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## i2010 - A strategy for Building Digital

Europe has built world-leading positions in crucial industry segments such as mobile communications, broadband telecommunications networks, enterprise software and services, digital and high-definition television. It is also beginning to excel at improving essential public services such as health and education through the deployment of cost-effective digital technologies. There is, however, a recognition that both the public and private sectors need to ensure that the pace of technological progress, and the associated economic and social benefits, is not slowed by outdated or unnecessary regulatory burden.

### 1. Digital Convergence - an economic opportunity and a regulatory challenge for Europe

The digital technology industry - i.e. information, communications and consumer electronics technologies - has a pervasive impact on economic and social development:

- Digital technology is a rapidly growing industrial sector
- It is an enabler for economy wide productivity growth, being responsible for 40% of productivity gains in Europe (1995-2000)
- ICT investments produce 25% of economic growth in Europe
- In the US, ICT has produced 1.4% annual productivity growth
- The largest part of ICT's contribution is yet to come
- Digital convergence is at the core of the next big wave
- Wide adoption throughout the economy and public service is a key to improving productivity
- ICT can be an equaliser providing the developing world an unprecedented opportunity to participate in the digital economy



New business opportunities ('value domains') are emerging which represent an economic value of hundreds of billions of Euros in terms of annual revenues. Examples of these new value domains are the digital home where all devices can interact and communicate with each other and the digital enterprise where employees have exactly the same service anytime and anywhere that they are used to having in their office. The critical challenge for Europe is to be able to seize these economic and associated social benefits.

Europe is in a good position to take on the challenge. We believe that the European Commission's i2010 initiative provides Europe with a framework to mobilize resources and make the required reforms to meet the challenge. But the initiative at this stage is only a framework and much of its ability to contribute will depend on the practical solutions and details in the Directives adopted and the actions of the Member States. Can they really create a favorable environment for digital convergence and its swift and harmonized implementation throughout

# Europe

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Europe? To get the context right we want to emphasize that Europe will only be able to benefit from the opportunity if it can create a better environment than that which its main competitors will deliver. This environment involves a competitive regulatory framework, a significantly improved knowledge base and a more inclusive information society.

## 2. Technical digital development

The development of technology will change the European economic and social landscape in many ways by 2010:

- Delivery networks will have much higher bit rates. Delivery networks - fixed

telecom, cable, cellular and other wireless etc. - will in many circumstances have much higher bit rates (100Mb/s for downlink peak rates). The bandwidth will allow sufficient capacity to deliver any service, including High Definition real time video streaming.

- Access will be seamless for the consumer and service provider. There will be enough intelligence embedded in the terminals and networks so that connectivity will be provided by the most cost-effective network, taking into account the type of service and the context of its usage. For the service



provider it will be enough to code the content once and the network will automatically reconfigure the service to make it compatible with all relevant delivery networks.

- Networks and devices will be interoperable. Networks and devices will be interoperable allowing the seamless transfer of service from one network or terminal to another. From the user perspective this will bring about predictable usability of content and services to consumers. Interoperability can be achieved in a number of different

ways, one of which is the usage of open standardized interfaces in multiple platforms, so that multiple independent implementations for software and services can interoperate. Devices will be able to communicate through cable connection or various wireless proximity networks. Presence and identification will be enablers for consumer to access personalized content and services.

- Efficient network security, privacy and authentication technologies will be available. Given the right conditions to develop, efficient network security, privacy and authentication technologies

will be readily available. They will create trust among consumers and service providers allowing safe and reliable delivery of digital services anytime and anywhere.

- Digital Rights Management systems will be taken up at a much larger scale. Digital rights management technologies will allow for right holders to have full control of the usage. The business models and charging practices will fully respect the balance between the principles of fair use and compensation for the right holder.

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### 3. Innovation and Investment in Research

Europe must be able to improve its ICT knowledge base. Europe is lagging badly behind its main competitors in terms of ICT R&D and implementation. The new competition from the emerging economies such as China and India is creating additional pressures to mobilize an appropriate European response. This is a joint effort by the EU and its Member States. The main challenge is to generate sufficiently large and ambitious R&D programs that can establish a technological leadership for Europe in strategic ICT. European ICT industries together with other industries have developed a number of technology platforms (and Joint Technology Initiatives) with the objective of establishing leadership and stimulating public and private investment in ICT. They must be industry driven, with public/private partnerships both for

funding and execution. The EU 7th R&D Framework Programme must play an important catalytic role to facilitate these initiatives.

The R&D effort is just one of the many challenges of modernizing the European innovation system. A modernisation of the current State Aid rules for R&D should also play an important role to stimulate innovation. The framework for state aid should be in line with the knowledge economy innovation process, which is interactive, iterative and concurrent. The State aid rules should foster a level playing field, not only within the Union, but also at the worldwide level. Furthermore, more state aid for innovation should be possible, not only for SMEs, but also for large firms. Public/private partnerships, education reforms to attract and reward best talents for the ICT sector, elimination of excessive regulatory burden and improving market access and conditions

In order to benefit from the ICT development and digital convergence, Europe must deliver a regulatory framework, competitive with other regions, that facilitates convergence, improves the European knowledge base and builds conditions for an inclusive Information Society

for venture capital business are necessary steps for providing an attractive environment for ICT related innovation and application in Europe<sup>1</sup>.

### 4. Conclusions

Europe is at an important crossroads. Europe is still in good position to benefit from the global ICT development. Strong

<sup>1</sup>EICTA's position on the state aid rules for R&D is fully in agreement with 'Creating an Innovative Europe', the report by an independent group of experts chaired by Mr Esko Aho, former Prime Minister of Finland and President of the Finnish national fund for R&D (Sitra). The report was published on 20 January 2006 at the behest of the Commission.

large and small ICT companies, a well-educated work force and a reasonably good knowledge base are important assets in the global competition. Yet, many countries outside Europe are rapidly developing a favorable environment for digital convergence in order to gain leadership in the global competition. Europe must react swiftly and effectively. i2010 is an excellent framework for moving forward. At this point in time it is important to create a compelling vision as well as a roadmap to implement that vision. In this context the following list of principles should govern the more detailed preparatory work:

- Regulation should be light and market oriented and should enhance innovation and investment and allow for new applications to emerge.
- Regulation should gradually be reformed and diminished to allow for the horizontal structure of the future communications market and thus create

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a level playing field and competitive market conditions for all actors in content creation, service provision, delivery and consumption.

- For consumers, regulation should encourage open access to all services any time and any place, and for service providers fair and non-discriminatory access to delivery networks and customers.

- European communications markets must be better harmonized in order to make Europe a lead market for new digital products and services

- Regulatory barriers to new types of pan-European public and private digital services must be eliminated.

- Future communications markets will be global. Regulation must respect this global nature and create a level-playing field for both domestic and foreign players.

In order to benefit from the ICT development and digital convergence, Europe must deliver a regulatory framework, competitive with other regions, that facilitates convergence, improves the European knowledge base and builds conditions for an inclusive information society. **S**

*EICTA, founded in 1999 is the voice of the European digital technology industry, which includes large and small companies in the Information and Communications Technology and Consumer Electronics Industry sectors. As the president of EICTA, Rudy Provoost, believes in building a strong Digital Europe and fully supports the vision developed by the members of the association.*

