Further steps to complete the Single Market

Mainly due to late or incomplete transposition and implementation of legislation, the Single Market is not yet fully completed, especially in areas such as network industries, Digital Single Market and mobility of people. Liberalisation of network industries is especially challenging and produces mixed results with regards to performance and consumer benefits.

Deepening the Single Market

Despite significant progress in integration of EU goods and services markets achieved over recent decades, EU cross-border trade remains lower than trade within the United States. The main increase in trade in recent years has come from Central and Eastern Europe, while intra-EU15 cross-border economic activity seems to have stagnated. Much regulation touching upon product and services markets is still organised at national level, which poses obstacles to more effective integration. In a 2012 report, the OECD considers that insufficient implementation of the single market framework risks undermining its full potential.

The European Commission's 2013 Internal Market Scoreboard observed that the average percentage of Single Market legislation not yet transposed at national level (the transposition deficit) has fallen from 6.3% to 0.6% over the past 15 years. However, the level of incompleteness of the Single Market due to lack of transposition remains at 5%, which means that 73 directives are not producing their full effect in the EU. According to the Commission, areas which need particular attention and prioritising include:

- Energy: completion of the single market is hampered by late implementation of legislation in the Member States, which resulted in a series of referrals to the Court of Justice.
- Transport: particularly concerning airspace which remains considerably fragmented: 650 sectors are managed by 27 national air traffic control systems, which leads to extra costs of around €5 billion per year.
- Services: even though all Member States transposed the Services Directive in their legal systems, evaluations show that national legislation still contains incompatible elements. In addition, the Directive left some room for Member States to decide on which provisions of national legislation to keep. In several instances, this resulted in defending the status quo and led to non-uniformity of the EU market.
- Digital Single Market: legal fragmentation (e.g. 27 different rules on VAT, intellectual property rights, postal services) impairs online cross-border trade, in particular for SMEs. Completion of the Digital Single Market could increase EU GDP by €110 billion per year
- Mobility of people and businesses across borders: international comparisons show that cross-border mobility between the Member States is still limited compared to other regions (such as the United States).

The Single Market Acts I & II identified further actions which address market fragmentation in these areas. The March 2013 European Council conclusions made finalising work on the Single Market Act I proposals an absolute priority, particularly regarding key areas such as accounting, professional qualifications, public procurement, posting of workers and e-identification/e-signature. The European Council also called for the Single Market Act II proposals to be adopted before the end of the current legislature and for improvement in the implementation of all Single Market legislation, particularly the Services Directive.

Liberalisation of network industries

One of the four main growth drivers identified in the Single Market Act II is developing fully integrated networks. In its 2013 Annual Growth Survey the Commission underlined that "the performance of network industries … has a critical knock-on effect on the rest of the economy and can be significantly improved".

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Network industries were traditionally closed to competition. When such markets formerly dominated by national providers open up to international competition, positive effects may be observed: the choice of providers increases, with prices falling and new services offered.

In two of the markets that were liberalised early on (aviation and telecommunications), prices have decreased significantly. On the other hand, in the so-called network industries (such as electricity, gas, rail transport and postal services), which opened up to competition either later or not at all, no or limited price drops were recorded. The Commission argues that this may indicate that consumers benefit to a greater extent from lower prices on markets more open to competition.

However, some studies in the UK, where liberalisation of many of these markets is the most advanced, have found that it may have an adverse effect:

- In the energy market, consumers who change their energy supplier often lose out financially.
- In the rail market, one study found that train operating costs in Britain are higher than before liberalisation, and a review estimated railway costs in the UK to be over 40% higher than in continental Europe, because privatisation led to fragmentation of the system.
- In the postal services market, an early study reported that no significant benefits for either household or small businesses were produced due to liberalisation.

The 2012 Consumer Markets Scoreboard notes large drops in performance of public transport and postal services in comparison to 2011, but attributes it to austerity cuts by governments. The consumers who switched electricity provider evaluated the market as worse than in 2011.

Network industries constitute a special case: often they are fragmented markets with a dominant incumbent company protected by the state (which fully or partially owns it) and high entry barriers. According to the Commission, the main competitive issue in network industries is ensuring fair access by all suppliers to the existing network, as constructing parallel facilities is very costly and hence economically inefficient. The Commission has carried out regular reviews of performance, finding that in all of these industries the pace of integration is slow thus hampering the development of more competitive markets.

Independent evaluations show that liberalisation in European network industries essentially implies a movement from a natural monopoly under public ownership to an oligopolistic market with either private or public ownership. Researchers argue that it is difficult to establish whether liberalisation has led to decreased prices (with the exception of telecommunications) and that the available evidence does not allow for the conclusion that the new market structure is more efficient than the old. Some studies show that opening of markets did not lead to the levels of competitiveness expected or to the envisaged consumer benefits.

Recent think-tank analysis points out that the path of liberalisation and the rate of success vary highly among the different network markets. The researchers argue that the EU has come a long way in the complex process of creating the Single Market and that it can perhaps be achieved for network industries within the next decade, with persistent political, regulatory and anti-trust enforcement accompanied by investment and entrepreneurial efforts.

European Parliament

In a resolution of 7 February 2013, the EP recalled that the Single Market has not yet been completed, mainly due to Member States not fully transposing or implementing directives and regulations. MEPs supported the cyclical method of submitting Single Market Acts as it enables priorities to be regularly identified and discussed. The EP considered the Digital Single Market, the services and energy sectors, public procurement, research and innovation, as well as consumer protection and increased mobility of citizens, in particular workers and professionals, as among the most important key areas for growth.

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