
ERT Working Seminar Choreography

5 October 2015, 13.00-15.30 Berlaymont, Salle 9

Programme

Part I: connectivity

13.00-13.15 – Introduction by Vice-President Ansip

- Introduction by Vice-President Ansip (5 minutes)
- Introduction by Michael Hager, head of Cabinet of Commissioner Oettinger (5 minutes).

13.15-13.45 – Introduction by ERT participants, starting with ERT president.

- Introduction by ERT president Benoît Potier, Chairman and CEO, Air Liquide, followed by interventions by ERT members (order to be decided by ERT)

13.45-14.15 – Open discussion, all participants, started by:

- Julien Pouget, Conseiller Industrie à l’Elysée, France
- Frank Wetzel, German Federal Chancellery

Part II: start-ups

14.20-14.30 – Introduction by Vice-President Ansip and Commissioner Bieńkowska

- Introduction by Vice-President Ansip (5 minutes)
- Introduction by Commissioner Bieńkowska (5 minutes)

14.30-14.50 – Introduction by ERT participants, starting with ERT president.

- Introduction by ERT president Benoît Potier, Chairman and CEO, Air Liquide, followed by interventions by ERT members (order to be decided by ERT).

14.50-15.25 – Open discussion, all participants, started by:

- Julien Pouget, Conseiller Industrie à l’Elysée, France
- Frank Wetzel, German Federal Chancellery

15.25-15.30 – Conclusions and next steps (Vice-President Ansip and ERT president).

- Conclusions by ERT president
- Conclusions by Vice-President Ansip

Background brief

Scene setter

You will meet a delegation of the European Round Table of Industrialists (ERT).

The meeting is a follow-up to a previous meeting with ERT of 20th of July, dedicated to the free flow of data. The purpose is to prepare for the forthcoming meeting in Paris – end of October - between ERT, Chancellor Ms Merkel, President M Hollande and M Juncker.

This meeting will focus on two parts: 1) connectivity (reform of the telecoms framework) and 2) start-ups.

The ERT recommendations on start-ups and LTT

1. Completion of the Single Market: *that is a prerequisite for start-ups to scale up and attract investment. It includes a common set of consumer rights.*

- The Commission is preparing an Internal Market Strategy, to be adopted by the end of October. We are looking into additional actions to support entrepreneurship and diminish the regulatory burden for SME and start-ups.
- For example, as announced by President Juncker, we are looking into a possible initiative on business insolvency law, which could be instrumental for start-ups.
- We also agree on the need to facilitate the procedure to set up a company in Europe and are looking into possible ideas in that area.
- Another priority is ensuring delivery. It is disappointing when single market directives are undermined through poor implementation and enforcement. To address this, we need to strengthen our approach targeted on enforcement and infringements.

2. Innovation-friendly data regulations: *harmonisation data protection rules, removing data localisation requirements, government standards for open data.*

- We share the ERT recommendations to a large extent, including on the need to conclude negotiations on the data protection reform rules in the EU.
- In 2016, we will propose a European 'Free flow of data' initiative that tackles restrictions on the free movement of data for reasons other than the protection of personal data within the EU. It will also deal with unjustified restrictions on the location of data for storage or processing purposes.
- The Commission will address the emerging issues of ownership, interoperability, usability and access to data in situations such as business-to-business, business to consumer, machine generated and machine-to-machine data.
- The aim is to ensure legal certainty, avoid fragmentation of divergent national legal regimes.
- The Commission will also encourage access to public data to help drive innovation (eGovernment action plan 2016-2020, consultation to be launched mid-October).

3. Reducing red tape: *reduce administrative burden, create a new type of corporation (the E-Corp), and establish free zones for start-ups).*

- To **reduce administrative burden** we are working to shorten licensing procedures. Member States agreed to **reduce the time for starting a private limited company to 3 days and the cost to 100 €** and we are **monitoring annually their progress towards that target**. Further to that, we are now looking into the many **licences and authorisations** that a company may need to start concretely its activities.
- **The E-corporation** as a supranational company law form, the 29th regime, is not feasible (has been tried before, but failed). More feasible is the SUP proposal (Single-Member Company). It is currently being negotiated in the Council and in the Parliament. It provides for the harmonisation of national company laws. SUPs could be created on-line, quickly, with the help of harmonised requirements. We need your support for this.
- The Commission is aware of the fact that, comparing the size of the US markets and the Single Market, **there is a lack of start-ups in the EU**.
- But specific tax advantages for sectors (i.e. start-ups) or companies resident in selected regions have to meet the requirements of **the competition rules for regional and sectorial state aid**. They do not provide much room for manoeuvre.
- **Lower Corporate tax rates or temporary tax exemptions are not really helpful for companies (who are usually in loss-making situations in their first years)**. More effective is actually is to provide investment or research grants or other direct subsidies which are also helpful in situations when start-ups operate at a loss.

4. Tax incentives: *share options should be taxed as capital gains, not ordinary income; investment should be encouraged via tax deductions.*

- Since emerging businesses such as digital start-ups often lack the financial means to pay high salaries, it may be necessary to offer alternative remuneration such as employee stock options to attract the human talent they need.
- But while Member States are not allowed to discriminate on the basis of nationality, and need to comply with State aid rules, they have broad discretion to design their direct tax systems (including tax incentives on employee stock options).

5. Provide public funding: *there is a funding gap for the initial growth phase of start-ups. More EU-wide support actions, such as an investment fund for start-ups.*

- The Competitiveness and Innovation Framework Programme which ran until 2013 helped mobilise more than EUR 19 billion of loans and EUR 3 billion of venture capital to over 370,000 SMEs in Europe.
- This includes also EUR 1.8 billion of venture capital investments into SMEs in the start-up phase, many of these in the IT sector.
- The European Fund for Strategic Investments (EFSI) under the Investment Plan will mobilise €75 billion of investments over three years. Around 185,000 SMEs and mid-caps will be supported. The European Fund for Strategic Investments is already starting to benefit SMEs by reinforcing the implementation of COSME and InnovFin financial instruments.
- This year we launched a new scheme under InnovFin (Horizon 2020) providing seed and venture capital to early-stage enterprises including the IT sector.

6. Participation of start-ups in public procurement: *simplifying and reducing the procurement processes, supporting measures should be non-discriminatory.*

- Public procurement legislation has undergone a major reform in 2014, and access for SMEs is now improved via the following provisions:
 - **The division of contracts into smaller lots is encouraged** through the “apply or explain” principle, i.e. the default rule is the division into lots, contracting authorities have to explain if they do not follow that.
 - The minimum turnover requirements (to proof financial capacity) have been limited to twice the contract value.
 - The simplification of documentation requirements via the "European single Procurement Document". Only the winning bidder will have to provide full documentary evidence.
 - The mandatory introduction of e-procurement (less administrative burden, more transparency)

7. Reduce personal impact of failure: *limit the personal liability of founders.*

- Supporting a second chance for honest failed entrepreneurs is important as it will help bring more experienced entrepreneurs back into the market and contribute to growth and jobs
- Up to 18% of all successful entrepreneurs have failed in their first venture. Companies founded by re-starters have a higher turnover and employment growth than companies run by entrepreneurs who have never failed.

8. Promote entrepreneurial culture: *should start in school and university (all hubs are linked to well-known universities); create a European network of Student Entrepreneurship Centres.*

- **The Commission aims to accelerate and deepen the introduction of entrepreneurship education in schools and universities**, by working in cooperation with national and regional authorities and relevant stakeholders. The Entrepreneurship 2020 Action Plan asks EU Member States to **offer all students a practical experience of entrepreneurship before they leave secondary school.**

9. Improve access to talents: *hiring talents from other EU Member States is costly and complex, start-ups need flexibility to let employees go.*

- In their letter of intent of last 9 September to the Parliament and the Council on the Commission Work Programme, President Juncker and First Vice-President Timmermans confirmed the Commission's intention to "strengthen the inclusiveness of the labour market and social investment", including an action to develop "a new skills agenda for Europe".
- This agenda will necessary cut across and pool a number of activities of the Commission. One of the important next steps will be taken by the Luxembourg Presidency, by organising a ministerial meeting on the specific issue of digital skills on 9 December.
- The goal is to increase the European talent pool of technology savvy professionals, managers and entrepreneurs (forecast of a gap of over 800,000 digital specialists by 2020).

10. Promote creation of start-up organisations: *should be done in all Member States as it is important to understand different national markets.*

- The Entrepreneurship 2020 Action Plan invited Member States to assess the need of amending current national financial legislation with the aim of facilitating new, alternative forms of financing for start-ups and SMEs (e.g. crowd funding platforms).
- The programme COSME allocated nearly €1.4 billion to loans and venture capital complementing financial schemes at national level. Support is provided for testing, demonstrating and piloting new technologies, strengthening venture capital, angel investments, incubators and loans for high potential SMEs.
- This financial support is reinforced under Horizon 2020 and the European Structural Funds, which require comprehensive strategies for inclusive start-up support in order to obtain ESF or ERDF investments in entrepreneurship.

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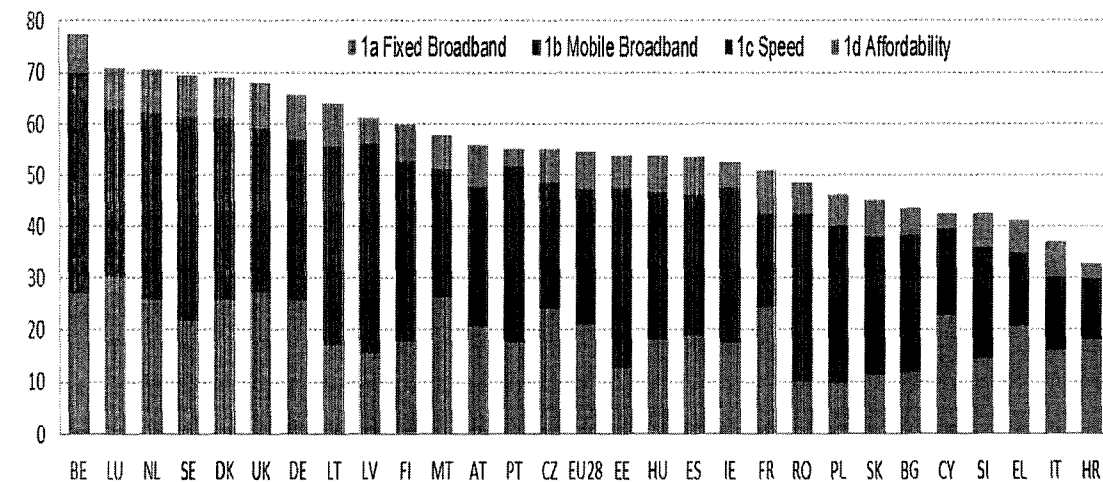
1. INVESTMENT IN DIGITAL INFRASTRUCTURE

The Connectivity dimension looks at both the demand and the supply side of fixed and mobile broadband. Under fixed broadband it assesses the availability as well as the take-up of basic and high-speed NGA broadband and also considers the affordability of retail offers. On mobile broadband, the availability of radio spectrum and the take-up of mobile broadband are included.

On the **fixed** side, Belgium, Luxembourg and the Netherlands are the strongest, and Poland, Romania, Croatia and Italy the weakest. NGA is particularly advanced in Luxembourg, the Netherlands, the UK and Belgium.

As for **mobile broadband**, the Nordic countries (Sweden, Denmark and Finland) lead along with Estonia, while lowest figures were registered by Cyprus, Bulgaria and Malta.

Digital Economy and Society Index (DESI), Component 1 - Connectivity, by aggregate scores, 2015



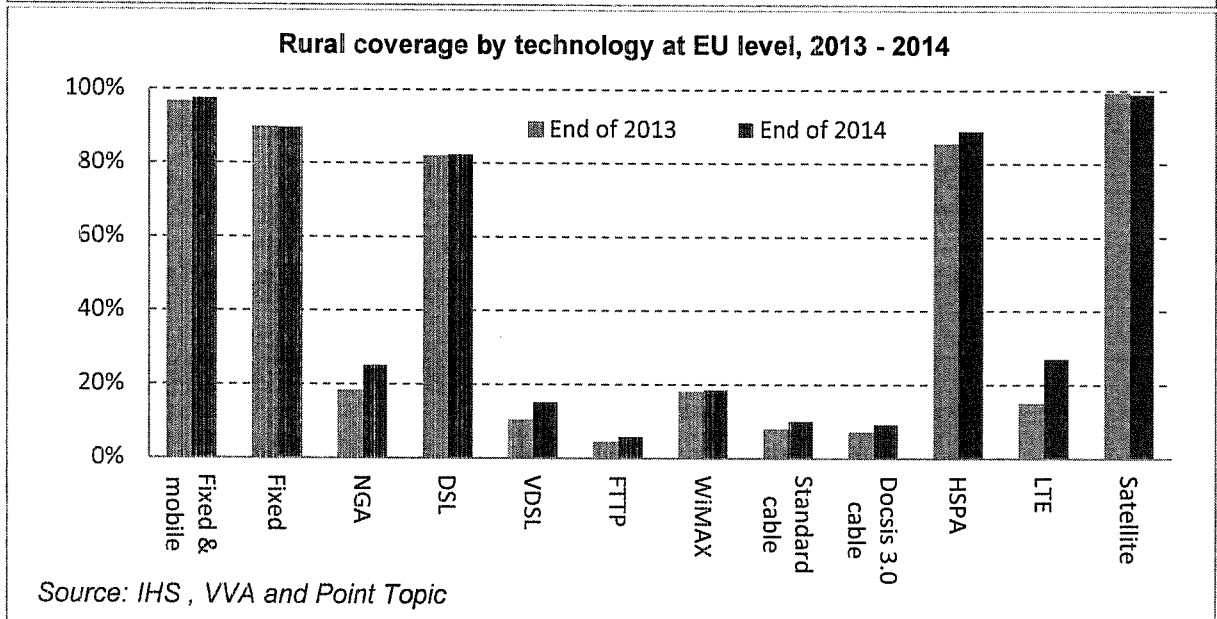
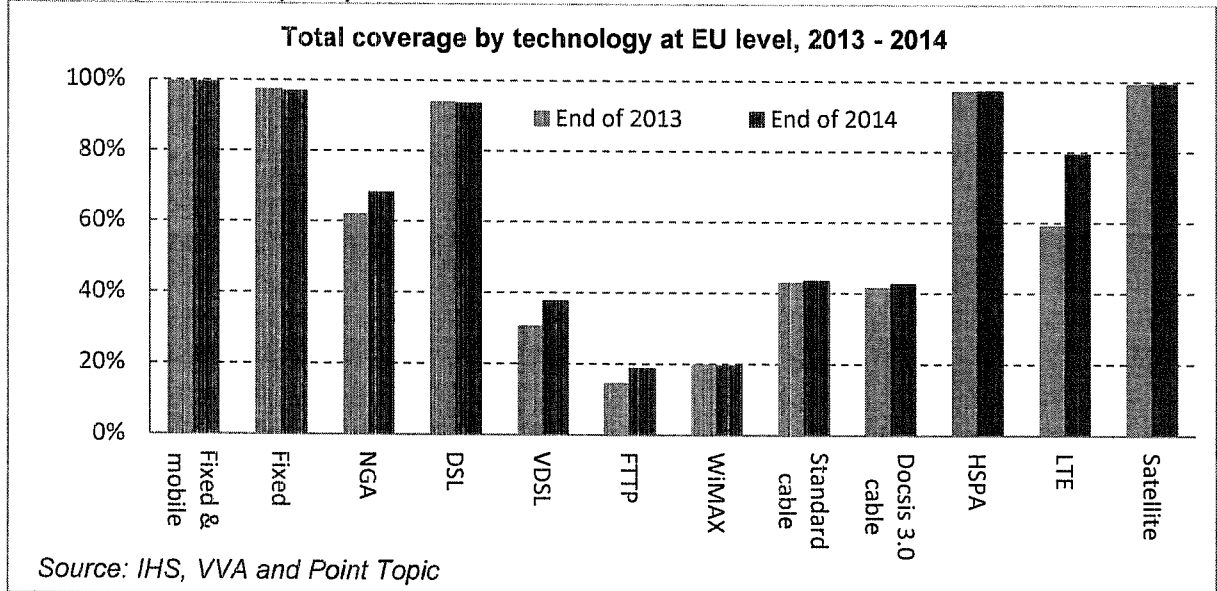
Source: European Commission, Digital Agenda Scoreboard

Basic broadband is available to all in the EU, when considering all major technologies (xDSL, Cable, Fibre to the Premises, WiMax, HSPA, LTE and Satellite). Fixed and fixed-wireless technologies cover 97% of EU homes.

Next Generation Access technologies (VDSL, Cable Docsis 3.0 and FTTP) capable of delivering at least 30Mbps download are available to 68%.

4G mobile (LTE) coverage increased by 20 percentage points and reached 79%.

Coverage in rural areas is substantially lower for fixed technologies (90%), and especially for NGA (25%).



In 2014, deployments of 4G (LTE) continued: coverage went up from 59% of homes to 79%. Nevertheless, 4G coverage is still substantially below that of 3G (HSPA). As of October 2014, three quarters of Mobile Network Operators in the EU offered 4G services on LTE networks.

LTE deployments have focused so far mainly in urban areas, as only 27% of rural homes are covered. However, in ten Member States, LTE is already available in the majority of rural homes as well, with very high rates in Denmark, Sweden and the Netherlands.

2. START-UPS AND INNOVATION ECOSYSTEM

The European innovation ecosystem is fragmented and lacks scale to compete with other ecosystems (mainly United States, China). There are various start-up initiatives at Member State level, in some cases more visible than others. Start-up founders compete today in a global market, and in most cases founders go where the opportunities are, where they have access to a large pool of customers, and have easy access to capital for scaling. The lack of risk capital available in Europe for innovative start-ups to grow beyond the start-up phase is a key aspect for consideration¹. However, reports show that 40 companies founded after January 2000 now have a valuation more than €1 billion, which shows that the region is gaining strength, albeit from low levels.²

Collaboration between start-ups and corporates can be successful for both. Together they can increase the innovation capacity in Europe. Some of this type of collaboration is being implemented already by ERT members, however mostly at early stage level, e.g.:

- a. Challenge Up! IoT Accelerator by Intel, Cisco and Deutsche Telekom is an international accelerator and incubation program for start-ups. The main areas of the program are Internet of Things ("IoT") / Internet of Everything ("IoE") and related fields connected/ smart solutions (smart home, smart city, smart energy, connected cars, wearables, Industry 4.0), Information Security, Big Data, Analytics, Connectivity and Cloud Computing. The program unites the resources and experience of the corporate startup programs of each company: Cisco Entrepreneurs in Residence (Cisco EIR), Intel Business Challenge Europe and hub:raum by Deutsche Telekom. <http://www.challengeup.eu>
- b. The High-Tech Gründerfonds (HTGF) is a venture capital firm focusing on early stage and seed investments and has been set in 2005 to finance young technology companies. The fonds initially contributes up to €2 million as seed financing for the startup companies until making available a prototype or a "proof of concept" or until the market launch. The Gründerfonds consist in a public-private partnership between the German Federation and Corporates with investors such as the Federal Ministry of Economics or Bosch, Bayer, Deutsche Telekom, KfW banking group, RWE, SAP, BASF, DAIMLER, or Metro Group (and more). In their first 5 years of existence, HTGF has invested in 250 companies. As a professional investor, HTGF

¹ <http://www.nytimes.com/2015/02/14/technology/for-tech-start-ups-in-europe-an-oceanic-divide-in-funding.html>

² <http://www.gpbullhound.com/wp-content/uploads/2015/06/GP-Bullhound-Research-Billion-Dollar-Companies-2015.pdf>

not only provides capital, but also strategic expertise and network to their companies. <http://www.en.high-tech-gruenderfonds.de>

- c. Telefónica Open Futures initiative consists in an entrepreneurial and innovation network that invested in more than 500 start-ups with a commitment of more than €300M.

3. BACKGROUND FOR THE ERT RECOMMENDATIONS

Recommendation 3: Reducing red tape

Entrepreneurship 2020 Action Plan

The Entrepreneurship 2020 Action Plan's objective is to make Europe one of the most entrepreneurial areas in the world. It was adopted in 2013 and is a key **supporting pillar of the Europe 2020 Strategy and the Industrial Policy Communication** since Entrepreneurs and their SMEs are the driving force of European economic growth and job creation. Indeed, 85% of new jobs in the private sector are created by SMEs and more than 4 million new jobs are created each year by newly founded businesses. The Action Plan aims at re-igniting the culture of entrepreneurship in Europe in the long term, in an economic context where the preference of Europeans for self-employment is at an all-time low since 2001, with only **37% of Europeans today prefer being self-employed** or running a business to having a salaried job (latest Eurobarometer; as a comparison, the figure is 51% in the USA, 56% in China – and it was 45% in Europe just three years ago). Extensive worldwide comparative data on entrepreneurship is available through the GEM – Global Entrepreneurship Monitor –, and is complemented by Eurobarometers.

The Entrepreneurship 2020 action plan is built on three main pillars: 1) entrepreneurial education, 2) creating an environment where entrepreneurs can flourish and grow, and 3) promoting role models and reaching out to specific groups (e.g. women, seniors and migrants).

Single-member private limited liability companies - the Societas Unius Personae

On 28 May 2015, the Council agreed on a compromise text for a draft directive aimed at creating a **new status for single-member private limited liability companies: the Societas Unius Personae**. The Council's general approach will serve as the basis for **forthcoming negotiations with the European Parliament**.

The draft directive aims to facilitate the **cross-border activities of businesses**, particularly SMEs, and the establishment of single-member companies as subsidiaries in other member states, by reducing the costs and administrative burdens involved in setting up these companies. This will enable businesses to enjoy the full benefits of the internal market.

To achieve this objective, the draft directive introduces a **common framework governing the formation of single-member companies**.

Member states would have to ensure that their national legal systems provide for a form of company that complies with common rules established in the directive. The legal form would be established at the national level. It would have an **EU-wide abbreviation: SUP (Societas Unius Personae)**.

The main elements of the agreement include:

- **Online registration:** A major innovation in the draft directive is that the SUP can be registered on-line using templates provided by member states. Some member states already have their own national schemes in place for electronic registration of companies. The agreed text seeks to make on-line registration as secure and compliant with existing national rules as possible.
- **Minimum capital requirement of € 1:** Currently, the minimum capital required for the formation of a single-member private limited liability company varies among the member states. The general approach contains a symbolic minimum share capital requirement of €1 (or one equivalent unit of a member state's currency if not the euro). In order to ensure adequate protection of creditors and other stakeholders, member states will have to ensure that their national laws provide mechanisms to prevent SUPs from being unable to pay their debts. Examples of such mechanisms include requiring companies to create legal reserves, establish balance sheet tests and/or issue a solvency statement.
- **Transfer of seat to another member state:** Provisions related to the separation of the company's seat have been removed from the original Commission proposal in order to respect member states' competences and traditions. Similarly, aspects of labour law will remain covered by existing national laws.

Tax-free zones for start-ups

The ERT does not stand alone in its demand for tax free zones for start-ups. There is a **similar request in the draft Opinion of ITRE** currently being discussed.

There are Member States which provide general tax benefits for smaller companies, and Member States which provide benefits to certain 'disadvantaged' regions. For example, France has lower corporate income taxes when a certain threshold is not exceeded, Portugal offers lower corporate income tax rate to companies resident or active in Madeira (under certain conditions). The Commission cannot answer the question whether Member States consider such free zones as beneficial.

Usually tax breaks or reduced tax rates are only beneficial for companies making profits. SMES/Start-up companies in loss making situations do not benefit because they would not pay profit tax at all in loss making periods. As an alternative, investment grants and direct subsidies or financial support schemes do help all SMEs in loss situations or still making profits; they can be better targeted and provide financing and liquidity support. For the specific purpose of R&D support schemes, DG TAXUD contracted a study which confirms that direct support to companies for research activities is better suited to promote R&D than a patent box regime which allows the tax beneficial exploitation of successful R&D activities from the past. Some of the conclusions in the study may also be valid for start-up support schemes in a free zone.

The wish expressed by the ERT for free zones to provide better support to start-ups is looking at aspects which are also found in other discussions like the question 'Should the EU establish its own Silicon Valley?' or 'Why have the EU Member States less start-ups than the US?' which are very relevant but very difficult to address when it comes to concrete tax measures considered or proposed.

A practical aspect as encountered in many specific regimes is the typical question: How can a government justify that a company in one part of its territory shall benefit from a support scheme and another company – exactly in the same position (same size, competing for the same customers) shall be denied the benefits - for the sole reason that it is located just outside the designated territory? This aspect is also

present when it comes to the introduction of free zones for start-ups within the EU or in parts of national tax territories.

Recommendation 4: Tax incentives for employees

DG TAXUD focuses on addressing discrimination and double taxation in cross-border situations, including in the case of employees investing across borders in stock options. As Guardian of the Treaties, the Commission takes an active role in ensuring that Member States apply EU law correctly and do not, for example, apply less favourable tax rules in the case of employees with cross-border stock options than would be applied in purely domestic situations.

On the subject of double taxation, the OECD has included recommendations in its model double taxation treaty on how to prevent mismatches between the taxation rules applied to stock options in cross-border situations. The OECD Model double taxation treaty is the basis on which countries around the world, including Member States, negotiate bilateral double taxation treaties with each other.

In an overview of the general tax treatment of stock options in the EU Member States, it appears that the treatment differs in detail depending on the type of stock option scheme, both as regards the timing of taxation as well as the amount that is subject to tax. According to the Report of the Commission Expert Group on Taxation of the Digital Economy (May 2014) in general lines it appears that most Member States do not tax employee stock options at the moment they are granted. Most of the Member States tax the gain realised upon the exercise of the option as employment income, five of which apply reduced rates.

Recommendation 5: public funding

Businesses can apply for finance supported by the EU directly at our partner financial institutions. The EU finance portal provides easy, complete and up-to-date information on how entrepreneurs and SMEs can access over € 100 billion from various EU programmes including COSME or SME financing under the new Juncker plan³. Businesses can also contact one of 600 Enterprise Europe Network partners in their region who will help them find international business partners, get advice on EU law and access EU funding. It is expected that by 2020, between 220,000 and 330,000 firms will receive COSME backed loans. COSME will help mobilise over €21.5 billion of lending and €4 billion of venture capital.

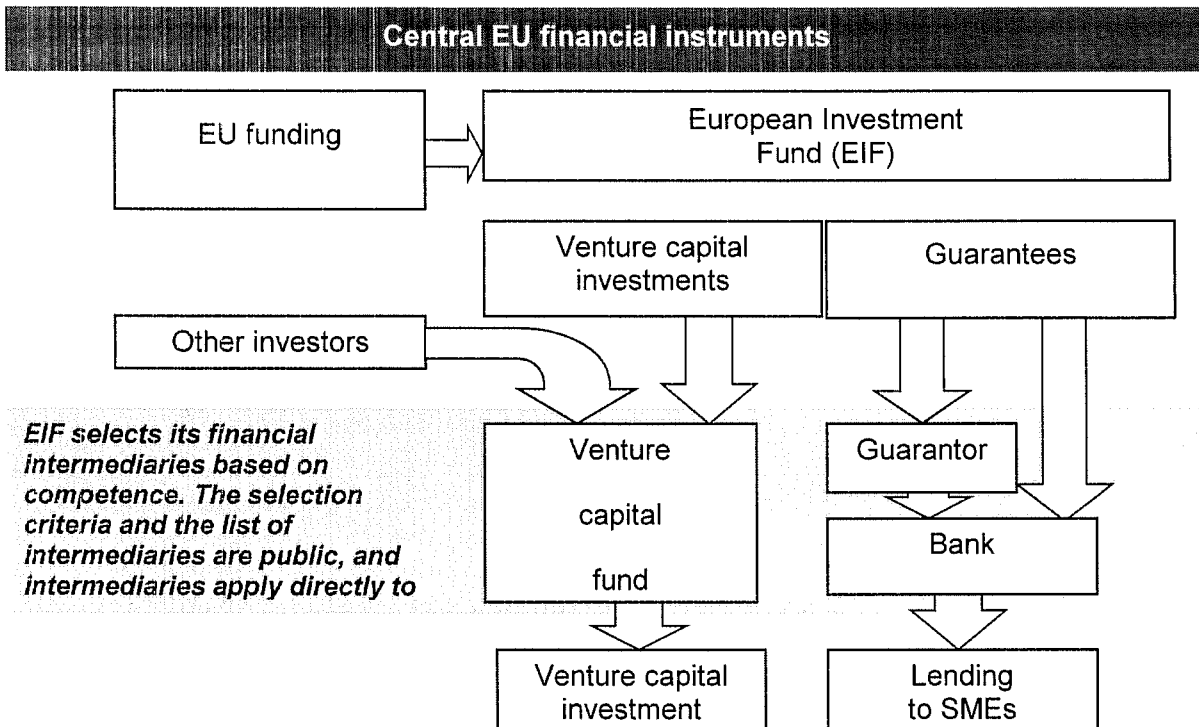
In August 2014 we launched the call for expression of interest to financial institutions to apply for COSME and Horizon financial instruments (call is open until 2020). Once we sign an agreement with a financial intermediary, businesses will be able to benefit from better access to finance supported by COSME, Horizon and other EU financial instruments.

SMEs are supported financially indirectly through financial intermediaries. Most central EU financial instruments (COSME, InnovFin, EU Programme for Employment and Social Innovation (EaSI), SME window of Juncker plan) will be managed on behalf of the Commission by the European Investment Fund. **The EIF is the specialised institution of the Community for providing venture capital and guarantee instruments for SMEs.**

In September 2014 the European Court of Auditors published a very critical report on 'Incubators' funded by structural funds. It emphasised the need to invest in incubation

³ www.access2finance.eu.

services, not in 'brick and mortar'. Many incubators are real estate projects for office space. Rethinking and raising the quality of incubation services is urgent – in particular if economic effects from start-ups should not be limited to the metropolitan areas.



Recommendation 9: Access to talents

European Entrepreneurship Education 'NETwork'

A Europe-wide network for entrepreneurship education was launched- through a COSME grant - to support policy development across countries (for instance on how to build national and regional strategies), based on learning from existing best practices and on sharing information.

The grant agreement was signed in March 2015. The duration of the project will be of three years.

It is too early at this stage to describe concrete outcomes of the project. A further development could be to organise Peer-Learning workshops for representatives of national and regional administrations, helping them to develop or improve strategies in their countries based on successful models. This methodology could be also applied more generally for skills other than entrepreneurial skills.

Erasmus for Young Entrepreneurs (EYE)

EYE is a cross-border exchange programme which aims to help new and aspiring entrepreneurs acquire relevant skills to run and grow small business by working with an experienced entrepreneur in another country for one to six months. It increases their knowhow and fosters cross-border transfer of knowledge between entrepreneurs. EYE is implemented by network of Intermediary Organisations (IO) which act as local contact points in participating countries. The IOs are in charge of recruiting and matching the entrepreneurs as well as of promotion of the programme at local and national level.

Developing EU-wide recognition of skills and qualifications

The Internal Market Information System (IMI) is a corporate tool for EU-wide administrative cooperation and is well-suited for fulfilling the information exchange needs of national authorities in the context of the Skills initiative, in particular in the field of recognition of skills and qualifications.

IMI currently supports 16 administrative cooperation procedures in 9 different policy areas, including the Posting of Workers.

- 7,251 national authorities across the EU are already using IMI.
- In 2014 the total number of transactions in IMI was 7572.

As of January 2016, European Professional Cards (EPC) will also be issued via IMI. There is a separate module for Recognition of Professional Qualifications Directive allowing :

- authorities to exchange information about professionals in the context of recognition procedures;
- MS to notify of new professional titles and training programs concerning the professions benefitting from automatic recognition.

Therefore, a majority of authorities in the Member States involved in certification and validation of professional training are already using IMI.

**Meeting European Commission and European Round Table of Industrialists,
Brussels, 2015**

Key Conclusions and Recommendations

This was the second follow-up meeting to the high-level meeting between ERT member CEOs, Chancellor Merkel, President Hollande and President Juncker, focusing on the development of the digital economy and the DSM in Berlin on 1 June 2015. A second such high level meeting will take place in Paris on 27 October 2015. The first follow-up meeting had discussed the theme of the "Data economy and free flow of data in the EU". This meeting focussed on the themes of connectivity (reform of the telecoms framework) and start-ups/entrepreneurship.

1. Connectivity

On connectivity ERT believes that the Commission's Digital Single Market (DSM) strategy correctly addresses the need for sustainable competition among operators and the need to incentivise investment in ultra-fast broadband networks to strengthen Europe's position in connectivity.

All parties agreed that competition can work well as a key driver for investment in telecoms networks and that ensuring more investment into new, high-performing, networks is essential, including in rural areas. There is an urgent need for action as we are operating in a global context and facing strong competition from other large economies. All participants agreed on:

1. The need for competitive and high quality infrastructure.
2. The need to accelerate roll-out of ultra-fast broadband by using the right incentives to invest.
3. The need to recapture European R&D leadership (e.g. in 5G).

A key objective should be the simplification of regulation, focusing on what is necessary to ensure more sustained investment and competition as well as healthy R&D levels. Any regulatory intervention should be targeted and focused. ERT members noted that market consolidation which can increase the scale, quality and the efficiency of much needed investments is welcome. They also noted the need to enforce, in a non-fragmented way across the Union, Net Neutrality rules so as to enable both innovative specialised services required by European companies and the quality/safety expected by consumers.

All parties agreed that the regulatory environment should ensure a level playing field between all players taking account of the much broader digital value chain with the capacity for much quicker interventions. ERT called for an approach based on 'same service, same rules, same protection'.

ERT stressed that there was an urgent need for closer EU level coordination of spectrum which is critical for investment as well as for users and industry in general. It was agreed that

ERT and the Commission needed to work together to persuade the Member States and that ERT would help to find examples from the traditional industry on use cases concerning the need for coordinated spectrum. In this context, it was noted that Europe needs a harmonised approach to timetables for spectrum auctions, conditions and licence durations. The proceeds from auctions should be left with the Member States. In addition it was noted that solving the issue of rural broadband gap could benefit from more public private partnerships.

Start-ups

SMEs and start-ups are the backbone of the European economy and drivers of innovation. Both are important parts of the Digital Single Market Strategy. There is a strong need for dynamic start-ups, which are essential partners for the European industry, as they bring key innovative developments and may create the seeds for the next generation of industrial global champions based in Europe. In particular, the development of start-ups is essential to help digitalise the economy and thus maintain Europe competitiveness.

Almost all DSM actions serve to improve the situation for SMEs and start-ups by breaking down barriers and ensure a functional Digital Single Market. Indeed, a fragmented market does not give the start-ups the power to scale-up and may even force them to favour or relocate to the US for scaling up.

This Commission is very active on many fronts in addressing the difficulties being faced by both SMEs and start-ups. For example the European Fund for Strategic Investments (EFSI) under the Investment Plan will mobilise €75 billion of investments over three years and should support tens of thousands of SMEs. The Commission is also promoting a large number of projects in this area such as the programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), in its research programme H2020 or the "InnovFin" project with the EIB which will make some 24 billion euros for research and innovation available, as well as seed and venture capital to early-stage enterprises. The Commission is further helping to upgrade knowledge and support networks such as the 'Startup Europe Partnership'.

ERT members noted, as the growing number of start-ups illustrates, that Europe does not lack entrepreneurial spirit. However we need to change the culture of treating failed start-up entrepreneurs as "losers" (in the US, leaders of aborted start-up projects are not penalised when looking for finance for new projects). All parties noted that Europe cannot and should not try to emulate Silicon Valley. Rather we need to create a network of ecosystems establishing much stronger links and support communities between universities, start-ups and the financial world. Large companies have also a role to play when it comes to create market opportunities for these start-ups and SMEs.

ERT considers that the major gaps in Europe are:

1. The right people and skills
2. Our regulatory environment has too much red-tape, complexity and high social charges

3. Funding – better supply of Venture Capital (VC) and corporate VC

4. Technology – access to platforms

5. Tax incentives

At EU level we can act on skills, funding, technology and creating the ecosystems.


ERT noted that consideration should be given to launching a European 'Fund of Funds' based on an "asymmetric funds model" where governments match venture capital investment. Public procurement tools should be used to support start-ups.

ERT will also consider setting up a start-up "pact" or programme with mentoring and skills upgrading supported by the major European companies.


Overall, as a result of the preparatory work with the Commission, the ERT agreed to come forward with a list of key issues that must be addressed at EU level.

Annexe: list of participants

ERT Delegation

Benoît Potier	Chairman, ERT Chairman and CEO, Air Liquide
Vittorio Colao	Vice-Chairman, ERT Chief Executive, Vodafone Group
Leif Johansson	Past Chairman, ERT Chairman, Ericsson
Stéphane Richard	Chairman and CEO, Orange
Risto Siilasmaa	Chairman of the Board of Directors, Nokia Corporation
Thierry Sueur	Vice President, European & International Affairs, Air Liquide
	Convenor, ERT Digital Single Market Working Group Siemens
Brian Ager	Secretary General, ERT

Germany and France

 Conseiller Industrie à l'Elysée, France

Frank Wetzel, Head of Division Industrial Policy, Innovation and Technology Policy, IT-Industry, Regional Economic Policy, German Federal Chancellery

European Commission

Vice-President Andrus ANSIP

Commissioner Elżbieta BIENKOWSKA

Michael HAGER Head of Cabinet for Commissioner Oettinger

Kamila KLOC Deputy Head of Cabinet, CAB Ansip

Tomasz HUSAK Head of Cabinet, CAB Bienkowska

Jörgen GREN Member of Cabinet Ansip

Maximilian STROTMANN Member of Cabinet Ansip

Fabrice COMPTOUR Member of Cabinet Bienkowska

Denzil DAVIDSON Member of Cabinet Hill

Eric MAMER Deputy Head of Cabinet Oettinger

Markus SCHULTE Member of Cabinet Oettinger

Wenzel BULST Member of Cabinet Vestager

James MORRISON Director, Secretariat-General

[REDACTED] Head of Unit, Secretariat-General

[REDACTED] Policy Co-ordinator, Secretariat-General

[REDACTED] Head of Unit, DG CNECT

ANDRUS ANSIP
VICE-PRESIDENT OF THE EUROPEAN COMMISSION

Brussels, 21/10/2015

Ares (2015)

Benoît Potier
President
European Roundtable of Industrialists

Dear Mr Potier,

Please find herewith enclosed recommendations and conclusions of our preparatory meetings for the Paris summit on 27th October concerning the data economy, connectivity and start-ups that took place in July and October 2015 in Brussels.

Yours sincerely,



Andrus Ansip

Cc: President Jean-Claude JUNCKER, Guenther OETTINGER, Elżbieta BIENKOWSKA, Vera JOUROVA, Margrethe VESTAGER, Pierre MOSCOVICI, Carlos MOEDAS, Tibor NAVRACSICS, Marianne THYSSEN, Corina CRETU, Phil HOGAN, Jonathan HILL, Violeta BULC, Cecilia MALMSTRÖM, Julien POUGET, Frank WETZEL; Pauline Rouch (CAB JUNCKER)