

Designing a European Innovation Council

DIGITALEUROPE's contribution to the Call for Ideas

Brussels, 27 April 2016

1. Do you agree that a lack of disruptive, market-creating innovation is an obstacle to job creation and economic growth in Europe?

Current mechanisms are not fully achieving the objective of encouraging and leveraging European R&D and innovation at an industrial/commercial level. However, boosting the EU's performance in innovation is not only about EU funding. Indeed, if one compares data both between EU Member States and between the EU and its major global competitors, many elements can be identified that hold back the EU's innovation potential. Europe's problem is not the number of start-ups, but the small fraction of them that manages to grow to a substantial size. Therefore, scaling-up of new high-tech businesses deserves specific policy attention. Within the EU, the fragmentation of the European market and the large differences between Member States in terms of cost of capital, regulatory framework for and cost of starting a new business, to name just a few, all create regulatory uncertainty for investors and block economies of scale.

In a global comparison, EU's competitors such as the US provide significantly more access to venture capital, spend more in terms of public procurement of innovation and their population is more eager to take risks and compete. The combined effect of these findings lead to a situation where today, a firm in other markets has good reasons to expect a much higher return on its R&D investments than a company in Europe.

2. Do you agree that there are gaps in current EU support (e.g. Horizon 2020, European Structural and Investment Funds) for disruptive, market-creating innovation and for scaling up of new businesses?

Although with so many scattered funding activities it is difficult to judge whether gaps exist, it is very likely that more EU support is needed for disruptive, market-creating innovation and for scaling up of new businesses without immediate ex-ante regulations or guidelines. Mainly support (e.g. funds, advice and mentorship) for innovative start-ups and scale ups is needed. However, it is important that any new structure avoids overlaps with the different existing instruments and organisations at EU level. The "Access to Finance"¹ network of European, national, regional and local intermediaries is providing access to EU funding under various programmes, e.g. InnovFin, ESIF, EFSI, EIB, EIF, COSME. DG RTD should also follow closely the initiative by DG GROW for start-ups under the Single Market Strategy, as well as Start-Up Europe by DG CNECT, in order to avoid replication of activities. Furthermore, the European Commission should keep in mind that the "valley of death"

1 <http://europa.eu/youreurope/business/funding-grants/access-to-finance/>

exists for a reason. An EIC should not keep on supporting businesses or ideas that are not viable in the long-term, thus creating distortion in the marketplace.

3. How could a European Innovation Council simplify access to EU innovation support?

The EIC should first of all reinforce the existing relevant instruments instead of creating new programmes. The European Institute of Innovation and Technology (EIT) and its Knowledge and Innovation Communities (KICs) are already providing innovation support. Industry is not convinced that setting up yet another European instrument or body is really useful. The EIC should especially avoid adding another governance layer that interferes with the operations of other programmes. It should not hamper public-private collaboration of universities and research institutes with large companies and SMEs along the innovation value chain by separating access to EU innovation support from access to EU research support. For example, a rigorous split between research and innovation on the basis of Technology Readiness Levels (TRL) would be counterproductive.

Mainly small innovative SME start-ups need strategic advice and start-up initiatives can be supported by larger industrial companies active in related technology areas. Thus, the EIC should focus on facilitating access to existing instruments and websites. It could arrange for an easily accessible website, a help desk and on-line support to guide interested parties to all existing instruments relevant for innovation, such as EIT, EIPs, cPPPs, JTIs, FTI, PCP, PPI and the SME instrument and the regular Innovation Actions (IA) and Research & Innovation Actions (RIA) in Horizon 2020, as well as the financing instruments of InnovFin, ESIF, EFSI, EIB, EIF and COSME.

4. How could a European Innovation Council fill in gaps in EU innovation support?

The EIC could facilitate access to - or set up new - Innovation Hubs for specific focus technology areas (especially for SMEs and start-ups). They can facilitate access to test infrastructure, to information, help to get support (e.g. for funding) and access to standardisation organisations. In addition, they could help to establish efficient processes for R&D projects – as many SMEs cannot go into long-duration R&D projects (like e.g. Horizon 2020) due to a lack of resources - despite the SME H2020 instrument.

Parts of the relevant budgets in Horizon 2020 could be earmarked for radical innovation. Here, also existing synergies with the (related) EIT KICs should be used, as well as with activities by other DGs of the European Commission, for example the initiative on Digitising European Industry.

Another possibility could be the establishment of privately managed Funds-of-Funds with public co-funding (e.g. from EFSI), following the recommendations of the former European Research Area Board (ERAB)² regarding access to venture capital.

5. What sort of strategic advice could a European Innovation Council provide, and to whom?

In our view, this option would add the most value to the existing innovation landscape. Concretely, a European Innovation Council should provide advice to the European Commission, in particular the Commissioner for Research, Science and Innovation. It should act as the champion for and voice of innovation.

² http://ec.europa.eu/research/erab/pdf/erab-view-on-venture-capital_en.pdf

https://ec.europa.eu/research/erab/pdf/erab-recommendations-on-venture-capital_en.pdf

In order to ensure general framework conditions conducive to innovation, a European Innovation Council should advocate for:

1. the creation of a truly Digital Single Market enabling economies of scale and thus unlocking investment in innovation and enhancing Europe's competitiveness. It should avoid premature ex-ante regulation in a fast changing, digitising world and support risk taking entrepreneurship. The EIC should pay special attention to demand-side measures: regulation, standardisation, as well as public procurement of innovative solutions (implementing the ERAB recommendations³).
2. an 'Innovation Principle' in the EU legislative process to complement the precautionary principle, so that the potential impact on innovation for any policy proposal is properly analysed and addressed. DIGITALEUROPE defines the principle in simple terms - whenever a policy or regulatory decision is under consideration, the impact on innovation should be fully assessed. Such an approach would boost investor confidence and significantly contribute to economic growth and job creation in Europe. The EIC would oversee the implementation of and adherence to the Principle (as outlined in the joint statement of BUSINESSEUROPE, the European Risk Forum (ERF) and the European Round Table of Industrialists (ERT)⁴).
3. the full implementation of the 34 measures foreseen in the Innovation Union⁵ as well as the recommendations from the Pact for Innovation (INPACT)⁶, in order to pursue an integrated approach to research and innovation and the right framework for its promotion. Here, also the work of the Open Innovation Strategy and Policy Group (OISPG) should be considered.
4. increased industry participation in Horizon 2020 and the tailoring of some specific Horizon 2020 obligations that are currently mainly geared towards research to the particular possibilities and needs of actors in innovation, e.g.
 - Monitoring the participation of the business sector (including SMEs) in Horizon 2020 as a yardstick for its focus on innovation.
 - The European Charter for Researchers and the Code of Conduct for their Recruitment: the full adherence to all provisions of the charter and code is unworkable for industry and could create a barrier for the participation of innovative SMEs in the programme⁷.
 - The European Code of Conduct for Research Integrity: the prescribed academic freedom, independence and right to communicate freely are not appropriate in innovation. Furthermore, many companies already have their own business integrity codes.
 - Open Access to Research Data: see the recent comments by DIGITALEUROPE for more details on the topic⁸.

3 https://ec.europa.eu/research/erab/pdf/erab-view-on-procurement_en.pdf

4 <https://www.buinesseuropa.eu/sites/buseur/files/media/imported/2015-00536-E.pdf>

5 http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/files/ius-2015_en.pdf

6 http://www.knowledge4innovation.eu/sites/default/files/Pact_for_Innovation.pdf

7 <https://www.buinesseuropa.eu/sites/buseur/files/media/imported/2012-00211-E.pdf>

8 http://www.digitaleurope.org/DesktopModules/Bring2mind/DMX/Download.aspx?Command=Core_Download&EntryId=2140&PortalId=0&TabId=353

--

For more information please contact:
Annika Eberstein, DIGITALEUROPE's Policy Officer
+32 2 609 53 36 or annika.eberstein@digitaleurope.org

ABOUT DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies.

DIGITALEUROPE ensures industry participation in the development and implementation of EU policies. DIGITALEUROPE's members include 60 corporate members and 37 national trade associations from across Europe. Our website provides further information on our recent news and activities: <http://www.digitaleurope.org>

DIGITALEUROPE MEMBERSHIP

Corporate Members

Airbus, AMD, Apple, BlackBerry, Bose, Brother, CA Technologies, Canon, Cisco, Dell, Epson, Ericsson, Fujitsu, Google, Hewlett Packard Enterprise, Hitachi, HP Inc., Huawei, IBM, Ingram Micro, Intel, iQor, JVC Kenwood Group, Konica Minolta, Kyocera, Lenovo, Lexmark, LG Electronics, Loewe, Microsoft, Mitsubishi Electric Europe, Motorola Solutions, NEC, Nokia, Nvidia Ltd., Océ, Oki, Oracle, Panasonic Europe, Philips, Pioneer, Qualcomm, Ricoh Europe PLC, Samsung, SAP, SAS, Schneider Electric IT Corporation, Sharp Electronics, Siemens, Sony, Swatch Group, Technicolor, Texas Instruments, Toshiba, TP Vision, VMware, Western Digital, Xerox, Zebra Technologies, ZTE Corporation.

National Trade Associations

Austria: IOÖ	Germany: BITKOM, ZVEI	Slovakia: ITAS
Belarus: INFOPARK	Greece: SEPE	Slovenia: GZS
Belgium: AGORIA	Hungary: IVSZ	Spain: AMETIC
Bulgaria: BAIT	Ireland: ICT IRELAND	Sweden: Foreningen Teknikföretagen i Sverige,
Cyprus: CITEA	Italy: ANITEC	IT&Telekomföretagen
Denmark: DI Digital, IT-BRANCHEN	Lithuania: INFOBALT	Switzerland: SWICO
Estonia: ITL	Netherlands: Nederland ICT, FIAR	Turkey: Digital Turkey Platform, ECID
Finland: FFTI	Poland: KIGEIT, PIIT, ZIPSEE	Ukraine: IT UKRAINE
France: AFNUM, Force Numérique, Tech in France	Portugal: AGEFE	United Kingdom: techUK
	Romania: ANIS, APDETIC	