POSITION PAPER

Data economy

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Background

Building the data economy is essential in achieving "A Europe fit for the digital age", which is one of the main priorities of the new European Commission. The current unprecedented health crisis has also shown us the importance of digital technologies and the availability and use of data. Accessing, sharing and exchanging data between different actors in the value chain and among sectors has become a necessity to maintain their daily economic activity. In addition, it holds tremendous potential for creating innovative products and services *while* reducing the carbon footprint of the EU economy.

Access to data is also essential for the further development of Artificial Intelligence (AI) and machine learning. The adoption of AI applications is at different stages in different sectors. Their further development and adoption can bring many benefits in areas such as process optimisation, predictive diagnosis and maintenance or the development of personalised goods and services.

The Commission Communication on Shaping Europe's Digital Future[1] presented on 19 February 2020, includes as one of its key actions the development of a standardisation strategy to be presented in Q3 2020. SBS believes that this strategy should focus on both the European and the international dimension of standardisation. This position paper is part of the SBS contribution to this future strategy. At the same time, it aims to reply to the EU's consultation on the European strategy for data and the white paper on AI that were published as part of the above-mentioned communication and which were open to public consultation.

1

[1] https://ec.europa.eu/info/sites/info/files/communication-shaping-europes-digital-future-feb2020_en_4.pdf

Importance of the data economy for SMEs

Access to data and data ownership is about having a fair and open market for SMEs. They should be able to profit from the opportunities provided by the data economy and its associated potential for creating innovative products and services. Nevertheless, Small and Medium-sized Enterprises (SMEs) are often excluded from the right to access to data. They are thus excluded from the commercial use of data and the development of data-driven business models. Access to data is a growing issue for all SMEs, however in some sectors (such as automotive, maintenance and repair, hospitality industry, lift sector and ecommerce of books), it is already problematic. For most SMEs in these sectors, in their daily activities, access to data makes the difference between being able to continue their activity or having to close it down.

From the perspective of SMEs, the following elements need to be addressed in a European strategy for data:
- Practical solutions that allow individuals to exercise control on sharing of data
- Additional rights in the law
- Security risks in Cloud computing

The data portability right in the General Data Protection Regulation (GDPR) must also be considered. Individuals have the right to take their data with them and switch provider, but this needs to be supported by technical possibilities (APIs, interoperability, data standards).

2

Moreover, SMEs also face a disadvantage when the platform operator acts also as a provider of goods and services and thus enjoys a competitive advantage over those SMEs who are acting only as providers of goods and services on the platform.

Importance of standardisation in the data economy context

In this context, standardisation plays an important role to overcome market barriers and unlock the full potential of the data economy. This part of the paper highlights a series of aspects that need to be considered from the perspective of SMEs within a future standardisation strategy:

Data access
The concentration of information restricts competition and increases entry barriers to the market. SMEs suffer, more than bigger companies, from these restrictions due to the high cost incurred for buying data. For running marketplaces, the problem is twofold. SMEs looking for data might not be able to reach all data providers and miss on significant opportunities, in terms of price and quality. On the other hand, data providers might not be able to find customers who perfectly match with their offers. The lack of standards, APIs and data models makes it difficult on both consumers and providers to connect. This aspect may cause a serious problem to SMEs and threaten their business as it may lead to switching costs and lock-in. Each provider will offer its own solution (app) with different data-sharing requirements. In addition, consumers and SMEs may be discouraged to reach other providers because of the underlined switching costs.

Interoperability

Data should be interoperable and be used independently from the manufacturer, operating system or other technical issues. To be able to ripe the benefits of the data economy, data exchange needs to take place through standardised interfaces so that it is possible to exchange and share information. Moreover, the portability of data from system to system is essential for SMEs that cannot afford costly transformations, as well as consumers. SMEs think Application Programming Interfaces (APIs) and a standardised format for metadata would better support interoperability.

Open standards

Open standards vs proprietary standards need to be supported so that lock-in effects are avoided. Open standards, as opposed to proprietary standards, are necessary to achieve interoperability. Too often big companies try to impose their standards to secure a dominant position in the market. The use of open standards is far more beneficial for SMEs and consumers/users. While common or open standards already exist in many areas, economic incentives to use these standards are sometimes lacking. Here the public sector has an important role to play to create these incentives.

Standards can support AI technologies

AI technologies need data in order to be developed and used. SMEs have less access to data than other companies. Therefore, access to data by SMEs and the use of AI solutions are two interlinked aspects of the digital transformation. Moreover, standards can foster further development and uptake of AI technologies.

SME needs and representation in standardisation processes

National, European and international standardisation organisations need to take into account the SME needs when developing standards by better balancing the needs from all types of companies (big and small).

Recommendations for fostering the data economy for SMEs

- Public authorities should insist on the use of open standards not only in the private sector but also in their public procurement processes rather than on the development of new ones. This would ensure that authorities can switch to a different provider if they wish so and ensure that consumers and companies dealing with public authorities are not obliged to use the products/services from the same supplier.

- Public authorities should provide the foundations for fair access conditions (e.g. through introducing the right of access in the law) to ensure efficient use of data across different sectors in the EU. Regarding standardisation, it should be ensured that access to data is technically possible at the lowest possible cost while ensuring security issues are properly addressed.

- Public authorities should supervise where and how data are stored. They should also clarify the lawful use of data in Europe (similarly to the US authorities with their CLOUD Act, the "Clarifying Lawful Overseas Use of Data Act")[2].

- Public authorities should deter the placement on the market of devices/services that are not allowing access to data in uniform data formats and interfaces.

- The EU standardisation activities need to boost quality, interoperability (APIs and uniform data formats), common metadata formats and portability of all kind of data. To avoid lock-ins, it is important to ensure the readability of the data. Access to data should be embedded already in the design phases of the product or service, with the possibility for the user to freely give consent to the business of his/her choice to access the data. The interface must technically support the ability to give and access data. For example, the European data space, mentioned in the EC consultation on a European strategy for data can help mitigate this problem. If interoperability amongst data spaces is not properly enforced, the fear is to end up with fragmented markets that do not help SMEs or consumers/users.

- Standardisation organisations (national, European and international) should better integrate SMEs in their process and consider their needs when developing standards. This should be done in cooperation with existing SME organisations.

- The Commission needs to ensure that standardisation requests provide the legal and policy framework for the development of EU standards in this area. These standardisation requests should also include as a requirement that SMEs are properly represented and participate in the standardisation process. Without the inclusion of a specific SME involvement requirement there is a danger of elaborating standards in standardisation bodies which only cater for the requirements of big companies and impose obligations on smaller companies, which they are not able to meet.

Small Business Standards (SBS) is the European association representing and supporting small and medium-sized companies (SMEs) in the standardisation process, both at European and international levels.

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