

Public Sector and Innovation

I was asked yesterday if I thought that the public sector is doing enough to promote innovation (in industry)? I was participating in a workshop (on-line of course) looking at the results of a survey into SME's in the GI sector. The survey had been conducted by the JRC and the on-line workshop replaced the physical one which had been planned for early April.

It was very enjoyable and left me regretting that we had not been able to meet and certainly have some really interesting discussions. The time available to exchange on-line and the singular nature of the exchanges means that topics are not developed as far as they might otherwise be. This was very much the case here where I really wanted to challenge some of the views and enter into more discussion. Others would almost certainly also have wished to challenge me!

The initial response to the question I posed above was that this is not the role of the government. Rather, the public sector is an important customer for geospatial services, and it is for the company to develop innovative solutions which then become a source of competitive advantage. Now of course, to an extent, this is true. An operational public department, maybe part of a local authority, has a limited budget and is only (rightly) concerned with results. But for me, this is a bit too simple.

In our (EARSC) survey of the industry, we find that the public sector generates around 65% of the revenues of the EO services sector. The JRC SME survey finds roughly the same for geospatial services. But this disguises an important and key fact. Some 50% of the revenue is coming from the public sector as a customer whilst 15% is coming from R&D or industrial policy activities. In other words, nearly 80% of the spend by the public sector is for services which they need for their public mission. We can go further because some of the R&D expenditure is to improve the services which they are themselves buying. So, of the 65% of sector revenues, around 85% is needed by the public sector.

The key point here is to distinguish between the role of the public sector as a customer and that as a sponsor. Indeed, the public sector confuse these roles themselves as may be seen in the organisation of the European Commission itself! Copernicus is a space programme coming under the DG for Defence Industry and Space. How much better and clearer if it came under a DG with responsibility for geospatial information – together with a geospatial agency to deal with operational aspects.

Returning to the question. As a customer, the public sector may not be directly concerned with stimulating innovation which is more directly linked with research ie Research and Innovation. But why not link the policies to get the maximum benefit from the public investments? In this way, customers in the public sector can stimulate innovation in industry (and academia) to help create a more competent industry with the capacity to compete in the global market. A mechanism does exist for this, but we should seek others as well. The existing mechanism is called pre-competitive procurement which is a policy which originates in the US, has been used in Europe but not enough in my opinion.

So, in answer to the question, yes, I think the public sector should and can do more to drive innovation in industry and by doing so improve the services which they make use of at the same time as helping the industry develop its own competence to compete in world markets. At this time of recovery from the Covid crisis, this can be an excellent tool to help rebuild industry.