

DECISION-MAKERS' SESSION SUMMARY

Disseminating Innovation: Meeting the Demands of a Changing World

Thursday, 27 May 2010

Background

Globalisation means that standards to support the dissemination of new applications are needed but this should not favour specific technologies. Intellectual property regimes have to preserve competition, while also ensuring that essential new ideas are disseminated across the global supply chain. New ways of sharing innovation, including internet applications, reinforce these issues. Private actors have to be involved in partnerships with public bodies but such partnerships need very careful design. Globalisation also means that an appropriately skilled workforce has to take up and to adapt innovation, while mitigating impacts on workers.

The Panel

- Moderator: Nisha Pillai, International journalist and broadcaster
- Klaus Baur, Management Board Chairman, Bombardier Transportation Germany
- George Dragnich, Executive Director, International Labour Organization
- Rafael Gallego, Vice President, Indra
- Marc Juhel, Sector Manager Transport, World Bank
- Hanns-Karsten Kirchmann, CEO, Toll Collect
- Igor Levitin, Minister of Transport, Russian Federation
- Weng Mengyong, Vice Minister of Transport, China

Conclusions

The key innovation that has changed the transport world over the last two decades is the way information has become available in real time for users of transport systems. This revolution will continue to make profound changes over the coming decades. Information is the key to a globalised, outsourced economy and the entire supply chain is dependent on effective management of the information flow. It is an area of innovation that critically requires

partnerships between government and business to harness the full potential. This is because information systems often show some of the characteristics of a public good, being of most benefit if access is broad.

Cooperation between countries and partnerships between government and private actors were at the core of the discussion of the panel. As Minister Levitin noted, where disseminating innovation is concerned, the problem is not so much technical in nature, but one of process. Klaus Baur reinforced this, noting that innovation is more than technical, and that the role of politics and public administrations are of equal importance.

Partnerships have to be balanced to work. On the one hand they require public authorities to be clear about their objectives but they also have to allow the private partner the freedom needed to achieve the objectives. Partnerships also need to ensure a careful balance between the public interest and private profits. The German government's partnership with Toll Collect to design and operate charges for trucks using 12 000 kms of German highways was held up as an example of the kind of clear formulation of objectives required; the lessons learnt in getting originally insufficient terms of agreement improved need to be taken on board. The private sector has to adjust to dealing with a single client, the State, for very long contract periods, 50 years in this case. At the same time, public administrations often lack experience in dealing with the private sector in partnership, whereas the private sector comes with teams of lawyers and accountants to negotiate deals. Governments need to ensure they build the capacity to manage such relationships. International bodies such as the World Bank have accumulated valuable experience in dealing with partnerships and in setting up effective frameworks for cooperation.

Institutional changes, new regulations and standards, training and methods for appraisal are part of the changes that have to be brought. A clear objective for building such partnerships is also a key dimension. Furthermore, as noted by Hans-Karsten Kirchmann, companies should not try to entirely export their ideas, but rather enter new markets with an open mind, benefitting from local experience. Vice Minister Weng also reinforced the importance of local knowledge.

Setting standards has two dimensions: it may help propagate innovation by minimising costs for business seeking to exploit a new technology but standards are the fruit of discussions between public and private actors that generally take quite a long time. Standard setting can delay dissemination of innovative technology unless the process managed to clear deadlines and the public authorities involved avoid the temptation to sacrifice efficiency for the defence of potential national technological champions. There is always a risk that special interests will hijack the process, which typically results in standards that are not conducive to innovation. Although standards are not the leading force behind innovation carefully crafted regulations can drive a fruitful concentration of effort and accelerate dissemination greatly, as has been experience in a number of cases with fuel economy standards and emissions control regulations for road vehicles.

The basic aim of international standards is to simplify and unify. Sometimes, national specificities make it quite difficult to adopt such standards. In many areas, including

information technology, regulations and standards are not keeping pace with change. A step-by-step approach may be followed by the less advanced countries. Market forces may not provide the right incentives to adopt such standards when they appear to be very costly for certain countries or certain actors. International agreement with transitional phases may be needed. The aviation sector clearly shows the benefits of an international approach, in contrast to rail, where a national approach to regulation predominates. Public bodies play an essential role in ensuring effective change in regulations, as they have to ensure the compliance of private actors to national and international standards.

Economic incentives may also play a role in promoting certain standards: private actors may find it profitable to adopt these standards, such as for access to international markets, and tax incentives and subsidies may also be part of a comprehensive framework for early adoption of technologies that meet future standards, for example in the case of pollutant emissions control.

Globalisation means that an appropriately skilled workforce has to take up and adapt to innovation. George Dragnich reinforced that work force adaptation should not be considered part of the problem where innovation is concerned but part of the solution. Most of the time the workforce is not resistant to globalisation but wants to take part in the debate. From the start workers have to be involved into the discussions and in shaping regulations. Government intervention is needed to ease the transition towards a globalised economy. Proper training and a clear understanding of the long-term goals are an important part of the process.