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On behalf of BUSINESSEUROPE

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Dear members of the European Parliament, dear colleagues,

It is a pleasure to be here this morning on behalf of BUSINESSEUROPE, the main horizontal business organisation at EU level, representing 20 million companies from 35 countries through its 41 member federations.

I would like to especially thank Mr. Ehler for hosting this event and giving us the opportunity to share the views of the business community.

Horizon 2020 will be essential to ensure a rapid recovery and strengthen the European economy through R&I, while at the same time addressing the major societal challenges that Europe is facing.

For this reason, BUSINESSEUROPE has welcomed this package of proposals as it includes many positive developments that should make the EU R&I policy more effective in speeding up market uptake of innovation.

The structure of Horizon 2020 introduces a much needed streamlining of the EU R&I funding programmes. However, it is important to clarify how the three strategic objectives identified by Horizon 2020 – excellent science, industrial leadership and societal challenges – will be coordinated.

The increase in **funding proposed** for Horizon 2020, from 55€bn for the current period to €80bn over the next one, is a necessary commitment to translate political priorities into reality, but it is also the minimum required to continue the 2013 level of activities in FP7, the CIP and the EIT.

This budget must be forcefully defended during the Multiannual Financial Framework negotiations. BUSINESSEUROPE counts on your support.

The **proper implementation of Horizon 2020** will be key for its success. In this respect, some **guiding principles** should be respected:

- financing should be allocated on the basis of scientific excellence in research and potential to deliver concrete results in innovation;



- the relationships between the Commission and stakeholders should follow a trust-based approach in order to make procedures as simple and quick as possible while ensuring compliance with the rules;
- the bureaucratic burden of procedures should be reduced to facilitate participation of industry, in particular SMEs;
- more flexibility is needed to adapt Horizon 2020 priorities and actions to the evolving nature of science, technology, society and markets, also at the level of ongoing projects, so as to retain their industrial relevance.

Moving to **industrial leadership**, let me stress that European business is highly committed to R&I and to bring new solutions to the market.

Business participation is therefore crucial and needs to be closely monitored. Whereas large and small companies together perform well over 60% of all R&D in Europe, private sector participation in the research framework programmes has been **declining steadily**.

In terms of funding, industry participation passed from 43% in FP4, to 29% in FP6 and 31% so far in FP7.

Reversing this trend and attracting more industry to the EU funded R&I projects must be a priority. A key factor in this respect will be **continuing the simplification** of the procedures. The complexity and the costs associated with participation to EU R&I programmes are probably the factors that most impede participation from companies.

The stronger **focus on innovation** of Horizon 2020 is a very positive development. EU institutions should ensure that activities eligible for funding will also include demonstration projects, large-scale trials, pilots, test beds, proof of concept and measures to stimulate market uptake. These activities to bridge the gap between research and market deployment of new products and services must be supported with substantial funding.

Business involvement will also continue through **European Technology Platforms**. These allow for an industry-led holistic approach to innovation, based on a shared vision of all stakeholders.

The five existing **Joint Technology Initiatives** (JTIs) have pioneered a novel approach in industry-driven **Public-Private Partnerships** (PPPs). However, the bureaucracy, complexity and rigidity of the current Joint Undertakings set up to implement the JTIs is one of the key problems to be addressed. In this respect, the proposed contractual PPPs are an interesting, lean and mean alternative.

In line with past experience, PPPs focused on R&I activities should not aim at raising up-front cash funding from companies thereby discouraging their participation. In-kind contribution of companies, especially through the cooperation of their R&I staff with researchers from partner organizations, brings added value to the work of PPPs and must be the preferred option.



Uncertainty regarding the **interaction of state aid guidelines with Horizon 2020 rules is a concern for industry**. The Commission's proposal suggests that funding provided by Horizon 2020 should be designed in accordance with State aid rules. These rules, which are currently under revision, could set maximum funding rates at a lower level than foreseen in Horizon 2020, exclude the eligibility for reimbursement of certain costs, or rule out certain IP arrangements allowed by the Rules for Participation. State aid rules are specifically designed for Member States and their application to EU actions will lead to an unclear situation. Instead, it would be better if the Horizon 2020 proposals were to clearly indicate which boundary conditions will apply.

The renewed attention of Horizon 2020 for **SMEs is welcome**. The proposed SME instrument to provide simplified support throughout the innovation cycle is a good step forward, but its functioning and its implications for SME participation in regular collaborative projects need to be clarified.

With regard to Intellectual Property Rights (**IPRs**), the proposed Rules for Participation contain some substantial barriers for the efficient exploitation of the project results. Let me give some examples:

- The provision allowing **access rights** only to **affiliated entities** in the EU and Associated Countries is unduly restrictive. This limitation would actually hinder exploitation of results of Horizon 2020 projects in the case where components necessary for such exploitation are only available outside of Europe.
- As another example, possible interference of the Commission with **transfers of ownership or grants of exclusive licences to third parties** outside Europe would significantly limit companies' rights to sell patents and therefore the value of patents generated from EU funded projects would decrease.

Such territorial restrictions on access rights, transfer of ownership and licensing of results are incompatible with the way European companies operating in a global environment are organized and do business. These provisions would discourage the participation of global enterprises to Horizon 2020 and limit opportunities for EU based companies to co-innovate with partners elsewhere. As a result, employment creation in Europe could also be negatively affected.

The EU must aim at strengthening the competitiveness of its enterprises and realizing their full innovation potential also through the promotion of a globally competitive IP policy. We call on the European Parliament to implement this in the right way, ensuring that the EU remains an open economy in a globalising world and continues to advocate free trade.

I thank you for your attention