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“DIGITAL TRANSFORMATION OF INDUSTRY”

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INFORMAL COMPETITIVENESS COUNCIL, NATIONAL LIBRARY OF LATVIA

27 MARCH 2015, 9.00 TO 10.40

REQUIRED SPEECH LENGTH: 3 TO 5 MINUTES

Ladies and Gentlemen, Ministers, Commissioners,

I am very glad to be here today and I would like to thank the Latvian Presidency for the kind invitation to speak about such an important topic in this historical beautiful building.

Digital is a paradigm changer for the whole global economy and will have a huge impact on EU competitiveness.

As for the single market, a fully working digital single market will allow businesses to increase scale and target more consumers. At the same time, consumers will access the most attractive opportunities at the lowest price. There will be improved access to information and lower transactions costs.

But to achieve a EU digital single market, we must coordinate our efforts at EU level.

- Digital is also transforming European industry. A fourth industrial revolution is taking place, cross-linking industrial automation with IT applications over the internet. This makes industrial value chains shorter and more vertically integrated than in the past.
- By connecting machines to each other, it is possible to create intelligent networks along the entire value chain. This will help deliver efficiencies to EU industry and services. **By 2025, Europe could see its manufacturing industry add a gross value worth 1.25 trillion euros.**



- But if we fail to turn the digital transformation to its own advantage, the potential losses can be up to 600 billion euros by 2025 –this would be like losing over 10 percent of Europe’s industrial base.
- **If we cannot leverage the potential of digital revolution, the EU's stated aim of increasing manufacturing's share of European GDP to 20 percent by 2020 will be simply out of reach.**
- Digital is mainly seen as a cost-cutting and efficiency asset for companies. But there is much more than that. Digital gives to companies the possibility to shorten time-to-market, increase flexibility and product customisation and ultimately achieve higher sales, of both existing and new products.
- There are striking examples of how digital is disrupting value chains. Let’s take the tyres business. Companies such as Michelin are moving from selling a product to selling their expertise via solution contracts, taking care of all tyre-related issues at a fixed cost. They perform analysis of data and consumption patterns of the tires. This helps customers to understand their costs better with monthly reporting and ensures they have the right tyres for efficient fuel consumption and a lower carbon footprint.
- Yet, Europeans will have to catch up in the digital economy if they want to fully grasp the potential of the fourth industrial revolution. You probably know that only eight of the world’s top 100 high-tech companies have their headquarters in Europe and generate only a tenth of the industry’s global revenues.
- Industrial IT is an area where Europe is strong and can become even stronger. The policy decisions that will be taken in the coming months will need to ensure that Europe maintains its competitive edge vis-à-vis its competitors.
- Many of the key issues already addressed in the excellent discussion paper prepared by the Presidency. In the few minutes I have, I will focus on a couple of crucial points.
 1. **We have to make sure that our regulatory framework, in particular concerning the collection and use of data, is able to fuel the servicification process that will bring growth in Europe.**

Europe must reconsider its risk-opportunity balance and follow the innovation principle in the digital economy. For instance, the European approach to regulating the processing of data is strongly aimed at



containing all potential risks that are involved with this kind of activity. This does not sufficiently reflect the need of a better flow of data which is a prerequisite for the success of some recent key innovations, such as mass customisation and digital simulation in car-making.

2. A **robust infrastructure** is the backbone of the digital economy and a fundamental prerequisite to EU industry's digitalisation.
 3. It is essential that Europe invests sufficiently on the development of the necessary **skills** to enable this digital revolution. The growing demand for highly specialised skills, such as Big Data analysts, as well as cybersecurity and cloud-computing specialists, is also recognised in the Presidency's paper. Europe must also focus on **research, development and innovation**, especially in the areas where we can face global challenges and regain our leadership on the digital global marketplace – such as the development of 5G networks.
 4. **Standards** will be another key element for digitalisation of European industry, as pointed out by the Presidency too. European standards must remain voluntary and their development must be inclusive of all stakeholders to ensure market relevance. International standards must be taken into account when developing European standards. In this context, we could also further promote coordinated European efforts involving interactions with other regions, such as Asia or the US, to create synergies and allow everybody to win in this exercise.
- Let me conclude with a very clear message. We cannot afford to stay behind in this race. Europe must catch this opportunity. We need to step up – businesses, governments, universities, academia - to enable the transformation if we want Europe to maintain its leadership and to really deliver on industrial growth.
 - Thank you for your attention.

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