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ENTERPRISE AND INDUSTRY DIRECTORATE-GENERAL

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**MINUTES OF THE JOINT SME ENVOYS AND ENTERPRISE POLICY GROUP
DIRECTORS GENERAL MEETING OF 26 NOVEMBER 2014**

**1. SUPPORTING THE DIGITALISATION OF EU BUSINESS AND
INDUSTRY**

D. Calleja Crespo introduced the topic highlighting this was a key issue for the new Commission. Following presentations from Germany and Sweden as well as Mr John Higgins from Digital Europe there was extensive discussion with Member States. Concluding D. Calleja Crespo set out a number of broad areas of agreement between Member States including skills, effective use of standards, effective smart regulation and big-data as a clear opportunity for business. Overall there was broad consensus that Member States had high expectation of the Commission on the Dingle Single Market package and looked forward to more details and discussion on these issues.

THE CHAIR highlighted that digitalisation of business and industry was of central importance to the new Commission. Digital technology was changing the way business operated and action was needed to make the most of this opportunity. At the moment, only 2% of EU businesses were taking full advantage of digital technologies. If the EU could improve this it would be a major boost to jobs and growth. Five areas for action were highlighted in the discussion note sent to Member States. This was initial thinking and the priority was now to hear from Member States (MS) on their priorities.

Dr. Wolfgang SCHEREMET the Director General from Germany highlighted the approach the German administration were taking. Fundamental changes such as the merger of the real and virtual world were having significant impacts. As an example Dr. Scheremet highlighted car sharing in Berlin which was very popular but facilitated through the interaction of the virtual and physical technology. This digitalisation of traditional activity was having a major impact in industry for example on production process where Siemens estimated that time-to -market could be reduced by 50 % through the use of digital technology.

Dr. Scheremet highlighted two German companies adapting well to the digital agenda. Wittenstein had developed a modern, clean factory in the middle of a residential area. The factory had highly energy efficient production and reprogrammable machinery allowing adjustments to their production processes. Siemens manufactured programmable logic controllers for machinery enabling the control of machines and plants, and automated production. This not only saved time and money, but also increased product quality.

To develop industry 4.0 Germany was taking a range of action for example through its Digital Agenda, IT Summit and Industry 4.0 platform.

To make the most of the digital agenda a range of EU action was needed for example developing standards and disseminating them internationally. This was important to ensure digital sovereignty and avoid having to work to Chinese or Korean standards. The right regulatory framework was needed with a focus on reduced barriers and improving internet governance, with co-operation across MS being essential. In addition skills issues were important.

Mr Hakan HILLEFORS from Sweden set out their approach to digitalisation. Sweden accepted that through digitalisation entrepreneurship was increasing. The main focus for Swedish action was through verksamt.se which was their main platform to communicate with business digitally and had been developed over a number of years. The platform had a range of tools to support business across all stages of digital entrepreneurship including facilities to draft and save business plans, receive advice and register companies and get advice on obtaining national and regional permits, entering markets and obtaining capital. This was a cross agency tool and much work had been undertaken to get all agencies on board to develop the project and have all information in one place. Today all the agencies could see the benefits of working through this single platform.

Incorporated in this was their EU single point of contact for services. This could be used by both domestic and other companies. There were sections in English to allow other companies to use all elements of the platform.

Sweden was also taking action in e-government through the Digital Step to make life easier for business and citizens – by co-ordinating between agencies and considering digital by default for a number of services. The biggest project being worked on was the infrastructure for reporting obligations – to ensure businesses can report only once, digitally and in one place. Government would then share that information internally to create one door into Government through verksamt.se. This project was long-term and aimed to be finalised by 2020 for national and regional governments.

Finally Mr Hillefors highlighted areas where specific EU action was needed such as removing cross border barriers to make sure the digital single market works properly, ensuring technological and platform neutrality across the EU and infrastructure synchronisation in the digital area.

Mr John HIGGINS the Director General of Digital Europe and President of the Strategic Policy Forum on Digital Entrepreneurship focused on the digital transformation to develop the uptake of digital by business and industry. Through the Strategic Policy Forum with a range of business, third sector and academic expertise as well as the Member States Board, initial ideas had been developed. Mr Higgins highlighted 3 priorities: Leadership, Skills and Regulation.

Leadership was needed to give impetus to the digital agenda both from Government and industry. Bringing together traditional industries with tech start-ups was also key and cities were a natural home for hubs for collaboration. Mr Higgins set out the question whether there should be targets for digital transformation and what these should be.

The right skills were needed to start the process of digitalisation for business –for example through Chief Digital Officers. Focus was also needed on the supply of digital

skills in the work force. Digital competency teaching was also needed in management training programmes.

Finally regulatory barriers to digital transformation needed to be identified, possibly through systematic action to develop a list at an EU level. There should be boot camps on digital issues to train regulators and there should be some kind of digital test prior to new regulatory proposals.

Discussion with SME Envoys and EPG Members

Most MS highlighted issues associated with regulation and the **Digital Single Market (DSM)**. Many comments highlighted that the development of the DSM was crucial and smart, more streamlined **regulation** was needed. Many areas for action were highlighted including better e-commerce regulation and copyright law. And many MS and businesses organisations wanted a sensible view on data protection regulation. On DSM there were great expectations on the new Commission to act.

In the context of data protection **big data** issues were also raised by many MS. It should be seen as a clear asset and action taken to support its development.

In addition a MS highlighted **interoperability** as essential. A business organisation highlighted the need to avoid creating 28 different platforms or approaches which could not work together.

A number of MS highlighted the importance of **EU investment** and activity to support digitalisation to both support the uptake of digital technologies but also ensure the EU would not lose out in new key technologies areas. This should be part of the EU research agenda.

In the area of **skills** there were a number of comments with a focus on this issue of the need for 21st Century skills e.g. coding, digital skills and learning resources and taking action from primary level as well as action in areas like Management School. In addition having education and industry working together in this area to ensure that universities provided business with the right kind of skills was key.

A number of MS highlighted **cyber security** where clear standards were needed and where action was needed especially to support SMEs. In addition a MS raised the importance of security and reliability of cross border transactions and not increasing cost in this area.

Several MS also commented on the issues of **standardisation** and the importance of EU and global standards. There was a clear opportunity to set standards which would be used internationally but there was need to ensure these weren't overly burdensome.

A MS highlighted the Commission should also consider focusing some action on **Medium Sized businesses** and other MS mentioned ensuring that the scale up from small to medium sized businesses in the digital space was facilitated.

A MS also commented on the importance of take innovative steps with **public data** and ensuring digital by default. Some MS also supported the idea of a digital test raised in the presentation

A MS highlighted an action missing; **clusters**, where it was important to set up common platforms to support innovative and cross border activity also linked into other clusters worldwide.

A Business Organisation highlighted that there were issues on barriers already and sighted the administrative burdens associated **with VAT for digital services** being charged at the point of destination rather than origin which could be looked at as part of the DSM strategy.

Summarising the three speakers mentioned that

- Picking up a comment during the discussion everything that could be digitalised would be and this was a key issue. With a huge internal market the EU had the ability to set trends and legal standards internationally. Establishment of standards was crucial.
- Digitalisation will come, and action was needed to support it, ensure security but keep barriers as low as possible. It was important not to create new barriers which increased transaction cost. Focus was needed to keep it as simple as possible for SMEs and business.
- Much was mentioned on enabling regulation – and all Member States had a responsibility in developing cyber and telecom regulation to ensure it was genuinely enabling and didn't add to the stock of barriers. Europe needed a strong voice in global forums for standard setting.

THE CHAIR concluded in summarising the debate setting out this would be the first of several sessions for discussion and there was a broad consensus that:

- The opportunity for the benefits for business, citizens and public administrations were clear but that there were also challenges. A sense of urgency was needed both at the EU and MS level.
- There were some clear issues where action was needed and had been highlighted. Improve the uptake of digital skills with a focus in early years and through wider training. Standards had also been mentioned by a large number of MS. The EU needed to set the right standards and try and ensure these were adopted globally. Cooperation, dialogue and communication between MS was needed to ensure technological and platform neutrality.
- There was clear expectation on the Commission around the DSM and that no new barriers would be created and effective smart regulation approaches used. It was important to get the balance right in areas such a data protection and to facilitate big data. A broad consensus was that big data should be seen as a clear opportunity.
- Focus in areas like cyber security should not be forgotten and was a clearly important issue.

In terms of next steps the Chair set out that some more focused discussions on some of these important issues was needed especially in areas like skills and around digital single market/regulation and this should be something looked at for following sessions.

2. DELIVERING THE SINGLE MARKET FOR PRODUCTS AND SERVICES

D. Calleja Crespo set out that developing the Single Market would be a lead priority for the new DG GROW and the new Commission. There were interventions from Denmark, Spain and Markus Beyrer the Director General of Business Europe, followed by discussion with Member States. Concluding D. Calleja Crespo set out there were clear views from Member States of the important link between goods and services. Member States asked for clear action to support work in goods to implement existing rules and improve cross border communication. In services Member States were waiting with expectation for the 2015 strategy and expected something impactful. There was support for looking at specific sectors to make faster progress. Overall all supported the zero-tolerance approach but wanted this to be a real robust activity from the Commission, not a mere slogan.

THE CHAIR opened the session by explaining that this was one of the key issues for the New Commission and Commissioner. Ms Bienkowska had announced she intended to pursue a zero-tolerance approach. He highlighted that the future DG GROW would publish a report on the remaining barriers in the Single Market for services by mid-2015. Important issues for the discussion included enforcement, inter-linkages between products and services and sector-focused action in the area of services.

MR JES BROGAARD NIELSEN praised the merger of the services and products elements under the new DG GROW and highlighted a number of key areas for action.

In the area of governance of the single market action was needed to support implementation of single market regulation (for example guidance, technical assistance, and clear and sufficient deadlines for implementation). Denmark was also taking some action through the Front Runner Initiative around this issue.

Governance tools were also seen as needing to be more effective. Existing tools such as SOLVIT and Single Points of Contact needed to be better developed and facilitate cross border communication. A suggestion from Denmark was committing Member States and the Commission to service standards for these tools. In addition mutual funding, and a place at EU level for citizens and businesses to complain about these online tools, when they were not effective, was needed.

He said that the market did not distinguish between goods and services but legislation did and this was an issue. Whilst the principle of mutual recognition was important voluntary services standards could be looked at in more detail. Denmark also looked forward to the report on services in 2015 and supported the sector-focused approach. A uniform notification procedure for goods and services was also needed as the current system was inefficient and lacked transparency. A one stop shop for both goods and services should be developed.

On smart regulation this did not mean deregulation but achieving political goals in the least burdensome way. Denmark praised the REFIT programme – but more work was needed and specifically a bottom up approach by improving stakeholder consultation and focusing on end users. They proposed a platform for stakeholder generated proposals for smarter regulation with a requirement that the Commission responds to ideas.

MR VICTOR AUDERA set out that the internal market was a fundamental issue for the growth of Europe. He highlighted that there were a number of challenges in the internal market of Spain itself and that work was being undertaken to assess these.

Overall he highlighted that collaboration was essential and a focus was needed on less bureaucratic, more efficient and clear regulation. Looking at the contribution of external investors was important; they needed a sense of certainty and a clear predictable framework for regulation from Member States and the Commission. Spain also agreed that industry products and services were all now interlinked.

Action should be taken to better explain mutual recognition and demonstrate how it would be used. The Commission should also establish a mechanism where a Member State can ask questions about the legislation of another Member State which could be limiting cross border trade – and finding solutions in a quick and pragmatic way.

Strengthening consumer confidence was also needed – including market surveillance, and ensuring consumers have access to information.

A more accessible system of intellectual property which was speedy and gave more guarantees and clearer tighter regulation regarding trade secrets were also things to invest time and money on.

Spain fully supported the zero tolerance approach the Commission was adopting on the internal market. It was important that the Commission enforced the full implementation of the Services Directive across all the Member States.

MR MARKUS BEYRER set out that there were close inter-linkages between services and manufacturing. A strong industrial base needed a thriving services sector and vice versa. The combination of services and manufacturing distinguished EU manufacturers from those in Asia and provided a key selling point in global competition. The EU productivity gap with the US was largely due to a productivity gap in services.

Mr Beyrer highlighted there were a number of priorities for the Commission including more ambitious implementation and stronger enforcement of the Services Directive, the Commission needing to stick to a zero-tolerance approach to infringements and address all remaining barriers to the free movement of services (also outside the remit of the Services Directive), taking a targeted, sector-based-approach.

Business Europe expected the Commission to come not only with a comprehensive report by mid-2015 on the remaining barriers, but also to present an ambitious and detailed action plan to address these remaining obstacles.

In the area of goods Mr Beyrer highlighted that goods generated around 25% of EU GDP and accounted for 75% of intra-EU trade. However, European companies were often subject to national technical regulations that acted as an obstacle to free movement. To support more effective market surveillance Mr Beyrer suggested better infrastructure and resources for national market surveillance authorities, better cooperation between market surveillance authorities, penalties for non-compliant goods determined on a case-by-case basis and an approach to facilitate effective appeals of decisions made by national market surveillance authorities.

In the area of digital it was stressed that action was needed to remove the remaining barriers to the digital single market and effective action needed in fragmented areas like data protection rules and copyright (including cross-border licensing, territoriality of copyright and transfer of copyright). In addition a legislative framework which will enable data-based innovation was needed.

Discussion with SME Envoys and EPG Members

A MS commented they had some concern about the idea of DG GROW if it was too focus away from the issues of industry. They set out that there was a lot of regulation already in place and a focus needed to be on improving and use the current tools with better spending on intra-EU market surveillance.

A number of MS highlighted this was very good time to be having this discussion with the New Commission and the new DG GROW. In the area of services, these were fundamental to having a strong industrial base. There was a good case to target specific areas to make quicker and more effective progress for example construction and professional and business services and highlighted a few issues such as cross border insurance. They looked forward to an ambitious report next year.

A number of MS building what others had said were pleased that goods and services issues had been brought together under DG GROW. All means should be undertaken to eliminate barriers to growth for example length and cost of notification procedures, or access to information. In the areas of Mutual Recognition it was useful to understand the scope of work here, and there was some concern with the link with Article 15 of the Services Directive.

A MS welcomed the renewed approach to the internal market and the report to be published next year. Looking further at Mutual Recognition was important, a focus on specific sectors was also needed both with new and revisions of existing regulation.

A MS highlighted that action should not undermine the horizontal trust of the Services Directive and the Commission with the zero-tolerance approach should step in where action is not being taken to implement this regulation. They highlighted that notifications needed to be more effective.

A MS commented that standards needed to reflect the need of business and industry and not to creep into over-regulation.

A MS highlighted that ambitious implementation of the Services Directive was needed and agreed with the zero-tolerance approach. There were many different codes of conduct around setting up a business and issues such as economic needs tests which should be looked at. More targeted approaches were needed (for example in sectors).

A MS set out they welcomed the ideas in the background note – but were hesitant about further harmonisation measures but wanted further action in implementing current regulations. Key issues on sectorial approach were important in services (for example construction).

A MS set out that the Commission should have a stock taking exercise to look at the issues which were hindering operators but not focus on developing new texts. Action should also be taken to improve information to providers.

A MS mentioned language issues regarding accessing information was often a problem and should be looked. They also highlighted a view on not taking too many new initiatives and stabilise what was already in place. A zero-tolerance should also not be a slogan but an effective policy.

THE CHAIR concluded in summarising the debate:

- Noted the importance that attendees attached to this issue and their high expectations of the Commission, the new DG GROW and the 2015 report.
- That it was irrelevant now to talk of a clear separation between goods and services and the Commission and MS needed to understand the clear link between these areas.
- In goods it was not more regulation, but a real focus on implementation which was being asked for, with a clear focus on tackling barriers and supporting cross border communication.
- All MS were keenly awaiting the report on the services – a large number of MS interventions supported looking at specific areas for further work e.g. business services and construction and the Commission would come back to MS on this. Mutual recognition was important as were tackling broader issues stopping cross border services (e.g. insurance issues).
- Zero tolerance was something that MS supported, but wanted the Commission to make this a strong reality.
- Integration between industrial policy, internal market and SME policy was needed.

In terms of next steps the Chair set out that for the next EPG meeting we could do a progress update on the report on services. MS input was very important to developing the right approach.

3. ANY OTHER BUSINESS

THE CHAIR highlighted a few points set out in the growth and investment package which had been discussed in the Parliament by President Juncker that morning.

THE CHAIR AND ALL EPG MEMBERS warmly thanked the Italian Presidency for the excellent work done in the second 6 months of 2014.