



**European Committee
of the Regions**

SEDEC-VI-031

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OPINION

Digital Single Market: Mid-term review

THE EUROPEAN COMMITTEE OF THE REGIONS

- is pleased that the European Commission has undertaken to assess the state of implementation of the digital single market strategy at this midway point; this is extremely useful for identifying the progress made so far and the measures that need to be taken in order to follow through on the commitments made and areas requiring further effort and more measures;
- notes the important role that LRAs play in providing digital services for individuals and creating and managing digital infrastructure, often as part of cross-border or interregional cooperation; these services require immediate action in order to make balanced changes with regard to barriers to cross-border online activity, including differences between Member States' laws on the organisation and operation of the public administration, contracts and copyright;
- points out that the digital single market objectives can be met only if values, society and the national economy are safeguarded from the harmful effects of cyberattacks and if fundamental values, such as freedom of expression, the right to privacy and the promotion of open, free and transparent use of cyber technologies, are upheld;
- notes that improving broadband will be instrumental in developing 5G networks – which will be important for the digitisation of the economy and society – and innovative, competitive digital services, yielding long-term benefits for the economy and society, growth, jobs and cohesion. Reiterates to this effect its call to the European Commission to complete 5G standardisation as quickly as possible, given that standards are of paramount importance for the competitiveness and interoperability of telecommunication networks.

Rapporteur

Alin-Adrian NICA (RO-EPP), Mayor of Dudeștii Noi

Reference documents

Mid-term review on the implementation of the Digital Single Market strategy – A connected Digital Single Market for all
COM(2017) 228 final

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

General comments

1. is pleased that the European Commission has undertaken to assess the state of implementation of the digital single market strategy at this midway point; this is extremely useful for identifying the progress made so far and the measures that need to be taken in order to follow through on the commitments made and areas requiring further effort and more measures;
2. reiterates the importance of local and regional authorities (LRAs) and the role they play in implementing the recommendations of the digital single market strategy, as they drive economic growth at local and regional level and can generate, use and manage many digital products and services;
3. highlights the support provided for the development of electronic communications in the internal market in order to foster dynamic and sustainable growth in all sectors of the economy, and, in this regard, points to the crucial role and potential of LRAs in the digitisation of European industry;
4. notes the important role that LRAs play in providing digital services for individuals and creating and managing digital infrastructure, often as part of cross-border or interregional cooperation; these services require immediate action in order to make balanced changes with regard to barriers to cross-border online activity, including differences between Member States' laws on the organisation and operation of the public administration, contracts and copyright¹;
5. recommends laying the groundwork for all areas to be connected to broadband and ultra-broadband services, which will be efficient in the long term within a competitive environment, and calls on the Commission, as part of the implementation of the digital single market, to also report regularly on the progress made in bridging the digital divide, particularly at regional and local level²;
6. stresses the importance of covering all aspects of interoperability and electronic identification (eID), the electronic signature, electronic document management and other building blocks of e-governance (eGovernment), using models applied in countries/regions that have made significant progress in this area, thereby ensuring the security and trust of individuals and businesses;

¹ CdR 00039/2016.

² CdR 02646/2015.

7. highlights that the digitalisation of society is an opportunity for growth and job creation, especially in remote regions and in regions facing demographic challenges;
8. supports the modernisation of the legal framework on copyright in the light of the digital revolution and changes in consumer behaviour and emphasises the key role and potential of LRAs in the harmonisation of copyright rules;
9. reaffirms the importance of investment in ICT research in order to ensure economic growth and the establishment of new businesses and believes that the use of ICT in innovation could address key socio-economic challenges³;
10. proposes analysing the case for applying a fair, objective system of taxation on revenue from cross-border online sales which will ensure a level playing field in terms of tax paid by companies involved in EU-wide e-commerce, thereby boosting trade, particularly for SMEs;

Cybersecurity and providing more effective tools for combating cyber incidents

11. stresses that the European Commission's new cybersecurity strategy should help improve the prevention, detection and response to cyber incidents and lead to better information sharing and coordination between Member States and the Commission against major cyber incidents; achieving this will require close cooperation in partnerships involving Member States, the EU institutions, LRAs, the private sector and civil society⁴;
12. strongly calls for the development of standards, instruments and mechanisms to ensure the security of networks and information systems that can keep up with rapidly-changing cyber threats, in order to guarantee a high level of protection in all Member States;
13. stresses that security vulnerabilities in data storage and access and an increasing number of cyberattacks on important urban infrastructure and city management systems call for a wider set of systemic and coordinated interventions that encompass mitigation, prevention, and ensure enactment through both market-led initiatives and government-led regulation and enforcement. Advanced security training should be developed and implemented also at the level of local and regional authorities, including for those involved in the e-procurement, rollout and daily running of smart city technologies;
14. points out that the digital single market objectives can be met only if values, society and the national economy are safeguarded from the harmful effects of cyberattacks and if fundamental values, such as freedom of expression, the right to privacy and the promotion of open, free and transparent use of cyber technologies, are upheld;
15. draws attention to the danger inherent in cross-border cyber incidents, which are now becoming alarmingly frequent and serious. Given that these threats to networks and information systems

³ CdR 5559/2013.

⁴ CdR 625/2012.

can hinder economic activity and result in considerable financial losses, undermining user confidence and causing substantial damage to the EU economy, the Committee calls for the cooperation and coordination between countries to be stepped up, particularly as regards the management of large-scale cross-border cybersecurity incidents;

16. is convinced that user confidence in electronic services must be boosted, ensuring that users are informed of their rights and protected while online; such protection should go hand in hand with protection of copyright and intellectual property;
17. agrees that an EU cybersecurity agency with full operational capacities should be set up and given a stable operational framework, incorporating the responsibility for the entire cybersecurity lifecycle and for prevention and detection of cyber incidents and responding when they occur;
18. endorses the proposal to maintain, in administrative terms, and manage technically an EU framework for general cybersecurity certification which will build on existing security certification systems and be accepted across the EU;
19. recommends keeping up the efforts to combat cyberattacks by implementing, in an appropriate legal framework, security measures which will improve the protection of critical infrastructure so that individuals and companies can enjoy a safe, reliable digital environment, while also upholding fundamental rights and other core values of the EU;

The development of online platforms

20. flags up the role of platforms in facilitating debates on issues that are of common interest and relevant to the establishment, maintenance and development of high-speed broadband networks throughout Europe's regions and territories;
21. is pleased that the Commission has announced that it intends to set up digital innovation hubs, and calls on the Commission to ensure that funding is distributed with an eye to geographical balance⁵;
22. notes that broadband networks need to be established in order to overcome current economic and social challenges and promote inclusion in a knowledge-based society;
23. points out that internet use and use of the services available on it are factors in economic growth and jobs, social equality and equal access to information. Internet access could become a citizen's right and an indicator of quality of life;
24. notes the growing influence of online platforms (search engines, social media, app stores, etc.) in the online economy;

⁵ CdR 02646/2015.

25. recommends that networks be established sustainably and efficiently. Rolling out a high-speed network with a good level of coverage also requires heavy long-term investment in infrastructure, and the competent authorities must provide the tools needed for businesses in rural areas to access the network easily;
26. proposes focusing on allocating radio frequencies more efficiently and boosting private investment, supplemented by public investment, to meet the objectives in the area of electronic communication systems, and avoid the monopolisation of networks;
27. considers that greater trust needs to be built among individuals and businesses in the use of electronic services by means of an ongoing information campaign about their rights and by ensuring that they enjoy an appropriate level of protection while online, and calls for the identification of effective measures for quickly taking down any illegal content to which they may be exposed;
28. emphasises that a coordinated response from the Member States, the local and regional authorities, which in many cases are responsible for schools and educational institutions, and other stakeholders is needed in order to sustain efforts to enhance digital skills and prevent people being excluded from society and the ICT-based economy. Insists in this respect on the enormous importance of digital literacy and skills for citizens, workers and jobseekers for the comprehensive implementation of digitalisation in the economy and society⁶ and expresses concerns over the persisting digital skills gaps identified by the Commission;

Providing the framework for the data economy to function

29. notes that the constantly changing economy, in the process of digitisation, opens up fresh opportunities for LRAs to optimise the growth potential of the digital economy. Substantial investment in infrastructure and ICT technologies are needed, particularly in cloud computing, big data, and research and innovation, in order to make industry more competitive and improve public services, inclusion and skills. Supports in this context the Commission's initiative announcing that, as a follow-up to the Communication of 21 September 2017 on A Fair and Efficient Tax System in the European Union for the Digital Single Market, it will by spring 2018 present a legislative proposal on EU rules for the taxation of profits in the digital economy⁷;
30. welcomes the roll-out of free internet connectivity for users in local communities through the WiFi4EU initiative, which will encourage private investors to participate in the development of digital network infrastructure;
31. supports the WiFi4EU initiative and intends to ensure that local communities are aware of it and to inform people about its potential advantages so that when the first call for proposals comes,

⁶ CdR 02646/2015.

⁷ See CoR opinion COR-2017/01530.

as many eligible European authorities as possible are prepared to apply for access to the available funding;

32. notes that improving broadband will be instrumental in developing 5G networks – which will be important for the digitisation of the economy and society – and innovative, competitive digital services, yielding long-term benefits for the economy and society, growth, jobs and cohesion. Reiterates to this effect its call to the European Commission to complete 5G standardisation as quickly as possible, given that standards are of paramount importance for the competitiveness and interoperability of telecommunication networks;
33. notes the problems currently encountered in accessing cross-border services, as regards consumers who wish to access services provided by a state other than their country of residence;
34. stresses the positive impact that cross-border portability of electronic services will have, given that users will be able to access online content to which they have subscribed in their home country even when travelling in other Member States;
35. strongly calls for efforts to be stepped up to make it easier for all Europeans to access online services available in other Member States as a response to the problem of geo-blocking, and calls for an end to unjustified discrimination against consumers in other Member States;
36. supports banning both the blocking of access to websites and other online interfaces on the basis of the customer's place of residence, and the redirecting of customers from one national site to another, given that both consumers and businesses, the end users of goods or services, are harmed by such practices. Clients should only be redirected if they have consented to this, and businesses must give clients the option of continued easy access to the online interface that they were using before being redirected;
37. points out the imbalance that currently exists between the interests of digital content creators and those of consumers, and notes the need to modernise the legislation on copyright and intellectual property;
38. notes that digital developments such as cloud services and streaming pose huge challenges, particularly in the field of copyright⁸;
39. encourages greater use of cloud computing applications in order to access European, global and other types of data infrastructures, which are necessary for activities in various sectors. A high level of security, data portability and interoperability must be guaranteed when accessing data infrastructures;

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CdR 02646/2015.

Ensuring that personal data are protected

40. underlines the key responsibility of independent data protection authorities;
41. considers it necessary to adapt the strategy on personal data protection to the constantly changing needs of cyberspace, since the protection of personal data has ramifications across a range of sectors such as justice, the economy, communications, education, health, administration and consumer protection;
42. is pleased that the Commission has granted the Member States room for manoeuvre with regard to applying the exceptions for the use of protected works for educational purposes. National, regional and local identity will thus be upheld, along with the specific types of licence resulting from different political and social circumstances⁹;
43. considers that, in the long term, the legal framework for the remuneration of authors, creators and artists needs to be harmonised¹⁰;

Local and regional relevance/Importance for the CoR

44. considers that cities and regions have a key role to play in creating data bases of public information, providing data security, developing the necessary digital skills, securing and facilitating funding for broadband networks and creating the right environment for trans-regional and cross-border exchange of online services, all of which can substantially support the creation of high-level services and the data economy;
45. points out that previous CoR opinions have often stressed the contribution the local and regional level can make at all stages of collecting data and providing services to individuals and businesses. This can be seen in practice as well: in Europe there are many examples of the potential there is in cooperation between the regions, national authorities and research centres in the field of the digital single market;
46. highlights the important role that local and regional authorities can play in supporting the harmonising of data and the growth potential of the digital economy, and would call for this to be considered when an action is taken at national or EU level;

The impact of the UK's intention to withdraw from the European Union on the digital single market

47. notes that, following the vote by the British people to leave the European Union, businesses are now faced with a period of uncertainty until the terms of the UK's withdrawal are made clear. For those businesses that provide goods or services online, particularly digital content, a key question is how the European Commission's digital single market initiative will apply to the UK now;

⁹ CdR 05114/2016.

¹⁰ CdR 00039/2016.

48. advocates that, if the UK agrees to free movement of goods and services, the digital single market should apply in the UK beyond the two year Brexit negotiation period.

Brussels, 31 January 2018

The President
of the European Committee of the Regions

Karl-Heinz Lambertz

The Secretary-General
of the European Committee of the Regions

Jiří Buriánek

II. PROCEDURE

Title	Digital Single Market: Mid-term review
References	COM(2017) 228 final
Legal basis	Rule 41b)i)
Procedural basis	Article 307 TFEU
Date of Council/EP referral	10 May 2017
Date of Commission letter	
Date of Bureau/President's decision	18 May 2017
Commission responsible	Commission for Social Policy, Education, Employment, Research and Culture (SEDEC)
Rapporteur	Alin-Adrian NICA
Analysis	19 June 2017
Discussed in commission	21 November 2017
Date adopted by commission	21 November 2017
Result of the vote in commission (majority, unanimity)	Majority
Adopted at plenary	31 January 2018
Previous Committee opinions	Interoperability solutions for European public administrations (ISA) ¹¹ Internet of Things and re-use of public sector information ¹² Digital Agenda for Europe ¹³ The European eGovernment Action Plan 2011-2015 ¹⁴ Guidelines for trans-European telecommunications networks ¹⁵ Digital Single Market ¹⁶ Modernisation of the EU copyright rules ¹⁷ Copyright in the Digital Single Market ¹⁸
Date of subsidiarity monitoring consultation	

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12 CdR247-2009_FIN_AC.
13 CdR104-2010_FIN_AC.
14 CdR65-2011_FIN_AC.
15 CDR5559-2013_00_00_TRA_AC.
16 COR-2015-02646-00-00-AC-TRA.
17 COR-2016-00039-00-01-AC-TRA.
18 COR-2016-05114-00-00-AC-TRA.