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DIGITALEUROPE View on the proposal for a Horizon 2020 Programme

Research and innovation are critical for Europe's society, economy and competitiveness, investment in research and innovation is crucial for Europe in order to continue to lead developments in new technological paradigms and in new multi-disciplinary fields. DIGITALEUROPE welcomes the European Commission's proposal for a new programme for research and innovation addressing major scientific, societal and industrial challenges as a basis for research and innovation in the European Research Area.

DIGITALEUROPE welcomes the proposed budget of 80 billion Euros for the time frame 2014-2020 as an appropriate minimum to continue the 2013 level of activities, but stresses the high importance of achieving the aims of radical transformation in terms of alignment of instruments, simplification in programme execution, and increased focus on impact from achieved results.

The Horizon 2020 programme is ambitious in the sense that it includes efforts to address the whole value chain from early research through to implementation including innovation related activities such as demonstrations, pilots and market oriented activities. The one programme approach, embracing the Framework Programme (FP), Competitiveness and Innovation Programme (CIP), and the European Institute of Innovation and Technology (EIT) is clearly a step in this direction and fully supported by DIGITALEUROPE.

The three priorities of Horizon 2020 - Excellent Science, Industrial Leadership and Societal Challenges - should form the foundation for achieving a Europe that can stay competitive and grow employment, which is one of Europe's greatest challenges for the future. DIGITALEUROPE believes these priorities to be right, but emphasizes the need for an even stronger industrial involvement in all of the priorities than what is currently outlined. Retaining the collaborative R&D programmes as a main activity together with increased industrial involvement in the Excellent Science and Societal Challenges priorities would not only increase the impact of results but also the understanding of the need for future competences. In particular, simplification of the implementation of projects is an important means to increase participation of the private sector in collaborative research. Without strong involvement of the European private sector, there is a danger that the results are not exploited or that third parties outside of Europe exploit them.

DIGITALEUROPE remains interested in continued discussions in order to bring Europe a Horizon 2020 programme that will achieve the targets set out in the Europe 2020 strategy - EU's growth strategy for the coming decade. In the following, DIGITALEUROPE highlights a number of important topics and issues that we believe need further attention in the current proposal of the Horizon 2020 programme.

The one programme approach has long been requested by stakeholders and DIGITALEUROPE believes this proposal to be a major step forward in the process towards increasing the attractiveness of the overall programme. Embracing FP, CIP and EIT and achieving one funding scheme model for all grants will create a greater degree of certainty and thereby increase ease of access to the programme. However, it is our opinion that research and innovation programmes where co-financing of the Member States is required should be carefully analysed and significantly improved in comparison with e.g. ENIAC and ARTEMIS, where the co-funding approach is far too complex to operate. Alternatively, contractual Public-Private Partnerships with the EU as the single source of public funding is the preferred solution in order to simplify the implementation of projects.

The three priorities of Horizon 2020 should enable a strong industry involvement within the whole programme in promoting European competitiveness and employment. DIGITALEUROPE believes industry should play a key role not only within the priority "Industrial Leadership" but also should be a key facilitator and contributor within both the "Excellent Science" and "Societal Challenges" parts of the programme. It is therefore important that e.g. the inclusion of Marie Curie actions in the Specific Programme "Excellent Science Base" should by no means limit the scope of the R&D activities to fundamental research or hamper the involvement of industry.

The area of ICT is an essential cornerstone in addressing Europe's grand challenges and it brings unique responses to the growing need for sustainable development, at the same time as it is an important engine of overall innovation in Europe. On one hand, the importance of ICT as an enabling technology to embrace key enabling technologies is properly emphasised in the Industrial Leadership priority; on the other hand, the specific budget allocation for ICT is only mentioned there, whereas ICT is also crucial for Excellent Science and Societal Challenges.

Flexibility, as outlined in the Framework Regulation, to adapt priorities and actions to changing needs and take account of the evolving nature of science, technology, innovation, markets and society is very much welcomed by DIGITALEUROPE. Unfortunately, the rules for participation fail to provide concrete ways to give ongoing projects the flexibility needed to adapt to market developments and retain their industrial relevance. In this respect, the change request procedure familiar from Eureka projects (e.g. in the ICT clusters) would be a good example.

Market-oriented activities in terms of pilots, demonstration, test-beds, support for public procurement are welcomed as means to stimulate research and innovation from the demand side, creating new business opportunities at the same time as increasing the speed of impact of research results created.

International cooperation is today an important element in developing and sharing new knowledge, building momentum and a harmonised view for global standards and creating early access to future markets. DIGITALEUROPE believes this to be a very important element within the program but would like to emphasize that we welcome that reciprocal access to third country programmes will be encouraged, also for the local R&D labs of European multinational companies.

Rules for participation

Usual beneficiaries' Accounting principles should be applied throughout the programme in order to simplify the implementation of projects. This is an important means to attract organisations from the private sector and to increase impact of research results for economic exploitation.

For industrial companies, usually maintaining an analytical accounting system, it is very important that they can charge direct and indirect project costs that are basically determined according to their **usual accounting principles and management practices**. Otherwise they would have to establish and maintain a parallel system to determine their projects costs. Such a situation has to be avoided.

So the application of the flat rate on direct eligible costs to determine indirect eligible costs should **not be mandatory for industrial companies**.

The proposed reimbursement rates that may reach a maximum of 100% of the total eligible costs are definitely positive and are strongly supported by DIGITALEUROPE. However, the proposed Rules for Participation are referring to different terms being: total eligible cost, direct cost and total direct eligible cost. These terms are not clearly defined and DIGITALEUROPE suggests using only one single term, which should be clearly defined.

For participating SMEs we would like to voice some concerns with regards to the 20% flat rate applied on direct costs to determine indirect eligible costs.

Indirect costs affect companies' total budget, and in particular in small and medium enterprises, by about 50%. Moreover, final accounting analysis (full cost), is very burdensome for SMEs, usually not well equipped with analytical and/or industrial cost accounting systems. This is also one of the reasons explaining for the poor participation of SMEs in FP7.

Therefore, in order not to penalise companies, particularly SMEs, we suggest to increase the flat rate to determine eligible indirect costs to 30% of the direct eligible costs concerned.

For industrial companies the mandatory application of a flat rate to determine eligible indirect costs is for a series of reasons not acceptable, as it automatically deviates from the beneficiary's usual accounting principle (and thus would contradict the Commission's statement on the allowance for the beneficiary to further use his usual accounting principles).

- **Exploitation of results:** The rules for participation should support the principles of an efficient exploitation of project results, avoiding barriers which may have a negative impact on exploitation, while taking into account justified interests of parties involved in the collaboration. At the same time they should support that each partner in such project should spend, in principle, the efforts necessary to perform its tasks and contribute with all its relevant knowledge, expertise and intellectual property that are needed to perform the project and/or to exploit the results of the project.

- **Access Rights:** To avoid that results cannot be exploited, access to other parties' results for the use of one's own results is an essential cornerstone of each collaboration, providing for the licensing parties the right to be compensated for use of their intellectual property. In certain cases, depending on all relevant circumstances, non-royalty-free fair and reasonable conditions for access to results may be justified. In other cases, depending on all relevant circumstances, appropriate terms may consist of royalty-free conditions.

- **Affiliates:** Exploitation of results of projects by companies, including SMEs, often takes place through other legal entities belonging to the same group of companies than the entities that have carried out the research. Effective exploitation of results means that results should be accessible for exploitation, whether by transfer or licensing arrangements, for all entities belonging to a group, on a worldwide basis.

- **Protection of intellectual property:** Protection of intellectual property resulting from the projects is key for an efficient exploitation of the results. Such protection can take place by various means like intellectual property rights or by keeping certain information confidential. Parties should be free to determine which way of protection fits their exploitation purpose and the rules for participation should not include provisions that frustrate this protection. DIGITALEUROPE has no objection against open access as far as scientific publications are concerned. However, it is not in the interest of exploiting results of projects that all data and other results of the projects should be publicly disclosed.

- **Joint ownership:** As a general principle partners, and their affiliates, should be able to use jointly owned intellectual property in the same unrestricted manner as they can use solely owned foreground. The default regime for joint ownership should be a regime that supports

exploitation and does not drive parties away from genuine collaboration. That regime should support unrestricted use by a joint owner and its affiliates of its joint intellectual property, without giving notice or paying compensation to another joint owner. Parties however should have the freedom to deviate from that if they explicitly so agree.

For more detailed information we refer to the DIGITALEUROPE Position on draft Rules of Participation for Horizon2020.

ABOUT DIGITALEUROPE

DIGITALEUROPE is the voice of the European digital economy including information and communication technologies and consumer electronics. DIGITALEUROPE is dedicated to improving the business environment for the European digital technology industry and to promoting our sector's contribution to economic growth and social progress in the European Union.

DIGITALEUROPE ensures industry participation in the development and implementation of EU policies. DIGITALEUROPE's members include 60 global corporations and 37 national trade associations from across Europe. In total, 10,000 companies employing two million citizens and generating €1 trillion in revenues. Our website provides further information on our recent news and activities: <http://www.digitaleurope.org>

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