BUSINESSEUROPE

POSITION PAPER

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BUSINESSEUROPE PRIORITIES ON THE DIGITAL AGENDA

1. THE DIGITAL SINGLE MARKET AS A KEY ENABLER FOR GROWTH

BUSINESSEUROPE is very supportive of the Digital Agenda, which provides Europe with a clear and ambitious action plan for the coming years and will contribute to achieving of the objectives of Europe 2020 strategy.

A fully developed digital single market can drive up productivity and innovation in many sectors and greatly benefit society as a whole. As recalled by the Monti report, the EU could gain 4% of GDP by fully developing the digital single market by 2020. This corresponds to a € 500 billion gain, meaning that the digital single market could have an impact similar to the 1992 Internal Market programme.

By encouraging the development of broadband infrastructure and providing a reliable and consistent framework for a single market that is aligned to new technological trends like cloud computing, Digital Agenda will not only promote "digital industries" like electronic services, but will be a key enabler of business growth even in the "traditional" sectors.

These opportunities will only be realised if Europe acts swiftly to remove the bottlenecks still hampering development of the Digital Single Market.

1. 2 THIS IS THE TIME TO ACT

Today there are many obstacles to a well-functioning digital single market. As a consequence, the large potential of cross-border trade is not being fully exploited. As an illustration, while the number of people purchasing from the internet has grown significantly in recent years, online trade across EU borders remained unchanged.

A true digital single market is a combination of many factors, which should complement the free movement of goods, services, people and capital in a more and more digitalised era. It would **benefit consumers** by offering a larger and more competitive offer of products and services, and at the same time constituting a better framework for (e-)business and online sales.

To achieve a **well-functioning digital single market** and to increase trust in the online world, the existing bottlenecks and regulatory obstacles need to be removed and consumer confidence needs to be strengthened.

The EU should also focus on enabling **strong competition** and a level playing field within the European digital single market.

Developing on a pan European level **cutting-edge digital technology** and platforms such as cloud computing will benefit business and consumers. In particular cloud computing could allow small companies to grow much faster than having to build their own costly IT infrastructure.

In addition, there is a **global competitiveness** aspect that relates to the need for Europe to maintain a competitive edge in relation to other economic regions. In the areas of e-commerce and online sales the EU is already behind US and Asia. The Digital Agenda needs to create a framework that enables European players to grow in a wider market. It also must ensure a stable and consistent regulatory framework that encourages investment in Europe.

The EU must continue to demonstrate **clear leadership** and determine responsibilities at all levels more clearly. Since the Digital Agenda touches upon many different areas, this will require strong coordination within the Commission, in particular in relation to Single Market policy. We encourage the Commission to communicate more and better on the activity of the "Group of Commissioners" on Digital Agenda led by Commissioner Kroes. It is key that tasks and responsibilities are allocated clearly within the Commission to know "who is in charge of what".

2. SPECIFIC AREAS FOR ACTION

BUSINESSEUROPE strongly believes Europe should strengthen its knowledge economy, as a driver of future growth and employment. In this context, successful dissemination of digital technology will be a defining factor to determine the extent to which Europe will be able to maintain a competitive edge in relation to other economic regions such as Asia or the USA.

Efficient energy supply, sustainable mobility, quality of healthcare and education, and security are the key public policy issues of today. Answers to these challenges will need state-of-the-art ICT.

The role of the public sector is key in this regard. The European public sector should take action to spur ICT innovation with more coordinated and modernised approaches. In order to encourage the ICT sector to focus on innovation, the public sector should further invest and use ICT to become a breeding place for innovation. e-Government should also receive stronger political support, to achieve public budget cost reduction and more efficient services while creating new markets for innovative ICT. This was also underlined in the "Granada Ministerial declaration on the European Digital Agenda" adopted in April 2010 by the Ministers responsible for the Information Society.

Promoting the knowledge society as a way to promote digital inclusion, and expand the use of new services to the benefit of users are other fundamental priorities for Europe. EU policy needs to look at demand-side factors that may inhibit take up and penetration of digital services. The reasons why people do not fully exploit the opportunities offered by digital technologies and the Internet are diverse (e.g. lack of equipment, lack of skills or lack of trust) and need to be addressed. We share the

Commission's analysis in the Europe's Digital Competitiveness Report of May 2010, identifying the reasons for low household take-up of broadband. We particularly stress the need of strong focus on education, training and skills.

Investing resources in promoting the knowledge society needs to be done on the basis on demand and focused on areas where the economic impact is biggest. For example when investing in broadband, the value is not only the investment in the infrastructure, but the benefit the infrastructure brings to citizens, in terms of services and activities they can reach.

Cloud computing is an essential tool to increase the Union's competitiveness, especially but not only for SMEs, and should be further encouraged. EU legislation should support its development, also by ensuring that the principles of security, data privacy and interoperability are fully included in the cloud. Cloud computing could also bring a considerable added value to businesses operating in "traditional" manufacturing and services sectors. This would allow more tailored solutions and provide the knowledge-base needed to compete in the global markets at sustainable costs.

The EU should also develop a common trade policy strategy to address **the external dimension of the Digital Single Market**. Europe and its trading partners should start a dialogue aimed at updating the Information Technology Agreement (ITA) of 1997, addressing the barriers created by regulatory measures and standards, and including digital services and intellectual property.

For BUSINESSEUROPE, an effective policy approach to the Digital Single Market and the issues described above should focus on the following key issues:

- **Developing digital infrastructure**

To deliver its full potential, the digital single market needs to be supported by adequate physical infrastructure. The timely roll-out of **broadband** and the efficient use of **spectrum** are therefore a major concern for Europe. Investments of billions of Euros are needed to provide the first-class communications infrastructure that Europe's citizens and companies – especially SMEs – need. Bottlenecks impeding broadband roll-out need to be identified and addressed to allow for a more widespread digital economy and the growth of digital services.

The Digital Agenda should focus on coverage, investment and take-up of broadband. Europe should invest in next-generation networks and services as much as it does in traditional infrastructures and services.

It is important that the **digital dividend** (the use of free capacity) is coordinated among Member States, that applications are cross national and that frequencies are distributed based on where they can be used in the best way. When these matters have been coordinated the conditions for a market-based implementation will improve. It is urgent to implement the **Radio Spectrum Policy Programme** (RSPP) in order to enable enhanced broadband penetration which will lead to further growth in Europe.

Investment in new networks and services should be led by the private sector. It should be driven by a stable and favourable regulatory environment, which optimises legal certainty for investors, stimulating innovation and infrastructure and services competition. Public funding should be limited to areas with no realistic commercial case for private investment and should not be allowed to distort the market. Public authorities should play an active role on the demand side by promoting skills, raising awareness, and encouraging user uptake through eGovernment, eHealth and e-Education related services.

In this context, **EU project guarantees** could help attract private sector investors and mobilise private savings to support EU's strategic infrastructure needs. Using appropriations from the EU budget and European Investment Bank (EIB) guarantees and expertise (in collaboration with other financing partners) could be a powerful leverage to enhance the credit rating of bonds issued by project companies themselves and increase the attractiveness of long term investment to private sector participants.

Finally, to make investments in infrastructure sustainable, the **market penetration of internet** and internet services needs to grow. Public authorities should play an active role on the demand side by promoting skills, raising awareness, and encouraging user uptake through speedier development of eGovernment, eHealth and eEducation related services.

Public policies should also encourage the use of ICTs and innovative services by businesses, by removing unnecessary red tape, and other legal and technical hurdles that may discourage or hinder them from adopting innovative ICT solutions.

- **Data protection**

Balancing demand for personalised services with concerns over privacy and **protection of personal data** is a critical issue for many businesses. Ensuring consistent interpretation of the EU rules on data privacy and reduce administrative formalities surrounding personal data is key to ensure enhanced data protection and free movement of data.

While aiming to create a clear set of EU privacy and data protection rule, regulators should seek a balance between:

– the need to respond to data protection threats;

– the aim to complete the single market and promote Europe's international competitiveness.

– the desire from consumers for more personalised, higher quality services for which businesses need using personal information; and

– the need to give companies room to innovate and provide new services to respond to market demands.

Because of the global nature of the Internet, the EU should also devote further efforts to defining worldwide accepted best practices in this area.

- **e-business and e-commerce**

The above actions should be complemented by tackling regulatory barriers to cross-border **e-business** and fragmentation of applicable rules in the single market, especially in consumer legislation. While **e-commerce** is taking off at national level, cross-border e-commerce is still relatively uncommon. The gap with domestic online trade is widening as a result of barriers to the Single Market.

In particular, **excessive fragmentation of legislation** applicable to recipients of goods and services can result in companies (especially SMEs) being reluctant to operate cross-borders or to restrict their activities to only those Member States where – perhaps for linguistic reasons or because of the similarity of applicable rules – they feel confident enough to conduct business. While this is not an issue that relates only to the online environment, it is here that it will have a more serious impact as e-commerce grows. Far from being of benefit to consumers, this fragmentation could end up depriving them of a wide range of goods and services and drastically reducing competition in the single market.

A number of additional issues need to be specifically discussed in order to identify and tackle bottlenecks and barriers. These relate in particular to:

- existing obstacles to the creation of new business operation plans;
- the need to increase trust by enhancing e-identification tools;
- facilitate e-payments: the Single Euro Payments Area (SEPA) covers bank/credit card payments, but for example not mobile payments;
- promote the use of e-signatures: we welcome the Commission proposal on e-signatures and interoperability expected by end 2011;
- promote e-invoicing, also as a tool to fight late payments.
- stimulate openness and access to public data, in order to promote its re-use and to enable the creation of new services for citizens and businesses.

It is also important, within the parameters of national sovereignty in taxation matters, to encourage Member States to work together to reduce persisting tax burdens on cross-border activity.

- **ICT research and innovation**

The EU should **foster research and innovation in ICT**, taking advantage of the contribution that ICT can make to Europe's competitiveness within the single market and globally. R&D and innovation must be encouraged and stimulated, in particular by reducing red tape in the EU Framework Programme. Reducing the red tape is critical to enable also SME participation to the research and innovation projects. A breakthrough in this respect can only be achieved by revising the Financial Regulation applicable to the EU budget to allow for a more risk-tolerant and trust-based approach in European research funding. The FP projects should strongly target solutions that are implementable at the market place in order to ensure

relevance for and participation by the business. EU innovation programmes should target the use of ICT.

The effective implementation of the Future of Internet PPP should be promoted so to improve the inter-linkages between technologies and applications, make business processes and operation of infrastructures and applications more efficient, foster cross-sector industrial partnerships, address regulatory and policy issues, and maximise the societal benefit through involvement of end users and civil society at local, regional and national levels.

- **Copyright**

Other specific areas where action is desirable include the need to address the issue of **copyright** levies at EU level and the fragmentation of **copyright** licensing regimes in order to facilitate access to content across the EU while respecting rightholders' rights and maintaining incentives to produce new content.

- **Interoperability and standardisation**

Interoperability and standardisation must be accelerated while respecting the principle of **technological neutrality**. Establishing ICT services in all industrial sectors requires technically compatible solutions. Standardisation should be led by industry, without inhibiting technological development.

At international level, it is vital to speak with one strong European voice. Standards for individual ICT areas should rely on shared specifications as much as possible, and be specific only to the extent dictated by the specificities of the applications.

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