Position Paper

Skilled Crafts in the Digital Age

Key points (short version)

Brussels, January 2015
70 percent of our crafts businesses view the internet as an opportunity. 74 percent would like to get involved into the growing opportunities for product customization.

A digitalised economy and society is key to market competitiveness. For reasons of intensive competition, the EU should create favourable framework conditions as soon as possible in order to stimulate the potential of modern technologies and analysis methods. An effective competition within a suitable framework is the best answer to this development.

"Digital agenda for Europe": The previous conclusion was that although there are many individual initiatives, there is however hardly any progress to be seen with regard to the 2020 targets. Europe needs to do more than it has been done to date. Growth rates of 340 billion Euros annually have been made possible through emerging opportunities of the digital internal market, such as unlimited mobile communication, public procurement or eGovernment.

Broadband network expansion

A fast internet connection is the prerequisite for further innovation, growth and employment. This applies both to an online shop of a rural butcher as well as to a supplier with a global customer base. However, 30 percent of our crafts businesses moan that they are not equipped with a sufficiently fast internet connection to face these challenges. In the meantime there is also a considerable backlog vis-à-vis other world regions with regard to the expansion of broadband fibre networks. Whilst during the funding period 2014-2020, 9.2 billion Euros were still planned for the investment into fast or very fast broadband networks, this amounts to merely 1 billion Euros now, which is a major setback for the digital agenda. Thus more European funds are urgently needed in order to still reach the broadband targets for 2020, whilst other world regions threaten to be far ahead of Europe.

The expansion of the broadband infrastructure must account for a 'significant part' of the investment package of the new EU-Commission amounting to 315 billion Euros. On the mid-term evaluation of the Connecting Europe Facility, it should also be verified whether possible additional funds can be provided for the expansion of broadband. A stronger use of structured funds for the expansion of broadband in the regions is necessary too.

Funding is however the only starting point where Europe should get involved in broadband expansion. The other one is the setting up of simple rules, according to which state aid for the expansion of broadband is possible in the presence of market failure. In this case it should be verified how the promoted expansion of sustainable fibre glass infrastructure can be facilitated further for the purpose of state aid regulation.

IT security

Cyber security has to be given priority. Malware attacks do not stop at national borders so that the cooperation of individual safety authorities within the EU must be expanded without the need for setting up a new authority or organization.
More than a fourth of all German crafts organizations would like to get more support in relation to the procurement of data security. Although most company owners use virus protection for their internet access, in many cases even additional firewalls, the ever increasing and more skillfully performed phishing attacks, Trojans or password thefts cause uncertainty amongst them.

**Economy 4.0**

Considerable increases in production as well as an enhanced energy and resource efficiency can be achieved through digital networking of all involved components and production lines in the framework for value-added structures. This goes far beyond the currently discussed approach relating to industrial policy 'Industry 4.0.'

The narrow concentration of digitalisation on aspects relating to industrial policy is problematic, since the whole economy is affected by and involved in this development, such as the manufacturing industry, skilled crafts, trade, services, agriculture, hotels, restaurants or liberal professions. The change of market structures and distribution channels ultimately affects all market players. For this reason a broad approach is necessary, in particular one that is compatible with medium-sized companies, comprising small and medium-sized enterprises. 'Economy 4.0' should be the guiding principle for the digital internal market.

**eGovernment**

The various efforts of the EU countries in the field of eGovernment should be continued and expanded. Public services also need to be usable digitally (e.g. the EU Services Directive). eGovernment initiatives in the single EU member states should be created so as to be implementable by citizens of other EU members.

**Interoperability**

A strict adherence to the principle of interoperability is indispensable if a single digital economic area in Europe is to be a success. The task of the EU in this case should be to coordinate and not to standardise the interoperability.

**Roaming-fees**

The skilled crafts rely on cross-border communication without additional roaming fees.

The EU-Parliament has already adopted the proposed regulation for the completion of the digital internal market in April 2014. This provides for the abolition of roaming fees by the end of 2015. The legislative package on the Digital Single Market should be implemented quickly.

**eCompetences**

Within the organisations, digitalisation leads partially to considerable changes of work contents and therefore also to the required 'digitalization specific' competence profiles of employees. The EU-Commission should pay more attention to the fact that digitalization is given the required educational significance in all EU member states. However, mindful of the principle of subsidiarity there is no requirement for independent educational activities of the EU in this context.
Online visibility

Online sales platforms are rarely used by crafts businesses. Only 4.8% of the owners offer their services on online platforms such as myhammer.de, amazon.de or blauarbeit.de. 26% of our crafts businesses would like to get more support for the online visibility and advertising. In this case particularly small companies require more concrete assistance.

European legal framework for data protection

A reliable European framework is indispensable for the growth of the digital, increasingly mutually networked added value and last but not least the online trade. The non-discriminatory access to data flows is an essential element for small and medium-sized companies to take advantage of the opportunities from the outset (example ‘smart home’). For this purpose a uniform level of protection for data protection throughout Europe is though guaranteed, as should be achieved through the Proposal for a Regulation on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the so-called EU General Data Protection Regulation) submitted by the European Commission. The applicable data protection in Europe is still based on the 1995 Data Protection Directive. But this Directive does neither take account of the technologically advanced changes that have taken place in the meantime nor does it contribute to the EU-wide uniform data protection rules.

Uniform data protection rules are basically welcome for the skilled crafts. Nevertheless the specific requirements of micro and small enterprises as well as authorities and other public bodies such as the Chamber of Crafts should be taken into account. These should not be burdened with overly strict bureaucratic obligations on the provision of information and documentation and authorization requirements. For this reason exemptions on such duties as well as on the obligation to appoint a data protection officer are particularly indispensable for SMEs.

On the occasion of the Data Protection Day on 28 January 2014, the federal minister of the interior de Maizière had proposed to limit the proposed regulation to the field of the digital agenda. This proposal is a step in the right direction and would cause that the skilled crafts organisations as well as the vast majority of crafts organisations remain unaffected by the reform.

Simplified rules on turnover tax for e-commerce

The importance of cross-border e-commerce is growing. The associated costs and risks certainly discourage many SMEs from offering their services in other EU member states too. They are deterred by 28 different rules on turnover tax as well as by language difficulties when dealing with the authorities and forms in other member states. In the event that deliveries to customers in different member states exceed a certain size, German entrepreneurs need to be registered in the respective country and submit their VAT return to the local revenue service. A uniform VAT form within
the EU would have an alleviating effect and would simplify the procedure. However, the number of optional fields for the proposal by the EU Commission should be reduced and the forms should be available in a uniform language (such as English). The so-called 'one-stop shops' would be required in the long run. In this case SME could comply with their obligations in relation to turnover tax at a central point of contact within the country.