

July 2005

**PROPOSAL FOR A SEVENTH EU FRAMEWORK PROGRAMME  
FOR RESEARCH, TECHNOLOGICAL DEVELOPMENT AND  
DEMONSTRATION (FP7) - 2007 TO 2013 (DOC. COM 2005-119 FINAL)**

**UNICE COMMENTS**

**Executive Summary**

The strategic objectives of the Lisbon agenda highlight the importance of research and development as one of the key drivers of prosperity and growth in Europe.

We are pleased with the focus on the competitiveness of industry provided in the section of the proposal on "cooperation", the correct implementation of which could quite possibly reverse the documented decline in industrial participation.

This framework programme proposal stresses the central role of research, development and innovation in ensuring the competitiveness of Europe's economy. This central role should be reflected in budget allocations regardless of the current debate about who should pay what.

Should the proposed doubling of the budget not come to pass (which would imply that Europe is not interested in investing in its future but in its past) then it is our view that a reassessment of the FP7 proposals will be necessary especially in view of the proposed new instrument, the European Research Council (ERC). The ERC can only be considered a viable proposition if overall funding to European research and innovation programmes is doubled.

It is also true that simply increasing the budget, without addressing present failings in the system is not and will not be enough. Doubling of the budget must be undertaken in parallel with greater simplification of the rules.

European Technology Platforms/and Joint Technology Initiatives are important because they represent practical measures for research in areas of importance to Europe's economy and society which all stakeholders (including academia) are involved in.

We believe that FP7 needs to address both the appeal of Europe as a place of science for students, researchers and scientists both from within and from outside Europe and the increased difficulty in retaining such people in Europe.

European business supports the initiative in FP7 which provides proposals to improve and optimise the use and development of the best research infrastructures in Europe by extending access rights to include more applied/industry driven research.

FP7 and the proposed Competitiveness and Innovation Programme (CIP) must be complementary (not contradictory or competitive) to one another. If any concern exists regarding the proposals for SMEs it is that the support which SMEs require on the research, development and innovation side might be somewhat diluted by the proposed separate CIP.

## I. GENERAL COMMENTS ON THE PROPOSAL

### 1. Context of the Proposal / Lisbon strategy

In all of UNICE's reflections on FP7 in the lead up to the Commission's adoption of its proposals on the 6<sup>th</sup> of April, UNICE has based its positions on Article 163, paragraph 1 of the EC Treaties which states that the primary aim of European research and innovation policy should according to its legal basis "...have the **objective of strengthening the scientific and technological bases of Community industry** and encouraging it to become more competitive at international level, while promoting all the research activities deemed necessary by virtue of other chapters of this Treaty."

"Reinvigorating" the Lisbon agenda is a key goal of the EU and the European Commission for the coming years. This implies, as a first priority, the **full realisation of the knowledge society**. In the same direction, the strategic objectives of the Commission highlight the importance of research and development as one of the key drivers of prosperity and growth in Europe. With this in mind, UNICE in general views the FP7 proposals as **representing an important step towards making research and development a responsible contributor to the competitiveness of Europe** and is pleased to note that the Commission sees the programme as "an integral part of the EU efforts towards the knowledge economy and society in Europe together with other specific endeavours on education, training and innovation"<sup>1</sup>.

In particular we are pleased with the **focus on the competitiveness of industry** provided in the section of the proposal on "cooperation", the correct implementation of which could quite possibly reverse the documented decline in industrial participation in the Sixth Framework Programme (FP6). Industry, both **large companies and SMEs, are catalysts for innovation** and it is our hope that the new framework programme will result in renewed emphasis on stimulating research and innovation within industry itself.

We also believe that FP7 can only make a positive contribution towards implementing the EU's Lisbon strategy if it **stimulates the transition of research to commercially viable products and services**. This can only be achieved if synergies between "frontier" and "applied" research are forthcoming. Promoting such synergy must be a key objective of the proposed European Research Council (ERC).

### 2. Budgetary implications

In order to achieve what FP7 is intended to achieve UNICE supports the call by the Commission for **increasing the means to be devoted to promoting research and development at the EU level**. However, as we have repeated often **increased budget must go hand in hand with the overriding goal of increasing efficiency and the effectiveness of the framework programme** (and thereby competitiveness), via in our view a simplification of the procedures and bureaucracy associated with the framework programme in the past.

Given that the proposed FP7 is both broader and for a longer time period (seven instead of five years) UNICE believes that **these figures represent a step forward** at the European level. However, it must be clear that just because the EU's budget for research, development and innovation has increased, **national and regional budgets should also increase** (and not decrease as some might argue).

It is also true that Europe can contribute more towards achieving the Barcelona target of 3% of GDP spent on research, development and innovation if framework conditions are encouraging of private investment and if, in addition to that, public money is used to maximise leverage for

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<sup>1</sup> Proposal for a decision... concerning the seventh framework programme... for research, technological development and demonstrative action – COM (2005) 119 final, European Commission, Brussels, 6<sup>th</sup> April, page 56, Section 5 (5.1).

private investment. Industry is more than willing to involve itself in funding research, development and innovation in Europe, if conditions are right.

We are assuming that the financial means to realise this proposed doubling of the EU's research, development and innovation budget will be forthcoming. We are pleased to see the priority and importance given to the budget for research, development and innovation in the European Parliament. **Industry concurs with the backing that the Locatelli report<sup>2</sup> gave to calls for an increase in budget allocations prior to the April 6<sup>th</sup> launch of the Commission's proposal. We also welcome the conclusions of the Budget Committee's report<sup>3</sup> which fully support the Commission's budgetary suggestions for FP7.**

We are very aware that at the end of the day the final decision on this lies in the hands of Europe's Finance Ministers rather than those with responsibility for research, development and innovation matters. We hope that narrow national interest will not harmfully effect what has been proposed for the framework programme budget.

This framework programme proposal stresses the **central role of research, development and innovation in ensuring the competitiveness of Europe's economy**. This central role should be reflected in budget allocations regardless of the current ongoing debate about who should pay what into the EU's budget. In particular, **we would see it as an abhorrence if funding earmarked to improve the competitiveness of Europe** (including its research, development and innovation capacities) **were cut while the allocation to agriculture remains relatively untouched**. This would do nothing to improve Europe's competitiveness and development and would imply that Europe is not investing in its future but in its past. Cutting budgetary allocations now in areas that appear to be the least painful will hamstring European efforts to improve its competitiveness the results of which will be paid back with interest five, 10 and 15 plus years from now.

**Should the proposed doubling of the budget not come to pass**, then it is our view that **a reassessment of the FP7 proposals currently on the table will be necessary** because some of its proposals and in particular those for the ERC are dependent on new funds being allocated (and not on existing allocated funds being re-allocated).

As a side issue we must state that irrespective of whether the proposed doubling of the budget is forthcoming or not, European business firmly believes that the percentage of current total budget (at both national and European levels) spent on research, development and innovation should and needs to be much higher than it currently is.

### **3. Simplifications**

Following this train of thought and with a view towards addressing the failings that currently exist in FP6, it is also our (oft repeated) view that **simply increasing the budget, without addressing present failings in the system, is not and will not be enough**. To maximise the potential benefits of FP7, **the failings that exist in its predecessor must be addressed**. This means amongst other things that procedures must be simplified and bureaucracy must be reduced as recommended in the Marimon and Ormala reports. In practical terms this means, for example:

- ❑ Collaborative projects and networks of excellence should be made **more flexible and easier to get off the ground**. They currently take up to 12 months to establish;
- ❑ **Consortia agreements** which currently pose problems for industry **must be reassessed**. Some appreciation should be shown that discussions need to take place before agreements are signed. A form of model contract ( e.g. a sort of 'Euro-

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<sup>2</sup> Report on Science and Technology - Guidelines for future European Union policy to support research (A6-0046/2005 Final), Rapporteur: Pia Elda Locatelli, European Parliament Committee on Industry, Research and Energy, 28<sup>th</sup> February 2005

<sup>3</sup> European Parliament resolution on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013 Rapporteur: Reimer Böge, Committee on Budgets.

- Lambert<sup>4</sup> agreement' perhaps) might serve to ease the difficulties faced by businesses working in consortia;
- It is also true that in FP6 critical mass has been confused with size of consortia. **Critical mass should** not be about quantity (of participation) rather it should **be about the quality of the output**. Smaller consortia must be allowed even if this means that some might not succeed with their proposal;
  - Introduction of the concept of **"acquisition costs"** for the applicant (i.e. the costs for a company or organisation for actually acquiring a grant for a proposal) would offer a barometer to measure the amount of red tape and of "lottery" elements present in the application procedures. This managerial tool would be helpful in allowing the Commission to measure the results delivered by red tape reducing policies;
  - In addition to this it would be helpful to establish a type of constant **monitoring system** for new or additional red tape, intentional or unintentional, analysing red tape effects from new or existing measures, including unwanted by-products from measures aiming to reduce red tape (e.g. because a reduction of red tape might increase legal uncertainty and hence the number of legal battles);
  - Consider the introduction of a **'1 on 1' cooperation funding instrument** which would allow for a company to engage in cooperation with another company or research institute under the condition that they are based in two or more different countries.

The two-step application procedure as suggested by some has some merit and warrants further study; however it should only be seriously considered if it does not increase the already too long timescales that exists for the realisation of proposals.

We believe that the proposals outlined<sup>5</sup> represent a significant step towards addressing these and other issues yet **actions speak louder than words**. How these proposals for simplifying the procedures are enacted and function, will be the real judgement and test of their worth. This is particularly true when we consider the continued existence of the so-called **'European paradox'** whereby the quality and quantity of European public research is by and large excellent, however the results of this research are not making the transition from research to commercially viable products and services. Therefore while pleased with these first steps towards greater simplification, **they are nevertheless only first steps**. We would like to know **what are the next concrete steps** that the Commission proposes to introduce greater simplification and how do we (the European Institutions, Member States, Academia and business) ensure that they work?

The rules of participation have to become more user-friendly. Information requests and control measures have to make sense in relation and in proportion to their purpose, and procedures must be as simple as possible.

#### **4. Intellectual Property Rights (IPR)**

**FP7 must allow for adequate protection of Intellectual Property.** Real and genuine cooperation will be a non-starter if this issue is not dealt with properly. To allow High Tech firms to effectively participate in FP7, to stimulate innovation in Europe and to ensure the attractiveness of its business climate, it will be crucial to preserve the patentability of inventions (including those inventions enabled by software).

The large scale projects in the current programme create difficulties regarding IPR. The general principles laid down in the model contract, Annex II, states that *"The Commission may object to the granting of access rights to third parties, in particular to those not established in a Member State or an Associated State, if such grant is not in accordance with the interests of developing the competitiveness of the dynamic knowledge-based European economy, or is inconsistent with ethical principles"*<sup>6</sup>.

<sup>4</sup> For more information on the Lambert model contracts: [www.dti.gov.uk/lambertagreements](http://www.dti.gov.uk/lambertagreements)

<sup>5</sup> Building the ERA of knowledge for growth – COM (2005) 188 Final, European Commission, 6<sup>th</sup> April.

<sup>6</sup> Decision C (2003)3834 dated 23.10.03, section II.35, page 34.

**Issues such as these impede industries participation in the framework programme** because they creates uncertainty among the industry participants in those cases where the research shows commercial potential, but cannot be properly exploited and must be overcome if FP7 is to encourage more business participation.

The issue of **pre-existing know-how** also needs to be properly dealt with. It is currently impossible for larger companies with a broad knowledge base to describe all pre-existing know-how in advance. Solutions are needed which prevent the unwanted transfer of non-described pre-existing knowledge.

A problem also exists under the current rules with regards to **affiliated companies** within one corporation. It is that affiliated companies cannot freely exchange knowledge generated under the framework programmes within their corporations. For example, given that it is impossible to predict how knowledge generated will be used, having to mention (as the rules currently require) future users means that multinational companies whose structures change frequently are not able to fully benefit from the framework programme. Dissemination and preservation activities should be allowed unconditionally under the new participation rules and future standard contract articles of FP7.

## 5. Final general considerations

**There must also be real coordination and connection between all four FP7 headings** (Cooperation, Ideas, People and Capacities). It might appear obvious that these four headings interlinked in many ways however this cannot be taken for granted. Effort and energy will be required to be spent if the different parts of FP7 are not to end up doing their own thing independent of each other.

As an overall policy objective and given the huge amounts of funding being proposed for it, FP7 needs to also reinforce and strengthen national and regional research, development and innovation efforts as much as it seeks to continue the building of the European Research Area. **This framework programme should not be seen as separate from national and regional programmes** aimed at fostering and improving our capacity at research, development and innovation. It is complementary and aimed at supporting and reinforcing national and regional efforts and must be understood as such (especially by those controlling the purse strings). It is only through interconnected, mutually supportive European, regional and national efforts to improve Europe's capacity for research that real progress will be made.

## II. SPECIFIC COMMENTS ON THE CONTENT OF THE PROPOSAL

### 1. Cooperation programme

It has been European business' stated view that Joint Technology Initiatives (JTIs) and European Technology Platforms (ETPs) will contribute to European competitiveness if they are adequately funded and put together with proper operational and management structures including financial regulations.

We are encouraged to see that the potential value of the ETPs has been acknowledged. In particular **we are encouraged to see that the FP7 proposal on the table implies that the work programme of the framework programme will be strongly influenced by the agendas of the ETPs**<sup>7</sup>. ETPs are important because they represent practical measures/assistance for

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<sup>7</sup> 'in the case of subjects of industrial relevance in particular, the topics [in FP7] have been identified relying, among other sources, on the work of different "European Technology Platforms" set up in fields where Europe's competitiveness, economic growth and welfare depend on important research and technological progress in the medium to long term'. Proposal for a decision... concerning the seventh framework programme... for research,

research in areas of importance to European society which all stakeholders (including academia) are involved in. We therefore believe that as the FP7 proposals suggest, the work programme of FP7 should actually reflect the “*research agendas established by European Technology Platforms, such as [for example] the one on innovative medicines*”<sup>8</sup>.

**ETPs and JTIs can provide valuable input to the work programmes of FP7** and help align fragmented R&D efforts at Community, intergovernmental (e.g. EUREKA), national and regional levels within the European Research Area (ERA). To further create critical mass, synergy and added value, we also recommended that national research, development and innovation programmes/initiatives be aligned with the relevant ETPs (e.g. ERA-nets between the National Research Councils such as NWO (Nederlandse Organisatie voor Wetenschappelijk Onderzoek) can thus be tuned with the appropriate ETPs).

It is also our view that in light of rapid developments in other regions of the world the Commission is right in proposing a further opening-up of FP7 for international cooperation with non-EU R&D actors, rather than build a “fortress Europe”.

## **2. Ideas programme**

European business in principle supports the idea of the creation of a European Research Council (ERC) and we would like to **emphasise the role of research in business and industry in Europe in particular should not being underestimated or overlooked**. Large firms, SMEs, universities and research institutes need to work together, not apart from one another. Too strict segregation between dedicated actions in FP7 for academia, large industry and SMEs should be avoided at all costs.

The proposed European Research Council (ERC) could prove to be a valuable contribution to Europe’s competitiveness and innovation capacity if it also **focuses on and facilitates research in the broad areas where European society and the world face significant challenges** (e.g. environment, health, energy).

We strongly believe that identification of the specifics of these challenges can best be achieved if the Governing Board of the ERC includes representatives from the industrial research sector of persons who have had experience working in or with European business.

The ERC will focus its attention on frontier research. We acknowledge the importance which this has in the whole research/innovation process. However the overall ambition of the ERC must be to come to a research/innovation system that contributes more effectively to economic competitiveness (the renewed Lisbon strategy); that informs and leads social values and mores; and that is more attractive to the world’s top talent. This will require the ERC and its supervisory board to bear in mind and consider in all of its undertakings the implications of and for knowledge transfer. Europe cannot afford that a division develops between research and application and it should be one of the ERC’s unwritten rules to foster and develop improvement of the mechanisms for both knowledge transfer and future application.

The ERC can only be considered a viable proposition if overall funding to European research and innovation programmes is doubled. Should this not come to pass the ERC should not be funded at the expense of existing industrial oriented research programmes (i.e. collaborative research). This would be a retrograde step for research, development and innovation in Europe, not a positive one as the ERC is intended to be.

## **3. People programme**

A serious concern which we have previously stated is that **FP7 needs to address both the appeal of Europe as a place of science for students, researchers and scientists** both from

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technological development and demonstrative action – COM (2005) 119 final, European Commission, Brussels, 6<sup>th</sup> April, page 13.

<sup>8</sup> *Ibid.*, page 17.

within and from outside Europe **and the increased difficulty in retaining such people in Europe**. The Marie Curie Programme is an obvious example of how a valuable contribution can be made in this regard. However even it has its faults and these need to be addressed in FP7 if it is to continue to contribute towards improving Europe's capacity for research, development and innovation as was originally envisaged.

The most popular fellowship scheme from a business point of view (in particular with larger companies) was the Marie Curie Industrial Host Fellowship where the research agenda for the fellows was led by the company and many host fellows were ultimately employed in the companies where their fellowship was based. Despite a significant increase in funding for Marie Curie Fellowships in FP6, this scheme was discontinued and options for companies to attract and retain research fellows have thus reduced considerably. Industry would like the key characteristics of this host fellowship to be taken over in the Marie Curie Networks, industry-academia pathways and partnerships proposed for FP7.

It is also not really assured that these FP7 'People' proposals will result in further business engagement in Marie Curie actions. In FP7 we believe that fellowship schemes based around the needs of industrial users should form the core of activity.

While positive about these new Marie Curie proposals we believe that schemes which provide industrial training and experience to young academic researchers and which do not restrict subsequent movement from academia into industry should be prioritised. Schemes should be made available to permit senior industrial researchers to experience research in leading-edge academic departments to encourage the two-way flow of knowledge between academia and industry across Europe. FP7 and other programmes should be more pro-active in encouraging mobility in particular between public and private research institutes. It is not unreasonable to wonder should the onus not be on the actual programme itself to seek out and encourage students, researchers and scientists to be more mobile rather than the other way around as currently stands.

#### **4. Capacities programme**

FP7 includes proposals to improve and optimise the use and development of the best research infrastructures in Europe, with a view to ensuring that the European Scientific Community remains at the forefront of the advancement of research and to help industry to strengthen its base of knowledge and technological know-how. European business supports this initiative. We believe **it would be a positive step to open all research infrastructures** such as large research testing facilities (e.g. accelerators, telescopes, grids, wind tunnels, human machine interaction laboratories for user acceptance etc.) to more applied/industry driven research.

While appreciative of the need to improve the situation for SMEs in FP7 (and we do appreciate and fully support the proposals), we are also of the opinion that equal effort (to that proposed for SMEs) must be made to assist larger industry. In their slipstream, many SMEs flourish thanks to the move towards open innovation and co-makership models, with complementary roles for large and small firms. It is necessary to reinforce instruments dedicated to SME's and to make sure that the requirements for simplification are prioritised as it is the excess bureaucracy which hurts SMEs the most.

For innovation to happen, large firms, SMEs, universities and research institutes will need to work together not apart. Therefore a too strict segregation between dedicated actions in FP7 for academia, large industry and SMEs should be avoided. As industry is a key actor in innovation, it is crucial to turn around its declining participation in successive Framework Programmes.

### **III. OTHER ISSUES: COMPETITIVENESS & INNOVATION PROGRAMME**

**The CIP** proposal states that it [the CIP] **should be complementary to the Community framework programme for research and technological development.** How exactly is this to happen? UNICE is of the strong opinion that the co-existence of the CIP and the FP7 must not lead to a total separation between Commission activities in the area of “innovation” and in R&D. These two separate programmes must be complementary (not contradictory or competitive) to one another. We strongly believe that a fragmented approach to research, development and innovation must be avoided at all costs.

Moving certain innovation-related activities of previous framework programmes into the remit of the CIP must not lead to the over-emphasising frontier research in the FP7 to the detriment of applied research.

#### **IV. CONCLUSION: HOPES FOR AND REALITIES OF FP7**

FP6, when it was first outlined had much that was positive and encouraging and the research and industry communities had high hopes for it.

**The reality of FP6 proved to be quite different.** It is a stated fact that industrial participation in the FP6 has declined rather than increased. This is due to a variety of reasons but the fact remains and the findings of the independent panel chaired by Professor Ramon Marimon confirms this (a confirmation which European business fully supports).

Given the inconsistency between what was proposed for FP6 and what eventually came into being, we hope that our (and others) expectations for FP7 will, unlike with FP6, match the reality.

European business believes that while the **FP7/CIP proposals are an important step forward, what will in the long run count for more** (as we have seen repeatedly in FP5 and FP6) **is how the proposals are implemented.**

The European Institutions and Member State Governments have a responsibility to make sure that what is decided upon and written down at the highest level is what is implemented at the lowest work level. We (European Institutions, Member States' and all stakeholders) need to make a reality of the ideal outlined in these FP7 proposals.

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