

3rd Annual Retail Policy Summit, 24 January 2011

Speech of Dick Boer, ERRT President

Honoured guests, ladies and gentlemen,

Introduction

1. The single market is one of the European Union's greatest achievements. It is a great achievement because it has brought massive benefits to European citizens.
2. Jacques Delors used to say that it is hard to fall in love with a single market. It is indeed true that many citizens remain oblivious to the rules and regulations, directives and procedures that actually create that market. But I dare to say that we as members of the European Retail Round Table do love the internal market. We know exactly how attractive this market is. And, this afternoon, we also have some concrete proposals, on how to make it *even more irresistible!*
3. For us, the internal European market is the bedrock on which future economic growth, competitiveness and employment creation will be based.
4. Europe needs growth. Europe needs jobs. Consumers are key to both. Their decisions, their actions drive growth and therefore dictate employment.
5. Consumer confidence, and increasing consumer demand resulting from it, will be part of the solution to recovery from the current economic crisis.
6. All businesses must therefore be, or become, consumer-centric. That includes those of us in direct daily contact, but also includes all others in the supply chain, even where they do not face the final consumer directly.
7. Meeting the constantly changing needs of consumers is not *one* of the ways in which a business remains sustainable – it is the only way a business stays alive.
8. The single European market helps us to do that. But it could help us even better: by further integrating markets and by more effectively holding governments accountable for preventing such integration to suit protectionist interests.
9. The internal market has opened opportunities for expansion to European entrepreneurs, it has eased movement of products throughout the Union, and it has promoted greater competition for the benefit of consumers. In short: the range of shops, products and services now available to consumers throughout the EU is incomparable to that of even one generation ago. And the same goes for the range of price offers to consumers.
10. Indeed, for retailers, I can honestly say that there are few more important areas of European policy.
11. Companies which offer their products and services on the single market should have an unlimited access to some 500 million consumers. Retailers should be free to benefit from economies of scale and productivity gains that can be translated into investment in innovation, expansion of services and employment, wider product ranges at better value for consumers.
12. European retailers not only depend on the single market to grow, to expand and to employ – I believe that we are also prime enablers of the single market, offering outlets to manufacturers – small and large - across the

European Union (and also globally) who otherwise could not break out of their domestic markets. It is clear that retailers – both large *and* small – help convert the *theory* of the internal market into reality, tangible for all.

13. Between our 14 firms, ERRT members are active in every one of the 27 Member States, operate 34,000 stores in the EU alone and employ some 2 million EU citizens. We ship millions of products across EU 'borders' every week, from Spanish farms to German tables, from Polish suppliers to Swedish consumers. Our investment in Europe is enormous, yet we are also global, competing in 58 other markets outside the Union.
14. Europe 2020 shows a clear need for encouragement of EU 'winners' - companies capable of taking on competitors from US, China, Japan, etc. I am proud that the European retail sector offers many examples of such companies, enterprises that started as SMEs – some quite recently - but which now compete successfully around the world. Yet, for most, the single European market remains our main market. Our core. Our base. The springboard that allows us to compete globally.
15. You can see why we attach such huge importance to the single market. We want it to work. We need it to work.
16. So... should we sit back, should we rest on our laurels...?
17. Well... no... While it is clear that much has been achieved already, it is equally clear that much remains incomplete or underutilized. There are many opportunities for improvement.
18. Louis Grech has said it. Mario Monti has said it. President Barroso has said it. Commissioner Barnier and his colleagues all agree. The single market needs to be 're-booted'. It needs to be refreshed.
19. I – and all my colleagues in the European Retail Round Table – offer our full support to relaunching the single market. We welcome the publication of the Commission's 50 proposals in October, and we will certainly contribute our thoughts on the best way forward before the February consultation deadline.

ERRT position

20. So, what will we say in our submission?
21. We are still discussing the detail, but - in summary, I can tell you...:
 - ...We will thank the Commission, Parliament and all institutions for what has already been achieved, since 1993;
 - ...We will encourage the Commission to put the relaunch of the single market to the very top of its political agenda, in the same way that the original programme was pushed and championed by Jacques Delors and his colleagues through the late eighties and early nineties;
 - ...We will commit our resources and support – not as passive bystanders, but as active participants – to the relaunch;
 - ...We will stress the central, pivotal role that consumers play. While the relaunch will open new opportunities for firms large and small, those opportunities can only be realised if there is a final net gain in consumer advantage from each proposal put forward. In my own company, when we face complicated decisions, we solve the question by asking: "Which solution brings more benefits for our customers?" I urge policy-makers to put the same question in political discussions.



- ...and we will also point out where we see the market is not working; where economic nationalism is threatening the fabric of the internal market; where a quicker, more robust defence of the market is clearly needed.
22. Let me say some words here about these barriers – the challenges that we witness on a daily basis. I group them into three broad clusters:
- Those that hinder us from establishing and offering services in other member states,
 - Those that make trading products from one country to another more difficult,
 - And those related to the fact that certain sectors or product categories are not allowed to benefit from the freedom the internal market brings.

Problems with establishment

23. Firstly, it remains difficult for retailers to set up and run their businesses in several Member States.
24. "There are major restrictions on entry to the retail market ...which limit local competition and create obstacles to the achievement of the internal market." Well, you would expect me to say that, wouldn't you? But in fact, this is what *the Commission* itself said in its Retail Market Monitoring Report issued in July last year.
25. European consumers should be allowed to have the widest choice possible of retailers, products and services at prices made keen through strong competition. Member States should not be permitted to prevent that choice – through arcane planning laws, obsolete limitations of opening hours and Sunday trading, national rules that diverge significantly from EU rules, or through the imposition of socio-economic tests – these tests sometimes administered by existing competitors to the potential new entrant!
26. In comparative terms, it sometimes seems more difficult to open new stores in the EU than it is in many other parts of the world.
27. States and local authorities need to realign their work away from micromanaging and limiting competition to enabling opportunities for all parts of society. We have great hopes for the Services Directive in this regard.

Problems with taking products from one Member State to another

28. Secondly, while in principle, free movement of goods has already been enshrined in law, and implemented across the European Union - in practice, retailers who trade across EU borders face everyday difficulties in circulating goods. These obstacles seem to have multiplied in recent years.
29. These additional requirements, imposed by local, regional or national authorities, cover food as well as non-food products. They range from misinterpretation or bad transposition of EU legislation to non-recognition of European safety or security procedures. They add unnecessary costs, they delay shipments, they generate uncertainty of delivery and they create burdensome administrative procedures.
30. EU legislation, where it has already been developed, and the principle of mutual recognition for the areas not yet harmonised, must be respected.
31. Our feeling is that the Commission must act more decisively, more quickly against member states who flout or bend internal market rules. Current proceedings are simply too slow or do not happen at all, and the current system does not, to our mind, constitute a significant, credible deterrent. I look forward to hearing Mr Faull's viewpoint on this, and Ms Corazza Bildt also. Is there not a role that the European Parliament can play to highlight problems, without having to wait for cumbersome legal cases to inch forward?



Problems caused by incomplete nature of the Internal Market

32. Thirdly, there are gaps in the existing internal market laws – areas of business still closed to real competition.
33. For instance, one important sector excluded from the scope of the Services Directive was the health sector. This means that in a number of Member States, pharmacists practicing in pharmacies have a monopoly on the sale of medicines and a number of other over-the-counter drugs and personal hygiene products.
34. This denial of competition exists in other sectors also, such as the sale of petrol, bakeries, opticians.

Some specific suggestions

35. I guess it is always easy to identify the problems, less easy to put forward solutions. However, let me make four initial suggestions, if only to 'seed' the discussion to follow!
36. First, as I mentioned above, we urge the Commission to investigate and propose alternatives to the infringement process. It just does not work as quickly as we need, and seems to us to be too dependent on intra-institutional politics. Is it not possible to develop a fast-track approach? Could there be a role for the Parliament in highlighting errant Member States? A more robust defence of the single European market is urgently needed. An excellent current example of this is the speedy and persuasive EU objection to the new media law in Hungary. Why do we not see a similarly robust stance taken with regard to the Hungarian crisis tax levied on foreign retailers in that country?
37. Second, we welcome that the Commission has recognized the problem caused by differing consumer laws, and urge that the Consumer Rights Directive should form a key part of the Single Market Act. Unless these laws and rules are simplified and harmonized, cross-border and ecommerce sales will continue to be hampered. As things stand now, both the Council and European Parliament seem likely to miss a huge opportunity to create a level playing field in the most essential consumer protection rules. For all products sold via traditional shops, probably nothing much will change for the large bulk of all transactions. If the patch-work of different national consumer protection rules for sales via brick and mortar shops remains untouched, this will seriously hamper the relaunch of the single market.
38. Third, we urge the Commission to include in the Single Market Act a proposal to define a core basic payment service available on all credit and debit cards; to improve transparency of the costs incurred in card transactions; and to insist on open cross border acquiring. The current, non-competitive system imposes a hidden tax of some €13 billion on European consumers! This cannot be right!
39. My fourth, and final proposal, is to establish – with Commissioner Barnier – a task force, or 'high level group', to enhance and promote the European retail sector, to provide a political momentum and a platform for discussion on sector-specific recommendations aimed at improving its overall competitiveness and productivity.

Ladies and gentlemen, in conclusion...

40. Many European retailers – beginning as SMEs - have become global success stories;
41. The sector is economically significant, in terms of employment, investment, innovation, growth, and upstream and downstream interdependence;



42. Modern European retailers not only depend on the single market to grow, to expand and to employ – but we also help underpin the market;
43. In terms of Europe 2020, the sector is already very active in many of the areas covered by the seven flagship initiatives, and offers to play an even bigger part in helping to achieve the targets set;
44. Perhaps precisely *because* the sector is so dependent on the single market rules, EU retailers face barriers and bottlenecks on a daily basis.
45. Therefore, considering both the opportunities offered by the retail sector, and also the wide-ranging challenges it faces, and also bearing in mind the Europe 2020 targets and ambitions, my offer to Mr Faull and Ms Corazza Bildt today is to work with the European Commission to develop a strategy to promote and support the sector through 2020, to improve its competitiveness, to encourage its sustainable growth within Europe and globally, and to defend the sector – and consumers – against protectionist, anti-competitive, anti-single market initiatives that exist today and will arise in the future.
46. We offer a pact to the Commission and Parliament. We continue to help deliver the internal market to consumers, and you help us to do just that...

Thank you!



Annex: Materials you may use / refer to, during the following discussion...

A: Back-up details for some of the points already included in your address

ⁱ Examples taken from ERRT publication “Internal Market Barriers to Growth”, July 2009:

Czech Rep.	<i>1. Act on Significant Market Force (Sept 2009)</i>	Retailers with sales volume of more than CZK 5 billion (basically all foreign retailers) are deemed to be able to exercise “significant market force”. Inter alia, this Act: <ul style="list-style-type: none"> • Restricts promotions; • Substantially restricts possibilities for retailers and suppliers to agree upon later income; • Restricts the right to require audits of supplier’s production premises; • Restricts the right to require tests of products; • Prohibits ‘below cost’ selling; • Prohibits remote reverse auctions (B2B e-markets) organised by a purchaser for agricultural products.
Denmark	<i>1. Danish Retail Planning Law 2007</i>	Planning for larger retail stores (non-food stores above 2,000 m ² e.g. shopping centres and other larger box retailers) is only possible in cities with more than 40,000 inhabitants. Each commune/city can only plan three stores every 4 years. These three stores have to be placed in the city centre or relief areas.
Greece	<i>1. Wholesale Sales of Meat and Fruit & Vegetable</i>	According to this law (3475/1955), the wholesale of fresh meat and fresh agricultural products to retailers has to be run by ‘central markets’. Wholesalers are permitted to sell in wholesale to their retailer customers, after having acquired a dual license from the Ministry of Trade and Agriculture. In order to obtain this license, <i>these wholesalers have to be located away from the central market and at a distance of more than 2 km...</i>

Examples of difficulties faced when moving goods across EU borders

1. Restriction on marketing Dutch cheese in France, since it is not produced in packs of 40 kilos, but rather 15 kilos. Studies show there is no difference with regards to the quality or taste of the product, and the cost and thus the price to the consumers would be much lower, if the larger size was allowed.
2. Being forced to comply with three different national procedures in order to sell the same chocolate (supplemented in vitamins) in three different EU markets, a category of food already supposedly harmonized by EU regulation.
3. In Italy, the need to complete a series of extra conformity documents, stating, for instance, that chairs “cannot be used for torture...”; or the insistence that safety certificates are counter-signed by an Italian laboratory - even though they have been issued by an equivalent laboratory in another Member State!



4. An additional problem stems from the different deposit, collection and recovery systems in the Member States related to packaging waste that are now mandatory. Apart from creating additional barriers to retailers trying to engage in legitimate parallel trade, differences between such national systems also constitute significant establishment barriers to retailers wishing to export their business models to new markets without having to adapt their in-store return systems, logistical planning and sourcing strategies.

In this regard, we call for greater harmonization of environmental legislation across the EU. Different implementation leaves retailers with the difficulty of understanding and adhering to different rules wherever they trade. This is costly and unnecessary. The Waste Electric and Electronic Equipment Directive, for instance, should be treated within a harmonized system in view to move toward a community market and to reduce the administrative burden for retailers and other companies.

Examples of protectionism of para-pharmacies

1. The para-pharmaceutical products that are restricted in this way include dressings, antiseptics and anti-lice products, products for the care of contact lenses, as well as all in-vitro diagnostic devices, such as pregnancy tests. Food supplements - highly reliable products - which complement a person's diet are also affected. The provision of certain medical services is not allowed. These include cholesterol checks, smoking cessation, and blood tests - all services that help EU citizens live healthier lives. This is clearly ridiculous.
2. This uncompetitive situation appears to be in conflict with the aim of the single market, and inimical to public health objectives. In addition, this monopoly appears unjustified economically as it is likely to substantially reduce the access of foreign products to some national markets. The prohibition of sale of such products in hypermarkets and supermarkets restricts consumers' access to competitively priced alternatives and reduces the opportunities for less well-known products to enter the market.
3. A number of Member States currently introduce additional rules restricting competition in this area, for example: A 'one-building one-pharmacy' decree; rules preventing any new pharmacy from opening within a set distance of an existing pharmacy; burdensome, costly, time-consuming application processes; and rules fixing the price of prescription medicines.

B: Additional points you might like to throw into the discussion (NOT included in your address)

- Own brands – their value, benefits to consumers...
- CIAA myths and our responses [refer to publication for briefing]
- The many areas where retailers and suppliers work very closely together: (packaging, waste, nutrition, logistics)
- The important role retail plays in containing inflationary pressures. The importance of competitively priced foodstuffs for those who live on a small budget (the social inclusion chapter of the 2020 strategy).

