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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
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Subject:	<i>Preparation of the Council ("Competitiveness") of 28-29 May 2015</i> Digital Single Market policy b) Draft Council conclusions on the digital transformation of European industry <i>- Adoption</i>

1. Recognising the importance of the digital transformation of industry to creating jobs, boosting productivity and enhancing the competitiveness of EU businesses, the Latvian Presidency decided to prepare Council conclusions on the digital transformation of European industry, in the context of the launch of the Commission's Digital Single Market (DSM) strategy. The conclusions as well as the foreseen DSM exchange of views at the Council (Competitiveness) on 28 May will both contribute to the Latvian Presidency's input to the European Council discussions in June 2015.
2. The Competitiveness and Growth (Industry) working party examined the draft conclusions on 21 April, 29 April and 4 May 2015.

3. Following its discussions, the Competitiveness and Growth (Industry) working party reached an agreement on the text, with the exception of two reservations on the issue of online platforms by FR and DE, who request the introduction of a new paragraph on this issue. The request is indicated in footnote 10 in the annex to this note.

The Commission has expressed its concerns with paragraph 13, in relation to the systematic annual reporting request on digital transformation of industry and DSM, in parallel with the existing information channels, as notably the reporting on DSM has yet to be decided by the Commission.

Following the adoption of the DSM strategy on 6 May 2015, and as previously agreed with delegations, the Latvian Presidency has also made minor technical adaptations to the text of the conclusions (on paragraphs 1 and 5) as a factual adjustment to the text taking into account the content of the DSM strategy. Footnotes 6 and 11 have also been updated.

4. The Permanent Representatives Committee is invited to examine the remaining open issues in view of submitting the draft conclusions for adoption by the Council (Competitiveness) on 28-29 May 2015.

Changes to the previous version (doc. 8481/15) are indicated in **bold underlined** for additions and ~~strikethrough~~ for deletions.

**DRAFT COUNCIL CONCLUSIONS
ON THE DIGITAL TRANSFORMATION OF EUROPEAN INDUSTRY**

THE COUNCIL OF THE EUROPEAN UNION,

RECALLING the **European Council conclusions of October 2013**¹, which recognised the importance of a strong digital economy for growth and European competitiveness in a globalised world, and stated that all efforts must be made for Europe's industry to regain momentum in digital products and services;

RECALLING the **Commission's Communication “A Digital Agenda for Europe”**², which proposed a framework for better exploiting the potential of information and communication technology (ICT) in order to foster innovation, economic growth and productivity;

RECALLING the **Commission's Communication “For a European Industrial Renaissance”**³, which stated that the EU, Member States, regions and industry all have a role to play in fostering the digitalisation of business processes and in developing the industrial dimension of the digital agenda;

RECALLING the **Annual Growth Survey 2015**⁴, which states that ICT is not only a sector but also the foundation of a modern innovative economy, and which identifies the need for structural reforms to establish a connected Digital Single Market (DSM), which in turn is essential to make the European economy more competitive;

¹ Doc. 169/13.
² Doc. 9981/10 REV 1.
³ Doc. 5489/14.
⁴ Doc. 15985/14.

RECALLING its **Conclusions on Single Market Policy**⁵, which stressed the benefits of a stronger Single Market and DSM and their potential for higher growth and new jobs, and for increasing the EU's global competitiveness.

1. RECOGNISES the importance of the digital transformation of EU industry to creating jobs, boosting productivity and enhancing the competitiveness of EU businesses. This transformation applies not only to industry as *provider* of digital goods and services, but also as a *user* of digital goods and services; it also has wide-ranging implications for the entire value chain, including the development of new, resource-efficient and innovative products, technologies, services and business models. {In this context, WELCOMES the Commission's Communication on a Digital Single Market strategy⁶, ~~including~~ and CALLS for an action plan for the digitalisation of industry;}
2. HIGHLIGHTS the fact that a fully connected DSM is estimated to generate up to EUR260 billion of additional growth in Europe by 2020 in annual efficiency gains⁷; and NOTES with concern that only 14% of small and medium-sized enterprises (SMEs) use the Internet to sell online⁸ and less than 2% of enterprises make full use of advanced digital technologies, while 40% have not adopted any digital technology⁹;

⁵ Doc. 6197/15.

⁶ **Doc. 8672/15.**

⁷ "Mapping the Cost of Non-Europe 2014-19", study published by the European Parliament in July 2014 (quoted in doc. 15985/14).

⁸ Digital Agenda Scoreboard 2014.

⁹ IDC European Vertical Markets Survey 2012.

3. EMPHASISES the need to promote a simple and predictable regulatory framework that boosts innovation in the digitalisation of industry and the removal of all unjustified or disproportionate regulatory or non-regulatory obstacles to exploiting the full potential of a digital transformation of industry and cross-border e-commerce; In this context, REITERATES its call on the Commission to introduce a digital dimension in its Impact Assessments; At the same time, URGES the Commission to extend this digital dimension to existing EU legislation to ensure it is fit for purpose in the digital age and new business models through, for example, its REFIT programme, including fitness-check analyses, and to inform the Council on the state of play by the end of 2016;

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4. CALLS ON the Commission to develop a European blueprint for mapping best practices of the digital transformation of industry in Member States by the end of 2016; these practises should relate to measures and incentives for the digital transformation of European industry, such as DEMO-centres facilitating awareness raising and the uptake of new, resource-efficient and innovative technologies, especially for SMEs, models for sharing or transferring intellectual property rights from large companies as well as from EU-funded research projects to SMEs, methods for collecting information about cross-border investments and centres of excellence for digital transformation and cluster policies on new industrial value chains involving ICT;

¹⁰ FR/DE: Reservation (FR and DE request the introduction of a new paragraph on "online platforms").

5. ACKNOWLEDGES that the successful transition to smart and sustainable industry requires EU-wide and global interoperability of digital technologies, services and systems in the entire value chain, as well as an appropriate broadband infrastructure, in order to ensure that digital products and services are of high quality, secure and reliable;

~~CALLS ON~~ **WELCOMES** the Commission's **intention** to work together with industry, other relevant stakeholders and standardisation bodies to identify the most important standards for the digitalisation of industry and to present a plan to the Council by the first half of 2016 that will enable the coherent use of these standards by industry and society. These may include standards relevant to 5G wireless communications, the Internet of Things, Big Data, interoperable data and cloud computing — which support industrial competitiveness in such fields as advanced manufacturing, intelligent transport systems, smart grids, corporate cybersecurity and e-health;

6. EMPHASISES the importance of ensuring that European standards elaborated in the ICT are established in coordination with international standards and globally recognised technical specifications and, where possible, promoted as international standards. This is particularly so in such areas as data formats, digital documents and signatures, pan-European e-Procurement, accounting in digital environment and cross-border data exchange, as well as other means for electronic identification and trust services; so as to empower European companies to operate more easily and securely beyond EU borders and scale up to become global players;
RECOGNISES the importance of ensuring adequate data protection and IT security in the design of European standards;

7. NOTES that digital tools can play an important role in exploiting the full potential of multilingualism for doing business in the Single Market, particularly for SMEs with relatively limited capacity in the areas of administration, finance and management; INVITES the Commission to encourage the development of interoperable digital tools, for example in the area of machine translation;
8. RECOGNISES that while the EU has a strong track record in innovative companies, in particular SMEs, including digital start-up companies, more needs to be done, in addition to the completion of the DSM, to ensure that companies can easily scale up their business within the EU and in the global context; EMPHASISES the need for the Commission and Member States to improve access to finance, especially for SMEs, including by means of non-banking sources of finance and new financial sources of growth, in order to support promising start-up companies and existing SMEs willing to invest in digital technology so as to enhance and expand their business; URGES the Commission and Member States to promote favourable conditions for ~~the upscaling of~~ **increasing** equity, alternative and venture capital financing, in particular for pre-seed, seed, ~~and~~ early stage **and upscaling** investment phases; In this context, CONSIDERS that the future European Fund for Strategic Investments (EFSI) could play a useful role.

9. NOTES that Europe might face a shortage of up to 825.000 ICT professionals by 2020, risking to limit its potential for competitiveness and growth¹¹; STRESSES that the digital transformation of European industry will have an impact on many traditional jobs and will create an increasing demand for digitally skilled workers in such areas as supply-chain management, manufacturing, data analysis, marketing, procurement, customer service etc.; CALLS ON Member States to ensure that appropriate digital skills are part of educational curricula, including life-long learning, training and re-training programmes for all citizens and the business community, especially in non-ICT sectors; and CALLS ON the Commission to ensure that professional ICT qualifications are mutually recognised across the EU to facilitate cross-border mobility of ICT professionals; UNDERLINES that cooperation with industry and other stakeholders is crucial in addressing these challenges, and CALLS for the continuation of the Grand Coalition for Digital Jobs;
10. STRESSES the importance of research, development and innovation in the digital transformation of industry and the uptake of new, resource-efficient and innovative technologies; therefore CALLS for the R&D&I focus to be placed on pilot, demonstration and close-to market projects, which promote the digital transformation of industry through digital innovation, having the potential of turning traditional industries into smart and sustainable ones (e.g. smart transportation, smart energy, smart agriculture, smart homes, smart healthcare, smart retail, etc.); URGES the Commission, Member States and industry to increase EU-wide coordination of research, technological development and innovation in digital technology, which continues to suffer from fragmentation in comparison to Europe's main competitors, limiting the potential aggregate effect of digital technology on the competitiveness of European industry;

¹¹ **"E-skills and e-leadership skills 2020: Trends and forecasts for the European ICT professional and digital leadership labour market" (2015), available at <http://leadership2015.eu/documents/> and <http://eskills-lead.eu/documents/>**
The updated report on e-Skills for Jobs in Europe – Measuring Progress and Moving Ahead will be published within the next weeks. The 2014 report is available here: http://eskills-monitor2013.eu/fileadmin/monitor2013/documents/MONITOR_Final_Report.pdf.

11. RECOGNISES the importance of a data-driven economy; RECOMMENDS that the Commission and Member States step up their efforts to build trust and confidence in digital technologies with both producers and consumers, and ensure a high level of security of networks and of digital information; NOTES the benefits of secure digitalised cross-border transactions, as demonstrated by cross-border best practices, which may reduce administrative costs for businesses operating across the participating countries by enabling them to sign digital documents; UNDERLINES the need to ensure that the commercial use of digital commercial data (in production as well as in services) is consistent with the protection of both industrial and personal data and of privacy;
12. CALLS ON the Commission to further implement the principles of G-8 Open Data Charter¹² by mid-2016 and INVITES EU Member States to do the same, as this will provide additional opportunities for industry, particularly start-up companies, to innovate and create new commercial solutions; and CALLS ON the Commission to map best practices relating to open data initiatives in Member States (including at regional level) by the end of 2016;
13. EMPHASISES that the Competitiveness Council should monitor progress towards the digital transformation of industry, digital entrepreneurship and the implementation of the DSM strategy; In this respect, CALLS ON the Commission to annually report to the Competitiveness Council on taking forward these aims - starting in May 2016 -.

¹² <http://ec.europa.eu/digital-agenda/en/news/eu-implementation-g8-open-data-charter>