	jan.e.tinlund@nhoservice.no	NO
Security services	Bevakningsbranchens Yrkes och Arbetsmiljönämnd	Lars Oscarsson	+46 08-514 937 41		SE
Security services	Icelandic Federation of Trade and Services	Andrés Magnusson, Director	+35 45113000	andres@svth.is	IS
Security services	FinnSecurity	Jouko Laitinen	0035 85 09 17 81 47	juoko.laitinen@finnsecurity.fi	FIN
Tourism					
Tourism	Horesta	Henrik Mühlen-dorf	+45 35 24 80 80	muhlen-dorph@horesta.dk	DK
Tourism	Visit Denmark	Niels Henrik Larsen	+45 32 88 99 29	nhl@visitdenmark.dk	DK
Tourism	Visit Sweden	Maria Ziv, Market Director	+46 08-789 10 00	maria.ziv@visitsweden.com	SE
Tourism	Svensk Turisme AB	Rikard Bergsten	+46 8 762 74 38	info@svenskturism.se	SE
Tourism	Föreningen Finlands turistorganisationer FFTO	Hannu Kurnu		hannu.komu@onvisio.fi	FI
Tourism	Centralen før turistfræmjandet CTF	Arto Asikainen	+358-(0)10 60 58107	arto.asikainen@mek.fi	FI
Tourism	Visit Finland	Inkeri Starry	+358 10 60 58 257	inker-istarry@mek.fi	FI
Tourism	Finnish Hotel and Restaurant association	Timo Lappi	+ 35 89 62 20 20 40	Timo.lappi@mara.fi	FI
Tourism	Islandic Travel Industry Association	Erna Hauksdottir	+354 5118 000	erna@saf.is	IS
Tourism	Icelandic Tourist Board	Ólöf Ýrr Atladóttir, Director	+354-535-5500	olof@icetourist.is	IS
Tourism	Innovasjon Norge	Per-Arne Tuftin, Direktør Reiseliv	+47 22 00 29 04	per-arne.tuftin@innovasjon norge.no	N
Tourism	NHO Reiseliv	Bjørn M. Bjerke	+47 91 85 9520	bjorn.m.bjerke@nho reiseliv.no	N
Transport and logistics					
Transport and logistics	Sveriges Transportindustriförbund	Stefan Back, secretary general	+46 8 762 71 32	stefan.back@transportgruppen.se	SE
Transport and logistics	SKAL – Finlands transport och logistik	Robert Nyman	+358 (09) 4789 9340	robert.nyman@sk al.fi	FI

Transport and logistics	Norsk transport og logistik	Tom Rune Nielsen, administrative director	+47 23 08 87 82	tom.rune.nilsen@tll.no	NO
Transport and logistics	Icelandic Federation of Trade and Services	Andrés Magnusson, Director	+35 45113000	andres@syth.is	IS
Transport and logistics	Dansk Transport og logistik	Morten Lindbo, Vicedirector	+45 72 25 53 53	mol@dtl.eu	DK
Transport and logistics	Nordiskt Speditörförbund	Robin Olsen, President	+45 70 13 12 00	info@nordicfreight.org	DK, SE, FI, NO & IS

Source: Oxford Research 2008

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Nordic Innovation Centre

Nordic Innovation Centre

The Nordic Innovation Centre initiates and finances activities that enhance innovation collaboration and develop and maintain a smoothly functioning market in the Nordic region.

The Centre works primarily with small and medium-sized companies (SMEs) in the Nordic countries. Other important partners are those most closely involved with innovation and market surveillance, such as industrial organisations and interest groups, research institutions and public authorities.

The Nordic Innovation Centre is an institution under the Nordic Council of Ministers. Its secretariat is in Oslo.

For more information: www.nordicinnovation.net