European Innovation Council

Position Paper

About ASD
The AeroSpace and Defence Industries Association of Europe represents the aeronautics, space, defence and security industries in Europe in all matters of common interest with the objective of promoting and supporting the competitive development of the sector. Its membership comprises major European aerospace and defence companies as well as national associations.
Analysis

The transition between the product R&T phase and its availability on the market could be aided by a future European Innovation Council providing, in addition to R&T funding already in place, new financial means for final product development.

ASD position on the proposed creation of a European Innovation Council

Promoting European innovative companies and providing them with a simplified and more agile set of financial support mechanisms will contribute to the sustainment and acceleration of innovation in Europe.

However, the future European Innovation Council (EIC) perimeter, eligibility, governance and budget should be defined in such a way to include the specificities of sectors such as AeroSpace, Security, and Defence, where product development and exploitation are based on long product and technology development cycles and where large companies have a very important and leading role. The very long timescales, sometimes decades, required for innovation and development in our highly regulated sectors require a different set of conditions compared to other sectors such as the digital economy.

EIC perimeter

The EIC should not interfere with the R&T phase where processes and mechanisms, although still improvable, are already in place and are tried and tested. Our sectors are facing challenges (CO₂ emission reduction objectives as set in the ACARE SRIA and Flightpath 2050, new space infrastructure and service development...): technologies are not available off the shelf, only continuous R&T efforts, funded by grants, will allow the set objectives to be met. The EIC set up shall not substitute this R&T activity.

The EIC should address the innovation phase of a product once the product has reached sufficient maturity and has successfully passed the Research and Technology phase, validating its potential in a realistic environment and in an end application.
EIC role
The EIC should promote the continuation of R&T and address both types of innovations: not only disruptive but also incremental. It should identify the most promising technologies whose established business opportunities are best aligned to the European policies strategy, and support, in the shape of institutional aids, companies which would not mature their innovation otherwise, due to unmitigated risks on investment. The EIC could contribute to the digitalization of the sector, developing new product and manufacturing processes.

Companies, especially start-ups and SMEs, face difficulties in learning about and understanding the funding mechanisms. To this end, the EIC should act as a focal point, providing all relevant information, and be recognized as the main organization dealing with innovation. In case of coexistence with other bodies, such as the European Institute of Innovation and Technology (EIT), roles for each organisation should be clearly identified: overlapping and confusion should be avoided.

EIC eligibility and processes
Should the EIC be dedicated to SMEs and start-ups, measures should be included to ensure that large groups and end users are aware of their activities and results. The EIC should promote vertical collaboration to ensure the proper entry on the market of the product, and support and reinforce links inside the future product supply chain. When addressing activities that are close to the market, the EIC intellectual property rules should protect industries and organisations that generate the innovation, in particular in case of opening to international collaboration. Intellectual property protection is essential to avoid adverse effects on European competitiveness and growth.

In parallel, simple and lean processes for application, eligibility conditions, and technical and cost reporting, should be established. Efforts should be focused on technical progress rather than burdensome administrative procedures.

EIC governance
The EIC should establish a specific, effective and clear governance structure, incorporating all stakeholders in its decision making process to ensure that the EIC strategy and policies meet industry and societal expectations: industry could participate in the steering board of the EIC in order to integrate the market and industrial vision into innovation selection, progress monitoring and results exploitation.

EIC Budget
Existing budgets, which are currently fragmented into several funding mechanisms, e.g. SME instrument, COSME, Fast-Track-to-Innovation, should be merged into a single one. The latter shall be clearly separated from the R&T collaborative research budget.

Synergies with the Structural Funds or the European Fund for Strategic Investments should be highlighted with a precise procedure and guidelines on ways to take advantage of those synergies effectively.

By funding these high maturity activities, the EIC shall pay attention to comply with the WTO policies regarding competition and state aids.
Background

Research and Technology (R&T) addresses the study and maturation of technologies up to their demonstration in a relevant environment (up to TRL6). Innovation addresses higher maturity projects when technologies are adapted to a given and specific use case, and are implemented and brought to market in real products.

Innovation is driven by the market and by customer needs while R&T may still be driven by the study of emerging and promising technologies. A very good knowledge of the future product/service and its business case shall thus be available when entering the innovation process. Currently, the R&T phase is funded through collaborative research or a JTI.

In the AeroSpace and Defence sector, after the R&T phase, the time until a technology or product reaches the market remains long (typically 5-10 years), and is very costly as it covers all design, test, qualification and certification activities required by the applicable regulations. The risks associated with the return on investment remain high, because of potential changes in economic environments, or in technology evolution during the long implementation and maturation of the selected technologies and products. The EIC as described above would become the support instrument on a European scale for higher TRL (>6) that is currently missing.

[Signature on file], Jan Pie, ASD Secretary General, 22 August 2016