

**Viviane Reding**

Member of the European Commission responsible for Information Society and Media

## **Taking-up ICT in Europe**

*Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort*

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Ladies and Gentlemen,

Today I have the honour of talking to IT specialists. That means that I don't have to persuade you of the potential of ICT and the need for a strong ICT sector. You all have an extensive experience in managing IT systems and applications for business purposes.

My aim today is to share with you my perspective on what is needed to make the business environment more favourable to ICT take-up.

### **Achievements in adopting ICT solutions**

You, the ICT leaders from large firms, may have a slightly over-optimistic view on where the Europe economy stands today on the adoption of eBusiness solutions by companies. You are among the most advanced in this respect. You already know that the issue is not about technology, it is about helping your firm to be competitive in its chosen markets. You know how to use ICT: to make efficiency gains in your business processes; to improve production processes; to manage relationships with suppliers and customers; to expand market reach through eCommerce.

But when you look at the European Union as a whole, it is clear that our economy has not yet fully reaped the benefits of ICT. Far from it.

We have seen in 2004 an upsurge in eCommerce but eCommerce revenues still represent less than 10% of total turnover and there are only a handful of companies active on specialised internet market places.

As to more sophisticated eBusiness solutions, their use is not the norm in European companies. Less than 30% order on line and 15% use supply chain management applications.

To be blunt, Europe is under investing in ICT. In the meantime, our competitors are forging ahead of us. Since 2000, the US has invested twice as much as the EU in ICT. So the gap that already emerged in the second half of the 1990s is widening. This is a key factor, if not the key factor behind the relative productivity performances of the EU and the US.

I am not disregarding progress. I see many positive signs:

- Empirical evidence that the use of ICT contributes to productivity in the Union.
- The rise in electronic commerce.
- SMEs adopting the internet - 90% of even the smallest firms are now on-line.
- Europe has lead sectors that are at the forefront of eBusiness, such as automotive, aeronautic or pharmaceutical industries.
- And businesses that are not investing blindly in eBusiness solutions, but making ICT investments that meet business needs.

All this is good news, but it is nothing like enough.

### **How can ICT help businesses to prepare for the 2010 challenges?**

Globalisation will force us either to sink or swim. If comparisons with the US are not enough to galvanise the EU into action, then the ever fiercer competition from the large Asian economies should issue a wake up call. Operating beyond local and national boundaries will be a necessity to expand the customer base.

At the same time, businesses not only have to create new products and services, they also have to come up with innovative business models.

Look at the new services on-line. Consumers have seized these new opportunities. Google and eBay, for instance, show how new markets are emerging, using web-technology to give consumers more choice.

Companies will have to respond to these expectations by “customising” the supply of goods and services. ICT will be an enabler to increase market access, to understand better consumers’ expectations, and to provide assistance to customers. The development of eServices for relationships with customers as implemented by popular companies like Amazon.com is a step in this direction.

This is where you play a key role. As Chief Information Officers in your companies, you will be asked to develop data infrastructure on open high-capacity networks, with increasing traffic, higher demands for security and user friendliness. A huge responsibility falls on your departments to ensure that your companies keep up in the race for innovation, which is also the race for survival.

### **Outsourcing and off-shoring**

I cannot talk of these challenges without addressing the issue of skills and human resources. In dynamic sectors, such as ours, skills are in short supply. As the new wave of ICT-services takes off we will face new challenges on the labour market.

We face this new skills gap, at the same time as we see outsourcing and off-shoring of jobs on an ever wider scale.

Outsourcing is not a new phenomenon. Manufacturing jobs have been moving from industrialised countries to emerging economies for decades. The novelty with ICT is that the displaced workers are now more likely to be highly educated white collar workers and even very high skilled technologists and researchers. This happens mainly in the ICT sector now but could affect a whole range of services in the future.

We need to keep this in proportion. Forecasts estimate that only 2 to 3% of all EU service employment may be outsourced by 2015. This is less than the normal turnover in the sectors concerned.

It is how we respond to this challenge that is important. Outsourcing is a symptom of the growth of new markets in Brasil, China, India etc – but this growth is also an opportunity for Europe and European firms. Outsourcing is also a symptom that we should do all we can to attract investment in Europe. We will never be cheaper than China, so we have to live on our know-how and on being efficient in order to attract this investment.

Here is the problem; Europe does not lack talented or qualified software and services people. Rather the reverse, key inventions such as the World Wide Web, the MPEG 3 audio compression technology and Linux were invented in Europe. What we need to do is to mobilise our talents and know-how in ICT both amongst specialist and users and to validate these capacities to attract investment. Building the knowledge society is a priority of the renewed Lisbon agenda; we need to apply it in our domain.

### **The policy response in Lisbon**

The Union has refocused the Lisbon strategy on growth and jobs. Three main priorities have been identified: making the EU an attractive place to invest and work; knowledge and innovation for growth; and creating more and better jobs.

The renewed Lisbon strategy places ICT uptake at the heart of innovation policy. I am in charge of making concrete achievements by 2010 on this objective and I am determined to turn this part of the strategy into a success.

### **A policy response for ICT: i2010 – A European Information society for growth and employment**

As a follow-up to the re-launch of Lisbon, the Commission has presented a comprehensive strategy for the European information society and media in the next five years. This strategy, the i2010 initiative – a European Information Society for growth and Employment, was adopted by the Commission in June.

The starting point is that ICT can drive growth if a number of conditions are met:

- The **first condition** is a fast and accessible broadband infrastructure across the whole of Europe for citizens and for business: the European broadband market is growing fast and if present trends continue, within two years the EU will catch up with its competitors in terms take-up, if not in terms of speed.
- The **second condition** is to facilitate the development of new services and applications, these are the bedrock of the new business opportunities emerging from web-services. A clear legal framework and actions to promote interoperability are needed for this purpose.
- The **third condition** is to increase investment in research and innovation in ICT. This is a prerequisite to ensure the competitiveness of the European ICT sector by maintaining leadership in both emerging fields and in areas where were are particularly strong such as embedded systems, mobile communications and micro- and nanoelectronics.
- The **fourth condition** is to respond to users' increasing concern on the security of transactions and communications. The task is getting more and more complex with high capacity networks connected between each others. My priority in this respect is to get the different players - public authorities, industry and users - to work together to make security more effective.

The i2010 initiative addresses all these issues. It is a strategic framework that brings together all the relevant EU policy instruments: regulation, research and partnerships with the Member States, with industry and other stakeholders.

i2010 has three specific policy objectives:

- to create a “common information space”, based on the strengthening of an open and competitive single market for communication and media services;
- to ensure European technological leadership by encouraging private and public research and innovation in ICT;
- to promote a more inclusive information society in Europe, by better exploiting ICTs to improve our quality of life.

To achieve the first priority, the common information space, we have two major tasks to carry out over the next months: that is reviewing the regulatory framework for electronic communications and modernising the European rules on audiovisual content. Both of these reviews are being undertaken with the principal aim of generating growth and jobs. To do this, we need to have regulatory frameworks that will allow our market players to ride the convergence wave, rather than be submerged under it.

My priority under the research and innovation pillar for the months to come will be to increase R&D spending substantially. i2010 underlines the necessity to increase EU research spending on ICT. The Commission has proposed an increase of 80% by 2010 and has invited the member states to do the same. The timing and exact content of the financial perspectives decision remains uncertain, but it seems clear that the increase for Community R&D will be significantly less than we asked for. We shall make the best use of what we get, but less investment in European R&D will be a serious set back for European innovation and growth.

This is especially the case for the ICT sector, because my approach to research and innovation is to support practical applied research that promotes growth, jobs and delivers benefits to citizens. For example, I have been encouraging European Technology Platforms (ETPs) in ICT in domains of strategic importance to Europe, to create common visions, research agendas and technology roadmaps amongst all key industry and research actors.

ETPs make it easier for industry and academia to co-ordinate their research. They build links between the various elements of the innovation process – R&D, standards, regulation and funding – and they lead to greater certainty in planning and larger involvement and commitment of industry. So far six platforms have been set up in the ICT field (Nanoelectronics, Embedded systems, Mobile and wireless, Robotics, Emerging Media systems and Software services and architectures).

The last ETP, the Networked European Software and Services Initiative (NESSI) brings together the major players of the European software industry. It will draw a research agenda that will respond to the growing demand for more reliable software, Grids and eServices while seizing the huge opportunity for new breakthroughs in this area.

Such initiatives create the partnerships needed to build a competitive European industry.

The third pillar of i2010 is on inclusion and skills for the Information Society. This is concerned with ensuring that everybody can participate in the information society and share in its benefits and is a vast subject in itself.

If we want to build an Information Society, we need everyone on board. For example, public services are going through the same revolution as businesses. They are developing large applications and data infrastructures to deal with massive data on health, education, national security, taxes and other public services. They have the same concerns as you on security, storage, archiving, interoperability and privacy. They are struggling with similar problems to re-organise internal processes. For these reasons an e-government action plan, which I will announce in 2006, forms part of the i2010 agenda.

The i2010 initiative will run over the next five years, from 2006 to 2010. Member States and the European Parliament have responded favourably to the initiative and confirmed their commitment to implement it. Tomorrow it will be debated and approved in the European Telecommunications Council.

But, Europe is built bottom-up. It is the innovativeness and competitiveness of Europe's firms and the hard work and talent of its citizens that are the foundations of our future wealth. This is your responsibility, it is our responsibility. I will do what I can to help you make Europe's businesses successful. My door is open to you all who are willing to cooperate. But, in return I am looking for your commitment and investment in your future, our future and that of our children.

Thank you for your attention.