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Coronavirus and the digital sector: Initial findings and recommendations

Introduction

The Coronavirus outbreak is an international public health emergency and is already having far-reaching effects on the economy. That includes the digital sector. Meanwhile, digital technologies have been at the forefront of efforts to detect, track and find a treatment for the virus, but also in mitigating the effect on the wider economy.

These are the initial findings based on conversations with a representative group of members including national trade associations (NTAs) and corporates.

It is not intended to be a comprehensive analysis but a first indication of:

- how the sector is being affected, and
- what measures the EU and national governments could take to:
  - alleviate the short-term economic effects on our sector and
  - boost the potential of digital technologies to fight Coronavirus and mitigate its effects on the wider economy.

We are following this up with an extensive survey for all members, the results of which we will share as soon as possible.
Our initial findings

How the sector is being affected

- Companies with a large share of revenue coming from online sales are less hit by the crisis.
- Companies with employees who can work digitally are less hit by the crisis in the short term.
- Factory closures in China, Italy and now elsewhere are having a huge knock-on effect on hardware supply chains.
- There is a huge degree of uncertainty in the market, demand has been depressed and there are no new contracts.
- There is a lot of confusion about what happens to contracts unfulfilled due to Coronavirus: are liabilities still valid or is this per se force majeure?
- There have been few layoffs and bankruptcies yet, compared to some other sectors, although this is expected to change. SMEs have been hit the hardest.
- Many of the national emergency packages are targeted towards low-paid jobs and not medium-sized tech companies. This might lead to brain-drain from tech SMEs and will hamper European competitiveness and the number of successful European scale-ups.
- There remain several important barriers to working remotely:
  - Connectivity issues: our fixed and mobile networks are being stretched and many people do not have access to high-speed internet at all.
  - Restricted trade in goods is affecting supply chains of critical hardware for remote working, like laptops, monitors and printers.
  - ICT shops are closed, reducing the availability of essential equipment.
  - Maintenance workers critical for upkeep of remote working tools are affected by new travel restrictions.
  - Security restrictions, such as in banks or aerospace sectors
- Issues with supply chains and factories closing are leading to fears about meeting new compliance deadlines.
There will be issues meeting European Commission deadlines for consultations.

Companies are struggling with handling employee and customer data to respond to, and control, the spread of the virus in a way that complies with the data protection laws, and this might lead to further spread.

**Recommendations from our sector:**

**Short term:**

- Launch a special investment plan for innovative small and medium-sized tech companies in key sectors, enabling them to retain talent and create the basis for Europe’s competitiveness post-crisis.

- Keep existing public tenders open and launch as many new tenders as possible, reviewing contractual obligations to allow SMEs to participate, e.g. through fast-track application forms or dividing into smaller projects with less risk and liability.

- Add remote working devices, e.g. printers, laptops, monitors etc., to the list of essential goods exempt from border controls.

- Create a dedicated European Innovation Council (EIC) Accelerator call open until end-April to help innovative SMEs and start-ups to develop tech solutions to tackle the COVID-19 outbreak.

- Keep ICT and electronics stores open during lockdowns to allow access to essential remote working tools.

- Give flexibility on state aid rules.

- Establish an online platform to promote remote working and education tools to SMEs and schools.

- Exempt ICT professionals essential for the maintenance of remote working equipment from the travel bans.

- Delay certain new ICT product compliance obligations, which will be difficult to meet because of factory closures and disruptions to supply chains.

- Give further clarity on GDPR compliance for handling employee and customer data in order to respond to the spread of the virus.
Give clarity on use of contractual *force majeure* and those unable to meet contractual obligations due to Coronavirus.

Delay the closing of ongoing European Commission and EU agency consultations to give stakeholders adequate time to respond.

**Medium/long term:**

- Launch a big stimulus package to support the digital transformation of sectors such as health, environment, transport, agriculture and tourism.

- Redesign the EU budget so that it will support recovery from the crisis and redirect spending to areas that will give Europe a high return on investment: digital education, cybersecurity, health, environment and digitalisation of SMEs and key industries.

- Help SMEs getting online, for instance using e-commerce to increase their robustness and competitiveness.

- Invest in digital educational platforms, allowing teachers to do their job remotely as well as across European borders, and invest in educating teachers to use these tools and platforms.

- Accelerate investment in the European Gigabit Society targets, speeding up measures to facilitate deployment of digital infrastructure from very high-capacity fixed broadband to 5G.

- Adopt legislation to facilitate remote operations and activities. This could include EU rights for employees to work from home and further the implementation of digital signatures so that more contracts can be signed remotely.

- Accelerate the implementation of a common European data space for health so that data essential for tracking and fighting the disease can be shared between the public sector, researchers and private companies whilst maintaining strong security and data protection safeguards.

- Ensure interoperability of Electronic Health Records and boost investment in AI in the health sector.