

Opinion of the European Committee of the Regions — digital single market

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I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS,

1. welcomes the Commission proposal's general objective of promoting and securing international competitiveness in the long term by creating a connected digital single market in Europe, by generating network effects and economies of scale to a much greater extent, in order to ensure sustainable growth and employment in Europe;
2. sees the creation of a digital single market as a strategic contribution to safeguarding Europe's 'digital sovereignty', with a flourishing European digital economy making a structural contribution to meeting the political challenges facing Europe;
3. emphasises that the key role and potential of local and regional authorities should be taken into account in all future legal acts adopted to shape the digital single market;
4. stresses that the internet's open character is a key driver of competitiveness, economic growth, social development and innovation, which has led to spectacular levels of development in online applications, content and services and the emergence of new products in Europe being achieved and further promoted;
5. notes that local and regional authorities are enthusiastically seizing the potential of digitalisation in the context of the digital single market, focusing primarily on the areas of particular interest to them:
 - modern e-government services for the economy and society, a key element in improving public services,
 - promoting equivalent living conditions in urban and rural areas by minimising the 'digital divide' through a comprehensive expansion of the broadband network, including in rural areas,
 - permanent, cross-generational development of digital literacy in all areas of society and administration, to begin as a part of early childhood education, laying the foundations for lifelong learning in schools and other educational establishments,
 - promoting an environment which creates better development prospects, particularly at local and regional levels, for digitally-based SMEs and start-ups;

Why we need a digital single market

6. shares the Commission's view that digital technologies and internet-based services are profoundly changing the economy and society;

7. stresses that this process is confronting local and regional authorities with particular challenges, since they are particularly affected by certain changes which they have a limited capacity to control;
8. therefore in particular sees a need for all actions at European and national level promoting a digital single market to aim to develop further the attractiveness of the regions in a targeted way;
9. encourages the Commission in its intention of developing the digital single market as a basis for improving international competitiveness, as certain states enjoy greater economies of scale, which are of particular relevance in the digital economy;
10. adds that a sole focus on network effects with a European dimension would not be sufficient, but rather that flourishing digital ecosystems need to develop in parallel with SMEs and start-ups at local and regional level, generating added value and jobs locally;
11. stresses, with regard to the strategic choice of the three 'pillars' of the Communication, that, from the point of view of local and regional authorities, digitalisation effects in the linking of online and offline areas of the economy and society have to be included, as in an 'app economy' network effects arising from modern platform services can be observed in these areas too at local and regional level;
12. in this context not only considers the question of whether products, services and applications are migrated from an offline to an online environment to be important, but also sees a need to discuss how, in a digital single market:
 - (a) digitalisation with regional and local value creation can be complemented and made more competitive by 'smart services';
 - (b) novel applications, particularly in 'bricks and mortar' sales outlets with multi-channel marketing, can maintain the attractiveness of living and working in regions, cities and municipalities, by, for example, countering the trend for specialist shops to close;
 - (c) new links between the online and offline environments, such as additive manufacturing (e.g. 3D printing), can create value and jobs, particularly at local and regional level;
 - (d) the 'Internet of Things' can generate local services and new ways of creating value in the regions too, e.g. in electrical trade businesses;

Better online access for consumers and businesses across Europe

13. agrees with the Commission that modern rules for online and digital cross-border purchases will encourage more businesses to sell their products and services online across Europe and increase consumer confidence in cross-border e-commerce;
14. sees the Commission's harmonisation proposal, announced for late-2015, as a basis for reducing to some extent the current focus on platforms and intermediaries in single market transactions, by offering SMEs a better basis for developing direct sales throughout Europe;
15. agrees with the Commission that, in this context, the single market will be strengthened only if the consumer protection framework is further developed at a high level, and stresses in this context the important role of the local and regional authorities, e.g. in ensuring identity management, which should be further developed on the basis of cross-border standards;

16. stresses the importance of fast and affordable cross-border parcel delivery services, and welcomes in this context the self-regulatory approaches aimed at generating qualitative effects, e.g. in connection with parcel tracking technologies, and at improving price transparency and delivery options, in the interests of consumers;

17. shares the Commission's assessment that in most cases unjustified geo-blocking is not understood by consumers, especially when purchase of services for a given region is refused or when consumers are directed to a local site with differing sales conditions, and highlights the existing limitations of a single digital market; points out that geo-blocking is, inter alia, the result of the current system for financing audiovisual production and the purchase of broadcasting rights by means of geographically-defined licences. It is necessary, however, to have cross-border approaches to digital media so as to protect the 50 million European citizens who speak a minority regional language, as well as the Union's less-used languages. The access of many minority groups to media services in their mother tongue must, in the interests of linguistic diversity, be made possible as a linchpin in Europe; therefore reiterates its call for a proposal to ban geo-blocking in the digital single market ⁽¹⁾, taking account of audiovisual content's specific cultural characteristics;

18. emphasises the Commission's finding that creativity, particularly in the regions of the EU, is one of Europe's strengths in international competition and is of great importance for the development of the single digital market;

19. would, therefore, like to see appropriate consideration given to the existing system of regional licences for audiovisual works in the legislative proposals announced by the Commission;

20. notes that digital developments such as cloud services and streaming pose huge challenges, particularly in the field of copyright;

21. welcomes the Commission's intention on the one hand to establish more harmonised copyright law, in order to reduce the fragmentation of the different legal regimes in the Member States, and on the other hand to modernise copyright and bring it into line with developments in recent years;

22. supports the Commission's view that, whilst a modernised copyright should facilitate the transfer and use of content beyond national borders, incentives for creativity and investment — the rights of authors — are also of central importance;

23. concurs with the Commission's view that the current state of harmonisation between the Member States of VAT rules for the intra-Community trade in goods and services does not yet offer a sufficient basis for the development of the digital single market; calls therefore on the Commission to build provisions into its next proposal for a review of VAT Directive 2006/112/EC to facilitate the development of the digital single market not least by eliminating measures that are discriminatory with regard to digital media;

24. points out that it is clear that the VAT exemption for small consignments from third countries is putting particular competitive pressure on SMEs in some Member States, since small consignments from third countries can be obtained relatively easily via platforms; any reform of this system should not create disproportionate administrative burden and take into consideration the small value of these consignments;

25. against this background is in favour of the Commission submitting in 2016 various legislative proposals for the targeted development of the complex VAT rules;

26. welcomes the Commission's announcement that it will support the creation of digital innovation hubs and calls on the Commission to ensure a geographical balance in the allocation of funds;

⁽¹⁾ CoR resolution on the priorities for the 2016 work programme of the European Commission, point 27.

Creating the right conditions and a level playing field for advanced digital networks and innovative services

27. shares the Commission's assessment that credible, reliable, high-performing and affordable networks and services are the essential basis for the further development of the digital single market and that a competitive and dynamic telecoms sector provides the necessary impetus to innovation and investment. In this context, the Commission rightly emphasises the importance of effective competition;

28. recommends creating conditions which facilitate the connection of all areas to broadband services which will be efficient in the long term, in a competitive environment, and calls on the Commission, as part of the implementation of the digital single market, also to report regularly on progress made in overcoming the digital divide, particularly at regional and local level. Poor profitability means that, in the rural areas of the regions in particular, there is often no market-driven development of high-speed broadband networks, so that the support options at European and national level need to be consistently further developed. Individuals and businesses have a right to high-speed broadband access at the transmission speed that they need to earn their living, learn or run a business regardless of where they are based geographically;

29. reiterates in this context its call for projects for the development of broadband in rural areas and areas with low population density to be recognised as services of general economic interest⁽²⁾; also stresses in this regard the need to determine future investment requirements for broadband, especially at regional level, and proposes working with the European Commission and the European Investment Bank to develop new funding and support schemes for ICT infrastructure in, for example, rural areas;

30. stresses, in view of the agreement concluded on 30 June 2015 between the Council, the Commission and the Parliament on a single telecoms market, that an open, non-discriminatory internet, the appropriate development of net neutrality and the ending of roaming charges in mobile networks planned for 15 June 2017 are very important throughout all of Europe's regions and especially in border regions;

31. stresses, in this connection, and especially to the Commission and the Body of European Regulators for Electronic Communications, that all the measures needed are particularly important in terms of making the digital single market generally attractive and visible to Europe's consumers. These measures are required in order to ensure that the time frames can be properly implemented. In particular, a fair use policy for consumers needs to be explored that is properly drafted to take regulated roaming services into account.

32. stresses, in view of the speed of developments in recent years, that appropriate development of the ICT regulatory framework should also aim at a level playing field in which structural disadvantages are mitigated by unilateral commitments for telecommunication network operators in converging markets;

33. points out that it can only partially endorse the Commission's views regarding the lack of consistency and predictability of regulation across the EU, as the most recent telecoms review process, and its Article 7 notification procedure, was in particular a step towards greater uniformity of regulation;

34. welcomes, therefore, the fact that from 2016 a thorough review of the need to adapt telecoms rules will get underway;

35. supports the Commission's intention to make proposals for the harmonisation of access to the 700 MHz bands, as this is essential to secure the supply of broadband services in rural areas. The Committee would also call on the Commission to move quickly to prepare access to the 800 MHz bands in order to accelerate the development of the latest 4G technology. A discussion of certain spectrum allocation and usage parameters falling under national responsibility in the context of the Radio Spectrum Policy Group could generate meaningful single market effects. Radio frequencies in many cases reflect and promote regional applications and media culture identities. In view of this, efforts should be made to balance diverging interests in the course of further development;

⁽²⁾ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013AR5960>

36. believes that the announced review of the Audiovisual Media Services Directive should provide a major impetus to the identification of the development needs of a modern digital single market and, on the other hand, to the promotion of a culturally diverse and high-quality European audiovisual media landscape. The convergence of media should be matched by convergence of regulation, with fair competitive opportunities for all media service providers;

37. emphasises that platforms often perform the role of market players and, in addition to providing new business options, are often involved in local and regional economic and social structures. Platforms and intermediaries therefore have a strategic role, the development of which needs to be monitored closely with a view to emerging regulatory requirements. It should be noted in this context that network effects strengthen and consolidate the market power of platforms and thus increase the risk of abuse of such power;

38. regrets that the Commission communication only scratches the surface when it comes to 'the sharing economy' and does not contain any proposals for a coordinated approach to the rules applicable to it in order to ensure free and fair competition, i.e. same conditions with regard to regulation and framework as for traditional businesses, consumer safety and employment conditions, with particular regard to taxation on income generated by trading platforms. The Committee also notes with some concern that structural changes are taking place when it comes to commercial activities in the 'sharing economy', with entrepreneurial risks often remaining with local or regional actors, but, as a result of the immense network effects of platforms and intermediaries, value creation being transferred out of the region. In this connection, the complex interaction between growth options with new customers in the digital single market and negative structural changes in the regions needs to be closely monitored;

39. is convinced that the development of the digital single market depends on the modernisation of education, because education has an important role to play in society through also imparting basic skills in the digital sphere. To take advantage of the big opportunities for new approaches and methods within education systems, the development of innovative, digital methods must be promoted, supporting and encouraging teachers and all those involved in this process;

40. welcomes, in this context, the emphasis of the Commission in its studies on the role of platforms which are to be launched before the end of 2015;

41. strongly welcomes the Commission's clear strategic focus on the importance of cybersecurity in digital services and the confidential treatment of personal data as an essential basis for the development of the digital single market;

42. stresses in this connection the particular importance of the future General Data Protection Regulation, both as a basis for service developments in the digital single market which command trust and for promoting a level playing field and offering regional businesses better development opportunities;

Maximising the growth potential of the digital economy

43. welcomes the Commission's clear statement that all sectors of the economy have to undergo digitalisation and that most sectors are likely to become increasingly integrated into digital ecosystems;

44. notes in this context that the way in which Europe succeeds in the long term in realising the almost unlimited value-creation potential of digitalisation will play an essential role in the long-term prosperity of Europe's regions and rural areas;

45. like the Commission, believes that one of the main challenges for a digital single market lies in the creation of a sustainable data economy, also in an industrial context (Industry 4.0). The technological development trends of recent years are giving rise to multifarious opportunities for new value creation. However, it must be noted that enormous technical, structural and legal challenges exist for local and regional authorities too;

46. stresses interoperability as a horizontal key factor in the development of the digital single market, to facilitate the development of novel, digital value creation networks on the basis of standards, where e-government services, particularly in local and regional authorities, could make a significant contribution;
47. emphasises the enormous importance of the digital literacy and skills for citizens, workers and jobseekers for the comprehensive implementation of digitalisation in the economy and society. In this context, the Member States and the local and regional authorities, which in many cases are responsible for schools and educational institutions, have a key long-term role to play in the development of digital skills;
48. against the backdrop of the rapid advance of digitalisation in all areas of our society, advocates e-inclusion, in order to make the advantages of a digital society available to all;
49. also advocates sharing of data, with due regard for individual countries' privacy rules, for purposes and processes contributing to the common good, as this is a real contribution to simplification and standardisation, certainly at national level (processes have already been in place for some time in some countries), but also at transnational level;
50. advocates, with a view to real development of the digital single market, a thorough reworking of processes, both in public administrations and in businesses; thinking digital and creating new technological solutions do not mean reproducing sequences of manual actions and paper flows in digital form. Rather, bringing to bear existing innovative digital instruments, internal and external flows and procedures in the economy should be simplified, in order to make the process of communication between different players faster and more efficient, as well as to create personalised services with more added value;
51. shares the Commission's assessment that e-government is a key tool for further increasing the cost-effectiveness and quality of public-sector services for businesses and the general public, particularly in the case of local and regional authorities;
52. stresses, in the context of the eGovernment Action Plan 2016-2020 which has been announced, that further improvements to structures in existing public sector portals and services can generate positive effects, to which local and regional authorities, and particularly those in cross-border metropolitan regions, can make a major contribution;
53. is, however, more reticent than the Commission in its assessment of the short-term leverage effects and potential cost savings of the efficiency gains thus generated, and calls for the local and regional authorities to be particularly closely involved in the shaping and implementation of the eGovernment Action Plan, in order to be better able to develop their existing e-government potential. More attention should be paid to those smaller local authorities lacking the finances or human resources to best tackle the challenges of digitisation. Additionally, new organisational forms of collaboration to enhance the provision of such services should be piloted, which may be different to those used for the provision of physical goods or services;

Delivering the digital single market

54. stresses in this context that, in connection with the resulting need for adaptation of governance structures, responsibility and the leading role should be assigned to local and regional authorities, as the public sector's main 'interface' with businesses and the general public;
55. supports the Commission's focus on improving the investment climate for digital networks, research and innovative businesses, also in order to close the digital divide between urban and rural areas.

Brussels, 13 October 2015.

The President
of the European Committee of the Regions
Markku MARKKULA
