## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Findings</td>
<td>1</td>
</tr>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>1. Implementing the legal Framework</td>
<td>5</td>
</tr>
<tr>
<td>A. Transposition of Legislation</td>
<td>5</td>
</tr>
<tr>
<td>B. Implementation of Environmental Directives</td>
<td>9</td>
</tr>
<tr>
<td>C. Infringement Proceedings</td>
<td>11</td>
</tr>
<tr>
<td>D. European Standardisation Progress</td>
<td>13</td>
</tr>
<tr>
<td>2. Improving Effectiveness</td>
<td>15</td>
</tr>
<tr>
<td>A. The Internal Market Strategy</td>
<td>15</td>
</tr>
<tr>
<td>B. The Financial Services Action Plan</td>
<td>15</td>
</tr>
<tr>
<td>3. Reviewing Effects of the Internal Market</td>
<td>17</td>
</tr>
<tr>
<td>A. Results from a Europe-wide price study</td>
<td>17</td>
</tr>
<tr>
<td>B. Results from the Business Feedback Mechanism</td>
<td>21</td>
</tr>
</tbody>
</table>

The Commission is keen to receive feedback on this Scoreboard, and to have suggestions for future editions. Please send reactions to Mr. John F. Mogg, Director General, Internal Market DG, The European Commission, Rue de la Loi / Wetstraat 200, B-1049 Brussels, or to the following e-mail address: Markt-A1@cec.eu.int

Please also use this address if you would like to receive a copy of this or future Scoreboards.
Main Findings

Implementing the Internal Market’s Legal Framework

• The average transposition deficit has been reduced to 2.5% since the last Scoreboard. However, 11.2% of directives have not been transposed in all Member States.

• Only Sweden, Denmark and Finland meet the 1.5% deficit target set by the European Council for Spring 2002. Greece, France, the UK, Ireland, Austria and Germany risk missing it.

• Portugal and Luxembourg have made considerable progress since the last Scoreboard with Sweden reducing its already low deficit by more than half.

• The UK and Austria’s deficits have worsened, while those of Ireland and Germany have only marginally improved. Greece (4.8%) and France (3.5%) remain at the bottom of the league, although both have made some good progress.

• The average transposition deficit in the environmental field (which is the subject of a special review in this edition) is 7.1%. Germany, Spain and Belgium have deficits in double figures.

• The number of open infringement cases (nearly 1,800) has increased by 7% since the last Scoreboard. Those cases that end in Court action take many years to resolve.

Improving the Effectiveness of the Internal Market

• Only 55% of the Internal Market Strategy’s target actions have been completed on time.

• The implementation of the Financial Services Action Plan is on track, with the Commission having made nearly all of its proposals. Decision-making needs to speed up if the deadlines set by Heads of Government are to be met.

Reviewing Effects of the Internal Market

• The variation in prices for consumer electronic goods across the EU can be as high as 40%, and is even much higher for fresh foods. Price variations across Member States are up to three times higher than regional price variations within Member States. Price variations cannot be explained by different VAT rates.

• Business feedback suggests that adapting to new legislation and problems with technical harmonisation cause most concern.
Since its inception in 1997, the Scoreboard has been continuously refined, but its main strength continues to lie in performance measurement. The simple act of measuring progress can be extremely enlightening. Organisations that measure the impact of their policies and publish the results are likely to be more effective and certainly more accountable than those that do not.

As the Union has embarked on an ambitious process of economic and structural reform in order to become the most dynamic economy in the world by 2010, it is now more than ever essential to assess whether our ambitions are being translated into action, and whether our actions are being translated into real benefits for our citizens and businesses.

This Scoreboard looks first at how well existing Internal Market rules are being implemented and complied with. It then looks at progress made in completing the Internal Market’s legal framework by taking stock of achieving key Union objectives as set out in the Internal Market Strategy as well as in the Financial Services Action Plan (FSAP). Both play a crucial role in achieving sustainable growth and a more dynamic Union economy.

The third part examines actual progress made on the ground. This is, of course, how the success of the Internal Market should, at the end of the day, be measured. It presents the first results of a wide-ranging study on price dispersion. A brief overview is also given of the feedback received from the business community, which seeks to exploit the benefits of a large European market.

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1. IMPLEMENTING THE INTERNAL MARKET’S LEGAL FRAMEWORK

A. Transposition of Legislation

All Community institutions have made it clear that speedy elimination of transposition deficits is a key political priority. It is no good adopting directives at European level, if they are then not implemented correctly and on time at national level. Barriers will not be removed unless the legislation that aims to remove them is fully in place and really works.

Progress in the right direction

The average transposition deficit has been coming down over the years. The present average is 2.5%. Of course, the only acceptable deficit is a zero deficit, but positive trends should be recognised. The Commission believes that the publication of the Scoreboard, and the political attention it has triggered, has much to do with the reduction of the deficits.

Most Member States have taken concrete steps to improve the situation, for example, by appointing a national transposition co-ordinator, setting up a central database and/or by reporting the state of play regularly to their national parliaments. According to these Member States, these initiatives have contributed to a better monitoring of progress, or lack thereof, and to better performance. The Commission has encouraged Member States to exchange best practices, particularly through the Internal Market Advisory Committee.

Figure 1: Average transposition deficits have been reduced

Note: The transposition deficit shows the percentage of directives not yet communicated as being transposed, in relation to the total number of directives with a transposition deadline before May 2001.

Figure 2: Sweden, Denmark and Finland are the only Member States with transposition deficits under 1.5%, whilst Greece and France remain furthest from the target

Note: The situation as at 30 April 2001
The European Council urges deficits below 1.5% by Spring 2002

The Stockholm European Council highlighted the importance of full transposition and urged the 1.5% target to be reached by no later than the 2002 Spring European Council meeting. In fact, only three Member States (Sweden, Denmark and Finland) currently meet the target. Sweden merits a special mention, as it has been able to reduce its deficit further, even though it was already below the 1.5% target in the previous Scoreboard.

Credit must also go to Portugal and Luxembourg, as they have both greatly reduced their deficit since the last Scoreboard, each moving up four places in the overall ranking. The Netherlands, Italy and Belgium have made some good progress since the last Scoreboard.

In the context of the EEA, the deficits of Norway (3.8%) and Iceland (3.6%) remain high. Norway’s already high record has even worsened since the last Scoreboard. They would be second and third from the bottom if they were included in the EU’s ranking. Liechtenstein has worked well, as it cut its previous deficit by almost a half, to 1.6%.

Some Member States should urgently step up their efforts

While what are required are significant improvements, the deficits of some Member States have in fact deteriorated since the last Scoreboard. Both the UK and Austria, who are well outside the target, need to take urgent steps to halt this reversal. Furthermore, Ireland and Germany cannot be satisfied that they have managed to improve their deficits only slightly. Greece and France remain firmly at the bottom of the overall ranking, although they have been able to reduce their deficits by about a quarter.

Put simply, business as usual will not allow any of these Member States to achieve the European Council’s deadline. For example, at their current rate of improvement, it would take Ireland until 2006 to reach the 1.5% target, with Germany getting there in 2004, and France in 2003. This is an optimistic scenario, as it presupposes that these Member States will transpose all forthcoming directives on time.

Indeed, catching up requires Member States not only to tackle the current backlog, but also to deal with the directives whose transposition date is imminent. However, only three Member

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**Figure 3:** Sweden, Portugal and Luxembourg have made most progress, while some deficits have worsened

Note: Percentage change since November 2000
States (Finland, Denmark and Sweden) transposed more than 75% of the directives, with a transposition date of last year, on time. It takes on average an additional thirteen months to transpose directives whose transposition dates have passed.

Greece did not even manage to transpose one third of the directives that came on stream; Portugal transposed less than half in 2000, but many of these have since been transposed, hence its overall good performance.

The transposition process is continuous, and a large number of new directives, or amendments to existing directives, will have to be transposed by the Spring of 2002 - the European Council’s deadline. Greece, which is already faced with the task of reducing its backlog of seventy-one directives will be required to transpose an additional forty-three directives, giving a total of one hundred and fourteen, in order to be in full conformity. The comparable figure for France is ninety-two, whereas for Sweden it is thirty-nine. Figure 5 also gives the total number of directives that need to be transposed by all Member States to meet the 1.5% target.

The Internal Market’s legal framework is still seriously fragmented

Figure 6 shows that 11.2% of directives have not yet been transposed in all Member States. This is the current level of fragmentation of the legal framework.

After a significant initial improvement, this figure has barely moved in the last two years. This situation is not acceptable. The Parliament and the Economic and Social Committee have
also expressed their serious concern with the incomplete state of the Internal Market’s legal framework.

The picture differs considerably per sector. The most serious fragmentation occurs in the fields of transport and public procurement, where more than one third of directives have not yet been transposed in all Member States. More than 10% of the European Union’s GDP is spent on public procurement, so the potential economic losses resulting from fragmentation in this field are immense.

Obviously there is a close correlation between the transposition deficit and the fragmentation factor. Therefore, it should come as no surprise that Greece is responsible for a large part of the fragmentation. It appears to have particular problems with veterinary and transport legislation. France, Ireland and Germany are also preventing completion in several areas. If these countries were to improve their transposition deficits considerably, the fragmentation factor would go down significantly.

Figure 6: The fragmentation factor has hardly moved since 1999

Note: The fragmentation factor is the number of directives that have not yet been transposed by all Member States, as a percentage of all Internal Market directives

Figure 7: Fragmentation is greatest in Transport and Public Procurement

Note: The situation as at 30 April 2001
B. Implementation of Environmental Directives

In previous Scoreboards, the Commission has sought to highlight implementation of directives in key individual sectors. For example, the last Scoreboard looked at the field of New Technologies and the Information Society.

The Council’s Strategy for Integration of Environmental Protection and Sustainable Development into Internal Market Policy for the Gothenburg European Council, calls on the Commission to publish data in the Scoreboard showing progress as regards the implementation of environmental directives. This section responds to that request.

Transposition deficits for environmental directives are much higher than average

There are ninety-eight environmental protection directives\(^3\) that relate directly to the proper functioning of the Internal Market. Member States who fail to comply with these directives not only risk harming the environment and frustrating the Internal Market, but they also risk distorting competition to the disadvantage of the Member States with correct implementation and compliance.

For all Member States the figures are much worse than their general transposition deficit shown in Figure 2. The average transposition deficit for the environmental directives related to the Internal Market is 7.1% compared to 2.5% for all Internal Market directives. These figures are obviously disappointing. A credible sustainable development policy for Europe’s future begins with transposing agreed environmental directives.

\(^3\) This section deals only with those environmental directives that relate to the Internal Market. Information on the transposition of all environmental directives can be found in the Commission’s Annual Report, available at: http://europa.eu.int/comm/secretariat_general/gwb/droit_com/index_en.htm

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**Figure 8: Germany, Spain and Belgium have deficits in double figures**

![Bar chart showing transposition deficits for environmental directives in Germany, Spain, and Belgium](chart.png)

Note: Environmental directives not yet transposed, as a percentage of directives with a transposition date before May 2001
Figure 9: Sweden and Finland have the best performance for recent environmental directives; Germany and Belgium the worst.

Faced with cases regarding incorrect implementation or incorrect application of environmental directives relating to the Internal Market, the Commission issued fifty-two reasoned opinions\(^4\) between March 2000 and March 2001. Most of these infringement cases concern Italy and Spain, who have been targeted by nearly one third of them. At the other end of the scale, Denmark, Finland and Sweden have had 'only' one reasoned opinion each issued against them.

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Figure 10: Half of environmental infringements are in waste management

\(^4\) The Commission issues reasoned opinions when it considers that a Member State is in breach of Community law.

Note: Percentage of reasoned opinions per subject area, between March 2000 - March 2001

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Implementing the Internal Market’s Legal Framework
The number of infringements is increasing

After the timely and accurate transposition of directives comes proper application. It is crucial for the credibility of the Internal Market that Member States ensure fair and correct implementation and application at all levels of government. At the end of March, the Commission was dealing with 1,783 cases for alleged breaches of Internal Market law. This figure was up by 7% compared to the situation in the previous Scoreboard. France, Italy and Spain account for most of the infringement action.

The number of infringements is increasing

Note: The situation as at 31 March 2001.

Figure 11: The Commission is dealing with almost 1,800 Infringements of Internal Market Law

Figure 12: Most infringement cases that go to Court take at least three years to be decided, many take much longer

Note: Length of time between the Commission launching proceedings and the delivery of Court judgements during 1999 and 2000
The infringement process can take a long time

Cases that are not resolved eventually end up in the Court of Justice. During the two year period between January 1999 and December 2000, the Court issued fifty-five judgements relating to the incorrect application or incorrect implementation of Internal Market directives. The Commission forwarded the majority (56%) of the cases to the Court within three years. In relation to some 20% of cases, the process took more than seven years. The Court of Justice delivered its judgement in a majority (58%) of cases within two years.

Regrettably, Court rulings do not always constitute the end of the process. There are currently twenty-two proceedings under way for failure of Member States to take the necessary action to bring themselves into conformity after the Court has ruled definitively that a breach of Community law has taken place. This constitutes a blatant disregard for the rule of law. There are six such cases under way against France and four against Italy. There are no such cases against Spain, The Netherlands, Austria, Finland, Sweden and the UK.

There can only be one conclusion: infringement procedures can, and often do, take a long time. It is therefore desirable that when problems do occur, they are settled as soon as possible. For businesses or citizens to have to wait several years before a case is resolved undermines the credibility of the Internal Market. This is particularly undesirable and damaging if an unjustified obstacle threatens to force a company out of business, or when citizens are prevented from exercising their rights immediately, for example, to have their professional qualifications recognised so as to be able to work in another Member State.

More cases should be resolved early

To measure the readiness of Member States to resolve disputes at an early stage, figure 13 looks over a two-year period (June 1998 - June 2000) at the number of cases that were opened and the corresponding number of cases that have been closed. There are significant differences between Member States in trying to settle disputes before they move into more advanced stages of proceedings. Compared to the previous Scoreboard, it is worth mentioning that Spain’s score has dropped by 18%.

Figure 13: Finland and Denmark resolved more than half of the cases early, while Germany, the Netherlands and Luxembourg do this least often

Note: Number of cases closed by 31 March 2001 as a percentage of the number of cases opened between June 1998 – June 2000

6 These proceedings are under Article 228 of the Treaty
D. European Standardisation Progress

Many product directives can only produce their full effect on the market if they are accompanied by a large number of harmonised product standards. European standardisation is therefore an essential instrument to reduce barriers faced by companies who wish to sell their goods throughout the Union.

It is encouraging that all parties in the standardisation process are increasingly recognising its contribution to the free movement of goods. Nonetheless, there remain significant problems in some key industry sectors. In order to draw the attention of policy makers to these problems, the Internal Market Review has made the improvement of the ‘fundamentals’ of the Internal Market, of which standardisation is a key part, one of its top priorities.

Since the ‘New Approach’ was introduced in 1985, standards have been developed in twenty-two areas, and almost one thousand five hundred harmonised standards have been adopted. Harmonised standards are developed by the three European standardisation bodies, CEN, CENELEC, and ETSI, following mandates from the Commission.

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Figure 14: CEN still has many standards to adopt, while CENELEC is near completion

- Under development
- Under approval
- Adopted

Note: The situation as at 31 March 2001

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7 Further information on the new approach can be found at http://europa.eu.int/comm/enterprise/newapproach/standardization/index.html
8 Up to date information on standardisation can be found on the web site http://www.newapproach.org/
9 European Committee for Standardisation (CEN), European Committee for Electro-technical standardisation (CENELEC), European Telecommunications Standards Institute (ETSI).
The Commission has been receiving many complaints from Member States and businesses about the lack of progress in some key sectors, notably construction products and machinery. Figure 15 bears out that these concerns seem to be well founded. This is not a situation that can be remedied overnight. And it is not necessarily due to a lack of goodwill in the sectors concerned. The issues are complex. But political pressure can help speed matters up. For example, the 2000 Internal Market Strategy Review set as a target the achievement of fifty harmonised standards for construction products by the end of last year. This target was met. For the end of this year, the target has been set at one hundred and twenty standards, or about 20% of the total number of standards needed to open up this sector.

2. IMPROVING THE EFFECTIVENESS OF THE INTERNAL MARKET

A. The Internal Market Strategy

The Strategy for the Internal Market provides a coherent framework for policy development. Its aim is to help improve the performance of the Internal Market in the years ahead for the benefit of citizens and businesses alike. The strength of the Strategy is that the whole is more than the sum of the parts. Only by simultaneously implementing a range of economic and structural changes will we reap the full benefits.

Not enough progress has been made on the Internal Market Strategy

The Commission updated its Internal Market Strategy covering the next eighteen months in April 2001. Its conclusion is that too few target actions have been achieved. Of the thirty-six target actions scheduled to be achieved by June 2001, only twenty (55%) are expected to be completed on time. The record is slightly better when considering priority target actions, with eight out of twelve (or 67%) being completed on time. Responsibility has to be shared between the Commission, the European Parliament and the Member States.

There were some notable successes, such as the agreement on the European Company Statute, thirty years after it was first proposed. In addition, the adoption of the Copyright Directive provides a strong foundation for a sound and competitive legal framework for the new economy. But there have also been some serious setbacks. For example, the proposal on further liberalisation of postal services has run into delays. Progress to modernise our public procurement legal framework has been slow.

On the whole, this is a disappointing result coming so soon after the strong commitment to change shown at Lisbon and firmly endorsed at the Stockholm Spring European Council. The score is particularly poor for the business dimension where just over one third of programmed actions are expected to be completed on time. Actions in this field are intended to improve the business climate and enhance European industry’s competitiveness.

B. The Financial Services Action Plan

A prosperous and thriving EU economy depends on the rapid and successful integration of our financial markets. To this end, the European Council has agreed to implement the Financial Services Action Plan (FSAP) by 2005 and to integrate European securities markets by 2003.

The Financial Services Action Plan remains broadly on track

To date, overall progress with the plan has been satisfactory, with fifteen of the forty-one measures, or 37% having been completed. Since the last progress report in November 2000, the Commission has delivered eleven further actions under the FSAP. These include key proposals for legislation on the prudential supervision of financial conglomerates, decisions to create a committee structure in the securities area to speed up legislative change and a draft regulation to apply international accounting standards for EU listed companies. Only four more measures await formal adoption by the Commission. These include an updated investment services directive and new capital adequacy standards.

The Council and the European Parliament have achieved agreement on the European Company Statute and have adopted two winding-up directives for banks’ and for insurance companies. Also, a common position has been reached on two UCITS proposals.

12 The first will remove barriers to cross-border marketing of investment funds and the second will create a European passport for management companies.
However, problems have arisen in the conciliation procedure regarding the take-over directive because of the possible withdrawal of German support for a political agreement.

The main focus now shifts to the Council and Parliament. Some sixteen measures, including priority dossiers such as pension funds, distance selling and money laundering are on the Council and Parliament’s table for adoption. Considerable political will is required to make rapid progress, but the benefits of action are significant.
3. REVIEWING EFFECTS OF THE INTERNAL MARKET

A. Results from a Europe-wide price study

Price comparisons are good indicators of economic integration and market performance. Competitive and efficient markets, where goods are traded freely, maintain downward pressure on prices. This is one reason why our consumers have a keen interest in a well functioning Internal Market.

In the context of the Internal Market Strategy and the monitoring of product market performance, the European Commission has conducted an exercise to monitor and benchmark the size and causes of price differences. The results of our analysis are still preliminary and one therefore has to be careful about drawing firm conclusions.

The results are based on two surveys of consumer electronics and fresh foods. It is worth noting the different characteristics of the two product groups. These differences can give a useful insight into the underlying causes of price dispersion.

Strong brand names are seldom found among fresh foods. In addition, their perishable nature adds to their relatively high transport costs and makes them less easily tradable. On the other hand, consumer electronics are branded goods and their purchase often involves a significant before or after sale, service component. Advertising by the top consumer electronic companies can be significant.

Large price differences continue to exist

The price for fresh food, sold in supermarkets, varies considerably across the Member States. High price countries for a particular product are often twice as expensive as low price countries, and sometimes up to three times more expensive. Figure 16 gives some examples of the range between the lower and higher price for everyday household purchases. No country is consistently the cheapest or the most expensive. For example, of the Member States considered, while Germany is the cheapest for pork, it is the most expensive for tomatoes. Similarly, Italy is the cheapest for cod, but the most expensive for certain cheese.

Although one should be cautious about comparing price dispersion for both product groups due to differences in the

Figure 16: Food prices can differ significantly between Member States

<table>
<thead>
<tr>
<th>Product</th>
<th>Germany</th>
<th>Ireland</th>
<th>Spain</th>
<th>Italy</th>
<th>Spain</th>
<th>Sweden</th>
<th>Belgium</th>
<th>Denmark</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pork</td>
<td></td>
<td>78</td>
<td>67</td>
<td>61</td>
<td>85</td>
<td>51</td>
<td>67</td>
<td>133</td>
<td>115</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>56</td>
<td>56</td>
<td>56</td>
<td>56</td>
<td>56</td>
<td>175</td>
<td>175</td>
</tr>
<tr>
<td>Salmon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>85</td>
<td>85</td>
<td>115</td>
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</tr>
<tr>
<td>Cod</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>85</td>
<td>85</td>
<td>115</td>
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<tr>
<td>Oranges</td>
<td></td>
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<td>Bananas</td>
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<td></td>
<td>85</td>
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<td>115</td>
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<tr>
<td>Tomatoes</td>
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<td></td>
<td></td>
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<td>115</td>
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<td>85</td>
<td>85</td>
<td>115</td>
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</tr>
<tr>
<td>Milk</td>
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<td></td>
<td>85</td>
<td>85</td>
<td>115</td>
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<td></td>
<td></td>
<td></td>
<td>85</td>
<td>85</td>
<td>115</td>
<td>115</td>
</tr>
</tbody>
</table>

Note: Highest and lowest prices of selected fresh food (100 = EU average)


The survey on consumer electronics was conducted in 11 Member States between March 1999 - March 2000, whilst the survey on fresh food was conducted in 10 Member States between August 1999 - August 2000.

Prices are average prices, including VAT, for supermarkets.
methodology of the studies, figure 17 shows that price differences are relatively smaller, although still significant, in the consumer electronic product category. The maximum price difference can be found for one model of video cassette recorder which sells for 126% of the average price in Denmark, whilst it sells for 81% of the average price in Germany. As with fresh food, no country is shown to be consistently a low or high price country when we consider electronic goods one by one. Germany shows relatively low prices while Denmark and Sweden appear relatively expensive. However, Sweden, for example, shows the lowest price for a certain TV set.

Figures 18 and 19 compare the price level in different countries of a basket of fresh food and a basket of electronic goods. Countries are ranked by the total cost of the baskets, both with and without VAT.

By analysing the results, we can conclude that prices are not necessarily higher in Member States with higher

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**Figure 17: Prices differ less for electronics, but are still important**

<table>
<thead>
<tr>
<th>Product</th>
<th>Country</th>
<th>Price (EU average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camcorder (Panasonic)</td>
<td>Austria</td>
<td>86</td>
</tr>
<tr>
<td>Portable Compact Disc Players (Philips)</td>
<td>Germany</td>
<td>79</td>
</tr>
<tr>
<td>14 Inch Colour TV (Sony)</td>
<td>Portugal</td>
<td>79</td>
</tr>
<tr>
<td>25 Inch Colour TV (Philips)</td>
<td>Sweden</td>
<td>78</td>
</tr>
<tr>
<td>29 Inch Colour TV (Sony)</td>
<td>Portugal</td>
<td>82</td>
</tr>
<tr>
<td>Digital Versatile Disc (Sony)</td>
<td>Germany</td>
<td>84</td>
</tr>
<tr>
<td>Audio Mini System (Sony)</td>
<td>UK</td>
<td>83</td>
</tr>
<tr>
<td>Video Cassette Recorder (Panasonic)</td>
<td>Italy</td>
<td>89</td>
</tr>
<tr>
<td>Compact Disc Player (Sony)</td>
<td>Italy</td>
<td>88</td>
</tr>
<tr>
<td>Video Cassette Recorder (Sony)</td>
<td>Germany</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>Denmark</td>
<td>126</td>
</tr>
</tbody>
</table>

**Note:** Highest and lowest prices of selected consumer electronics goods (100 = EU average)

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**Figure 18: Denmark is the most expensive Member State for a basket of fresh foods, while Spain is the cheapest**

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16 Price levels are yearly average at national level for specialist stores.

17 The graph shows the price in Euro of a basket of fresh foods with and without VAT. The basket includes the following goods: 1kg pears, 6 eggs, 250g Gouda cheese, 2 litres of milk, 500g pork chops, 1 litre local brand fruit yoghurt, 250g bacon, 500g salmon steak, 250g trout, 1kg bananas, 500g kiwi fruit.
income levels. Nor are VAT differences the cause of price dispersion. Even if prices are considered without VAT, we still find significant price variations across Member States.

More integration would translate into considerable savings for customers

Even in fully integrated markets, we should observe some degree of price dispersion, for example, due to transport costs. To establish how far the Internal Market is away from full integration, we have compared price differences across Member States, with regional price differences within Member States.

![Figure 19: Belgium is the most expensive for a basket of electronics, while Germany is the cheapest](image)

18 The graph shows the price in Euro of a basket of electronic goods with and without VAT. The basket includes the following products: a portable CD player, a 14 inch TV, a 28 inch TV, a video cassette recorder, a DVD player and a camcorder.

![Figure 20: There is still considerable scope for lower prices](image)
across Member States are typically between 30 and 50%, while regional price differences are usually between 10 and 30%. In other words, price differences across Member States are usually three times higher than regional price differences within Member States. Only for a few items are regional and cross-country price differences for consumer electronics broadly similar (e.g. one TV set shows 24% maximum regional price variation and 25% across Member States). Therefore it seems that there is still scope for further price convergence, even for products with lower price dispersion, such as consumer electronics.

Another way of looking at the potential for savings is to compare the price that consumers would pay, if they bought items individually at the lowest possible price available within the Union, with the price that they would have to pay if they bought the basket in their own country.

Figure 21 shows that, for example, Spanish consumers could save 20% on consumer electronics if they could pay the lowest price found within the EU. On average, EU consumers could save around 12%.

Of course, this is purely theoretical as ‘perfect markets’, where you can always buy, with no extra cost, anywhere in the Union, do not exist. But the example is still valuable as it gives some indication of the benefits still to be attained if we make further progress in removing obstacles within the Internal Market.

**Possible causes of price dispersion**

The surveys do not allow us to draw firm conclusions about the causes of price dispersion, although they give us some clues. Price differences are usually the result of a number of factors.

The Commission has looked at the importance of brands, and found that consumers may be willing to pay more for a particular product because of its brand image. Advertising often seeks to reinforce this effect. The study found that branding could explain up to 40% of the price dispersion. Different preferences or tastes of consumers can also play a role, as well as particular local market conditions. Furthermore, price differences often arise from barriers to the free movement of goods and services. Restrictions on pan-European marketing campaigns and commercial

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**Figure 21: Potential savings on a basket of electronic goods**

The minimum cost basket is made up by identifying the cheapest price in the Union, excluding VAT, for each product, and then adding to these the relevant VAT for each country.
communications, barriers to distribution, vertical restraints and onerous licensing or conformity assessment procedures, all impact negatively on market integration. Although further study is needed, the Commission believes that work underway for the implementation of its comprehensive Services Strategy\(^2\) will contribute to removing some of the obstacles behind the significant price dispersions revealed by our surveys.

B. Results from the Business Feedback Mechanism

Feedback from those who should be amongst the main beneficiaries from the Internal Market is essential for policymakers to help evaluate the impact of their decisions. The Commission asked forty-one Euro Info Centres (EIC’s) to record the nature of inquiries and comments that they receive directly from the market place. Details are registered on-line in the ‘Business Feedback Mechanism’ (BFM) database. More than 12,000 enquiries have so far been registered. Most feedback is on new laws and technical harmonisation.

The need to adapt to new legislation triggers the highest number of business inquiries, particularly for small and medium-sized companies, who are the main users of the EIC network. Evidence suggests that many companies struggle with new rules, both at Community and national level, and require legal advice to cope. Companies are particularly concerned about the application of a multitude of (national) rules when trading with other Member States. This seems to confirm both the need for more mutual recognition or harmonisation as well as the need for simpler rules within the Internal Market. The European Union’s Strategy for better regulation to be presented to the Laeken European Council could, therefore, prove very helpful to Europe’s many SMEs.

The second largest category of enquiries relates mainly to technical harmonisation. Since the last Scoreboard, the share of queries on this subject has risen from 23% to 32%. A large number of businesses express concern about the lack of harmonised standards in specific areas or problems with conformity assessment. This confirms problems reported via other channels, or indeed concerns expressed by several Member States.

Figure 22: Coping with new laws and technical obstacles are the main concerns of our SME’s

\(^2\) An Internal Market Strategy for Services, COM (2000) 888
In the context of their business activities, an increasing number of companies inquire about the implications of the imminent introduction of the Euro. This can be interpreted as a sign that companies are seriously preparing themselves for the changeover, which is now only about six months away.

It is interesting to note that the number of queries relating to candidate countries, especially Poland, has increased significantly since the last Scoreboard. Most of the queries concerning these countries are about trade opportunities or business ventures, particularly in the agriculture and food industry, the machinery sector and business services.