

## Convergence in High-Tech Industries: Implications for Industry and Policy

Brussels, 15<sup>th</sup> June 2006

About 30 international participants from companies and industry organisations in ICT-related sectors, standard organisations, academic and research bodies, as well as the European Commission attended the workshop on "Convergence in High-Tech Industries – Implications for Industry and Policy". The workshop was organised by the Commission's *e-Business W@tch* and hosted by DG Enterprise and Industry on Thursday, 15<sup>th</sup> June 2006.

### Background and programme

The purpose of the workshop was to present and discuss the preliminary study findings on the three ICT-related industries, i.e. telecommunication services, ICT manufacturing and consumer electronics (CE), and to receive feedback and comments. A further objective was to encourage debate between industry, policy and the *e-Business W@tch* study team on implications of convergence trends in high-tech sectors for industry and policy. Convergence of platforms and technologies turned out, in fact, as a cross-sectoral issue with significant impacts on market structure and competition.

#### **The workshop was structured into four parts:**

- **Introductory section:** Georgios Karageorgos (EC / DG ENTR and *e-Business W@tch* project officer) presented an overview of e-business-related activities of the Commission's DG Enterprise & Industry and explained the focus and objective of the workshop. **Andreas Stiehler** (Berlecon Research) introduced the ICT sector-related studies. He also provided information on the background of the *e-Business W@tch* survey and presented new statistical results shedding light on the characteristics of the ICT-related sectors studied.
- ***e-Business W@tch* sector studies:** In this part, the three authors of the sector related studies, **Phillip Bohn** (Berlecon Research, CE manufacturing), **Andreas Stiehler** (Berlecon Research, Telecommunications) and **Daniel Nepelski** (DIW, ICT manufacturing) presented results of the key issues analysed. In the subsequent discussion, workshop participants provided feedback on the sector studies.
- **Implications of convergence for industry:** The objective of the third part was to shed some light on the manifold challenges driven by convergence for companies in ICT-related sectors. Mr. **Marcin Marscalek**, Advisor Product Development at WiMAX Telcom AG, discussed the business approach and challenges for the company that provides broadband services in various central and Eastern European countries based on the WiMAX technology. Mr. **Peter Christensen**, Senior Manager at KiSS Networked Entertainment, discussed challenges related to the manufacture of networked CE devices. Mr. **Hermann Lagreze**, Manager for Enterprise e-Business at Motorola (EMEA), discussed the importance of e-business standards for the management of converged supply chains based on the

business case of his own company. Finally, **Martii Lumio** of the Commission's statistical service (Eurostat) introduced convergence challenges for ICT industry statistics. In this regard, he explained how ICT-related sectors are considered in the forthcoming NACE 2.0 classification

- **Convergence and the role for policy:** Presentations and the discussion in the final part dealt with the role of policy related to convergence trends in high tech-sectors. In the first part, representatives of major industry organisations presented their view on “*What should be done?*”. Dr. **Georg Luetteke** (EICTA) summarised convergence challenges for ICT and CE manufacturing. He particularly emphasised the need for efficient standardisation processes. Messrs. **Michael Bartholomew** (ETNO) and **Steen Clausen** (ECTA) discussed the challenges for telecommunication providers from the perspectives of their organisations and the need for regulation, which should provide equal conditions for the various provider groups in the telco market.

In the second part, representatives of the European Commission's DG ENTR and DG INFSO elaborated on how the Commission deals with issues related to convergence. Ms **Laura Pontiggia** (DG INFSO) presented – based on the i2010 Action Plan – policy fields that relate to challenges of convergence and are in focus of the Commission. **Tapani Mikkeli** (DG ENTR) particularly referred to the work of the recently established ICT task force, where different stakeholders (including high-level representatives of the ICT industry, trade unions and consumer organisations) discuss major obstacles for ICT uptake in order to recommend appropriate policies.

## Major Points of Discussion

The workshop participants made numerous comments and provided helpful feedback on the three interim reports on high-tech industries by the *e-Business W@tch*. Two issues in particular have been repeatedly raised by the discussants:

- **Need for a cross-sectoral approach for the analysis of convergence issues:** Various participants emphasised the cross-sectoral nature of convergence issues and the impact they have on all three ICT-related sectors. In this regard, they called for a common approach for the consideration of convergence issues in the three sector studies. Moreover, a broader scope of the analysis of supply chain issues has been demanded: What does convergence in ICT-related industries mean for the whole supply chain? It was suggested to analyse the impact of convergence on innovation as a special issue in all three sector studies.
- **Stronger focus on e-Business usage (particularly in the telecommunications report):** Certain participants called for a stronger focus of the analysis on the *use* of e-business technologies by companies in ICT-related sectors. This point referred particularly to the report on telecommunications services. Additional remarks stressed the need to *distinguish* between coverage (availability) and penetration (connections) of broadband, to maintain a *technology neutrality* perspective and ensure a more *balanced* discussion of opportunities and challenges related to convergence for different telco provider groups.

Further major points of discussion included:

- **DRM and intellectual property rights (IPR):** Several workshop participants pointed out the importance of DRM and IPR issues for content-driven developments and suggested a stronger consideration of these points in the *e-Business W@tch* sector studies.
- **Regulation:** There was a controversial discussion on the impact of regulation with respect to convergence issues in the telecommunications sector. However, as pointed out by Mr.

Mikkeli (DG ENTR), the discussion seemed to call for *better* regulation rather than for *less* regulation in the telecommunications industry.

- **e-Business standards:** The role of standards as a means to promote interoperability was a major point of the discussion on challenges related to convergence. Overall, participants agreed that the use of e-business standards, as well as of industry-driven solutions like RosettaNet, is of importance to overcome challenges related to the management of converged supply chains. However, different opinions were expressed on whether the implementation of standards and efficient standard setting processes should and can be supported by policy.

## Conclusions

- The workshop provided valuable insights into many aspects of convergence and related chances and challenges in ICT-related sectors. Convergence, as pointed out by several speakers, is no longer an issue of the future. It happens today and has **major impacts on competition and innovation activities** in the three ICT-related sectors.
- Moreover, convergence of platforms and technologies leads to **converged ICT industries** along with converged **supply chains** and **products**. Thus, many issues discussed during this workshop, including the role of e-business standards and innovation, turned out as being of a cross-sectoral nature.
- The workshop particularly provided helpful feedback on the **interim sector reports** on the three ICT-related sectors. A major recommendation for finalising the sector studies concerned the need for a **cross-sectoral approach** in the analysis of convergence issues in the three reports. Also, it was suggested that the authors should focus more on **issues related to ICT usage**, particularly in the telecommunications report. These points, as well as other comments received (see chapter 2), will be carefully considered when finalising the respective reports and addressed to the largest possible extent within the scope of *e-Business W@tch* sector studies.

## Further information:

Workshop proceedings (agenda, presentations, list of participants) are available for download at the *e-Business W@tch* website ([www.ebusiness-watch.org](http://www.ebusiness-watch.org) -> Events: 'Proceedings'). For further information, questions and input you are welcome to contact:

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