



ORGALIME

ANNUAL REPORT 2013-2014

MANUFACTURING: THE BEATING HEART OF EUROPE

MECHANICAL

METALWORKING

ELECTRICAL & ELECTRONICS





ORGALIME

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Editeur responsable:
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President's Message

Sandro Bonomi

When I spoke about the situation of our industry in our last annual report, I felt that, on the economic side, the outlook was not as bright as we might have hoped. At the policy level, things were brighter however: industry was back on the political agenda in Brussels and in many countries. This was long overdue because it is now evident that industrial investment in Europe is at best stagnating. Even though policymakers have recently started seriously working on industrial policy, we have seen the situation still deteriorating: manufacturing output in industry as a whole has continued to drop and, notwithstanding the EU's aim to bring to 20% manufacturing's contribution to the EU's overall GDP, we are still suffering disinvestment in manufacturing: from a share of 15.8% in the mid-2012, the share of manufacturing in the EU's GDP has dropped to 15.1%. This trend is unacceptable and must be reversed.

As our main clients are our other industries, our own industry has had a rougher than usual time too: 2013 has been a flat year as the output for the first eight months of the year dropped even in the strongest manufacturing economies. And export markets, until now an area of strong growth, were not able to fill the gap left by the drop in the internal market. The last four months of the year saw some recovery, essentially on our export markets. So we feel that the overall output of our companies is on the way to recovery in 2014, though perhaps too weakly for our taste.

Where are we today since we have lived through a yet another year of uncertainty? The good news is that the euro crisis seems to be over and that we are seeing the signs of a timid economic recovery in a number of the countries which have suffered most severely from the economic crisis. This is at a macroeconomic level. This is not however going to resolve the core issue we face today in many countries: high unemployment – 26 million Europeans at present - and in particular youth

unemployment. What we need now is investment and above all manufacturing investment. It is only this that will provide growth and with it much needed employment. This is today a widely shared concern within the EU.

It is therefore time that both national governments and the EU institutions focus once again on wealth creation, not only paying lip service to the concept, with politicians trumpeting about growth in the media, but taking effective measures which will achieve this aim in the reality.

If we look at Brussels, the recent European Council which focused on overall policy and has made real attempts to go towards an integrated approach, with industrial policy at the centre of the agenda. At last it seems policy is pointing in the right direction. Now we must see it happen on the ground. Our politicians must get a move on and they must succeed. This is becoming all the more important as we are seeing clear signs that, in many countries, citizens have become disenchanted with Europe, just as has happened beforehand with large sectors of industry.

We are increasingly concerned that this dissatisfaction may end up in a backlash of voters against the EU at the European Parliament elections this year. The effect of this could be momentous and, in the end, undermine what we have built up in Europe over the past 50 years.

So we must deal with this sentiment of dissatisfaction which we see very much as a product of the current economic climate. And this is where we are sure we can help as an industry: we know that our industry, as a key pillar of the economy, owes much to Europe and that we have all the assets to help deliver an economic recovery.

We believe in Europe and therefore our vision is to promote the development in Europe of the conditions under which our



10 MILLION +

**PEOPLE WORKING
DIRECTLY FOR OUR
INDUSTRY IN EUROPE**



20 MILLION

**PEOPLE WORKING
INDIRECTLY**

companies can flourish, grow and provide employment to our citizens, now and in the long term.

Our industry has strongly benefitted from the European Union especially from the creation of the internal market and we see an efficient and effective European Union focusing on the right priorities as a cornerstone for the competitiveness of our industry in a globalised world. Therefore weakening the Union and going back to a Europe of nation states is not the way forward.

With some 10 million people working directly for our industry in Europe and 20 million more indirectly, we in Orgalime represent Europe's manufacturing heart: our companies are overwhelmingly family owned. They have grown up Europe, developed here in every town, region and country. They believe in their future in Europe. So do we and we feel that this is our goal and mission. And so we must ensure this happens.

There is no reason why, if we put the required effort into working on regaining our place in the world that we should not get there: we offer many advantages for investors here in Europe: a large and wealthy market of some 500 million consumers, a still extensive industrial supply chain, a population which is in general well educated (even if we complain of a lack of skilled personnel), good communication and telecommunication infrastructures and last, but not least, excellent research facilities and researchers.

As we are in a European Parliament election year, we must be conscious of the role that this new European Parliament will play in shaping our future. Will candidates come up with an industry-supportive agenda and, if so, will they make an effort to implement it? This has not always been the case in recent years. And we will also have new European Commission which we hope will continue with the work undertaken in support of industry and industrial policy in the last year and a half.

PRESIDENT'S MESSAGE



manufacturing does matter to everyone, why Europe needs to be an attractive part of the globe in which to invest and what we expect from our politicians and institutions. We need change to regain employment and thereby answer the aspirations of our citizens.

But of course, if this is our core political issue, there is much more to our activities beyond industrial policy and I hope that in reading this annual report, you will notice how active Orgalime is for its members on an ever wider range of issues. For this I must say thank you to all our staff here in Brussels and to our members who contribute to making Orgalime what we are – the prime voice of Europe's engineering industry, the largest manufacturing sector in Europe.

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What needs to be put right and where have things gone wrong then? Why are companies today investing more and more outside Europe to supply their final products into our markets when the EU has always been an export champion and still is in many areas? The answer is quite simple: the balance is no longer right. It is not only a question of cost: yes we have higher energy, employment and other input costs than many other areas of the world today. We have always been able to adapt, at least partly, to this by innovating. What companies cannot cope with, however, is an uncertain and unstable investment framework which is risk averse and often hostile to innovation, and with constant changes in the policy and regulatory environment. Nor are companies prepared to invest without feeling welcome and without being supported by the local authorities. They must also be able to earn a reasonable return.

So in the second year of my Presidency of Orgalime, I will be concentrating on engaging the institutions to stress why

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We in Orgalime represent Europe's manufacturing heart: our companies are overwhelmingly family owned. They have grown up Europe, developed here in every town, region and country. They believe in their future in Europe. So do we and we feel that this is our goal and mission. And so we must ensure this happens.

Shausmi





Team

- Adrian Harris
- Inge Dewit Vanhaelen

Director General's Message

Adrian Harris

With the European institutional changes occurring in 2014, how is Orgalime preparing itself?

Indeed, we are working on this at present. We had launched our Manifesto 'Manufacturing a stronger and greener Europe' at the end of 2012 and presented it to European Commission President Barroso. This was in reply to the European Commission's Communication on industrial policy and a follow up of the long term work we have been doing on industrial policy. Why? Because for us industrial policy is a core issue: it must be a coordinated vision that covers all policy areas and must become the real driver if we in Europe are to solve what has become our main challenge today: sustaining our social market economy by creating the growth to provide jobs to our citizens.

We have seen that things have moved forward somewhat, with politicians at last acknowledging the central role that manufacturing plays in Europe's economy. It is now time to work on this together, to go into more detail on what we want and what we feel must be done in practice to recreate the right conditions for manufacturing investment.

What we have seen in the past few years in an increasing disconnect inside the institutions in the way policy is thought out and regulation is enacted. Policymakers have lost sight that we as manufacturers must in the end assimilate all these different policy approaches and regulations into the products we manufacture. And the sheer mass of disparate requirements – each of them perhaps understandable taken individually – is becoming impossible for manufacturers to deal with. And this



is dramatically affecting investment here in the EU, of our companies, of our clients and of our suppliers. With foreign direct investment also down by 90%, this is a clear message to us. This cannot go on. In fact it is time for regulators both EU and national, to rethink their whole approach, to move toward coordinated policies and regulation.

So we are now preparing our vision statement which seeks to prepare for such a change. It builds on our Manifesto. We will promote it with the incoming European Commission and European Parliament later this year. We are also reaffirming clearly that our industry believes in Europe; our vision therefore is to promote the development in Europe of the conditions under which our companies can flourish, grow and provide employment to our citizens, today and in the long term. We see an efficient and effective European Union focusing on the right priorities as a cornerstone for Europe's future in a globalised world.

To prepare for this we have been communicating our views loud and clear: through our work throughout the year in various European Commission task forces set up in the follow up of the industrial policy Communication at the end of 2012; at the European Parliament, through the work we have done in the Alliance for a Competitive European Industry (which includes 11 major industry branches as well as BusinessEurope) which I have chaired for the past two years; at the Economic and Social Committee and most recently through launching our campaign 'Manufacturing: the Beating Heart of Europe' which every outgoing MEP has already received as are candidates for the European Parliament elections in May.

If our efforts are mainly centred on Brussels, we have also made our views known to the Heads of State prior to the two

Our vision therefore is to promote the development in Europe of the conditions under which our companies can flourish, grow and provide employment to our citizens, today and in the long term

meet the demands arising from different policy areas to move ourselves towards providing a coordinated view spanning the whole range of policies which impact our industry here in the EU and on world markets: energy, resource efficiency, research and innovation and trade. If we take the last - trade policy - when we deal with trade negotiations with a country like the US, which, like Europe is a mature economy with well-developed rules and regulation, we have to think in a different way: the regulatory objectives of both are similar, the way of approaching them is not. Neither is going to find it easy to change this and therefore we need to develop new approaches and new thinking.

Has Europe fallen out of love with manufacturing?

This has certainly been the impression that many companies have had over the past ten to fifteen years once the internal market was declared completed. Well, quite simply, European regulators were acting as if we were in a cocoon! And today exactly the contrary is true: we are in an increasingly globalised world, where our industry's value chains are global; at the same time, we have among the most open markets in the world. So companies, when planning their next investment, need to take all of this into account.

Orgalime understands the need for European regulation and we support a robust regulatory framework. The internal market

European Councils which have focused on manufacturing – in June 2013 in a joint letter with our sister employers' association CEEMET and again in a letter we sent to the March 2014 European Council which focused on the so-called 'industrial renaissance' as well as the 2030 climate and energy framework.

And last but not least on this, we have been adapting our own internal structures to

EUROPEAN ENGINEERING SNAPSHOT IN 2013

OUTPUT

€1,800 BILLION

CHANGE IN OUTPUT (2013/2012)

↓ -1.8%

EMPLOYMENT

10 MILLION

is built on this, starting from a simple concept: one European piece of legislation supported by European standards to replace up to 28 national pieces of legislation. As a result, since the first internal market legislation adopted in the late 70s, the EU has developed an internal market which is second to none.

But with this has come a considerable body of complex legislation. What we called for after the completion of the internal market was legal stability and predictability. However, this quite simply hasn't happened - frequent and unpredictable changes in policies and regulations, coupled with differing implementation of these across the member states, have unfortunately undermined the achievements of the internal market. Orgalime is therefore calling for a change, which we call 'sustainable regulation': this should aim to ensure the right conditions, allowing companies to manufacture competitively in the EU, attract investment and, through this, provide our citizens with jobs and underpin the



European model of social economy. Such regulation needs to be developed in real partnership with us.

The 'Industrial Renaissance' is here claims the European Commission - are Europe's challenges the same today for the engineering industry?

Today, Europe is characteristically a world leader in many branches of engineering, but this can change very fast; this means we need to have the framework which is flexible enough to adapt quickly. We are seeing this happen every day where the unchallenged leader of one day is overtaken by a more innovative competitor in record time. This is exactly the case for much of our industry: our technologies are developing very fast with the increasing integration of ICT and new service offerings and this means that we will need to have a regulatory and operational framework here in the EU which matches

our needs and expectations. We will also need the right infrastructures and, perhaps, among the most important needs will be the staff with the right skills.

It must come as no surprise that, despite periodic high unemployment over the past decades, our industry's main concern has been the shortage of skilled staff at all levels – high calibre apprentices, qualified workers, technicians, engineers and researchers. Even at this difficult time when demand for our products has been our main concern, we find ourselves in the strange situation where despite high unemployment in many regions of Europe, our companies cannot find the skilled staff they need. If companies are to maintain their competitive advantage, technological development and innovative potential, it is essential that they have access to a highly skilled, committed and adaptable

workforce. In order to help achieve this, our educational models (including vocational training) must evolve. If Europe is to be the place where our industry develops its next 'industrial renaissance' this will be a core issue for us.

That's fine, now where do we go from here?

At a practical level, we are adjusting our own internal structures and work programmes. We are also working hard on developing a cooperative and coordinated approach across our industry's network.

Our network is vast since we cover roughly 150 different product sectors, many of which have over time set up their own European sector associations: our structures have therefore been adapted to work collaboratively with the constituent parts of our industry: today, beside our national member associations, we also service some 22 European sector associations and EFFRA, the research association for the production technology area of our industry; we have a membership which includes both our core national associations from 23 countries, but an increasing number of European sector associations covering a single product or product area.

We too therefore are evolving to try to provide a joined up approach...






Let's hope that politicians and regulators now take the required measures both at EU institutional level and at national level to ensure that policymaking becomes joined up and coherent, in order that the international manufacturing competitiveness of Europe now really is at the core of all policy areas. The Heads of State have recently decided this would be so. Let's see Europe really apply its resolutions.

Board and Policy Committees

“Our companies throughout the sectors represented by Orgalime are an integral part of the social fabric of every city, region and country. They are the major provider of manufacturing growth and manufacturing and service jobs in the EU. So let’s not make life difficult for them! What we would like to see are investment-friendly framework conditions in Europe to recreate the dynamism which has been characteristic of Europe and of Europeans. Moreover, sustainable regulation is a must – that means simpler and better regulation which companies both small and large can manage: our companies, nearly all of which are SMEs, need a stable, predictable and coherent regulatory framework, developed in partnership with regulators. We need to aim at achieving a shared vision of the future for our industry in the EU.”

Eric Jourde, Chairman of Orgalime

Board of Directors

Mr. Eric Jourde (FIEEC - France) – Chairman	
Mr. Klaus Mittelbach (ZVEI - Germany) - Past Chairman	
Mr. Howard Porter (BEAMA - UK) – Vice Chairman	
Mr. Paul Soete (AGORIA – Belgium)	
Mr. Rafael Campos Pereira (AIMMAP - Portugal)	
Mr. Andrea Orlando (ANIMA - Italy)	
Mr. Thomas Bustrup (DI - Denmark)	
Mr. Berndt-Thomas Krafft (FMMI - Austria)	
Mr. Janez Renko (GZS MPIA - Slovenia)	
Mr. Henrikas Mykolaitis (LINPRA - Lithuania)	
Ms. Maria Sandqvist (TEKNIKFÖRETAGEN – Sweden)	
Mr. Hannes Hesse (VDMA - Germany)	

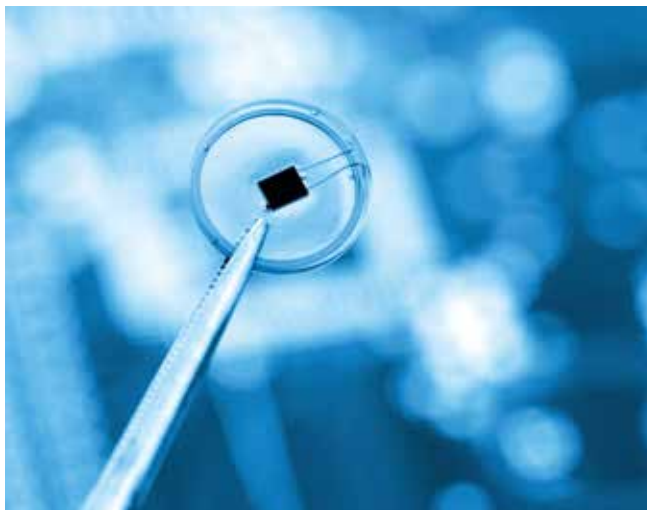
Policy Committees



Metal Articles Liaison Committee (MALC)

“The metal goods industry’s activity roughly mirrors that of its key customer sectors, among which are notably the engineering industry itself and the automotive sector. Orgalime expects that business will improve and that production will expand by close to 2% in 2014 after 2 sluggish years”.

**Andrea ORLANDO, ANIMA,
Chairman of MALC**



Committee of the Electrical and Electronic Industries (CEEI)

“2013 has been a tough year for our companies and we have been working hard on obtaining a policy agenda which will be supportive of a recovery of the industry. The publication in the near future of the European Commission’s study on the competitiveness of the electrical engineering and electronics industries to which we have contributed throughout the year, should offer a very good opportunity to move on our agenda in the new Commission.”

**Janez RENKO, GZS MPIA,
Chairman of CEEI**



Mechanical Engineering Liaison Committee (MELC)

“The global financial issues are limiting companies’ investment. With production capacity utilisation in EU manufacturing industry at a rather low level, demand for mechanical and industrial machinery has been below normal during the past year. As fewer businesses in the EU willing to invest in new capacity for the moment, demand in the EU is therefore mainly based on products for non-cyclical rationalisation and on replacement equipment. We expect the outlook for 2014 to be brighter.”

**Maria SANDQVIST, TEKNIKFÖRETAGEN,
Chairman of MELC**



The Business Situation in 2013

Orgalime's economists compile and analyse their latest data and forecasts for the engineering industry twice a year.

We analyse first and foremost the economic trends for metal products, mechanical engineering, electrical engineering, electronics and ICT and instruments (mainly chapters 25 to 28 of the NACE rev.2 business nomenclature).

Based on official data available, we estimate that the engineering industry's turnover value in the European Union reached almost €1,800 billion in 2013. The number employees stood at some 10.3 million people.

The engineering industry counts for some 28% of the turnover and a third of the exports of the EU manufacturing industries.

FORECASTS 2014

**AVERAGE
GROWTH
ORGALIME
INDUSTRIES**
+ 2.1%



EXPORTS
+ 2.2%



INVESTMENTS
+ 7.1%



European engineering snapshot

	2013	2012
Turnover value	€1,800 billion	€1,840 billion
Employment	10.3 million	10.3 million

2013: Despite improving economic climate, slight turnover contraction

In the first quarter of 2013, the industry continued the contraction that started in the fourth quarter of 2012.

However, during 2013, several indicators showed a slightly positive upturn as the uncertainty of financial imbalances within the European Union became less and confidence indicators improved.

Unfortunately, this did not lead to achieving growth in the European engineering industry in 2013.

In the second quarter of the year, there were some signs of recovery taking place. However, the growth did not continue into the third quarter. Consequently, quarter on quarter-growth was negative for most subsectors in the fourth quarter of the year.

As a result, the European engineering industry in 2013, for the second year running, showed a slight contraction in turnover of approximately 1.8%.

Situation in sectors

Annual change of turnover of European Engineering Industries		
SECTOR / YEAR	2013	2014 (estimate)
Mechanical engineering	-1.4	2.8
Electrical, ICT, Instrument Engineering	-3.3	1.2
Fabricated metal goods	-1.6	1.9
Total Orgalime industries	-1.8	2.1
Employment including repair and installation services	-1.1	0.1

Electrical, electronics and instrument industries

The electrical, electronics, ICT and instrument industry is among the largest industrial sectors in Europe. Its 2013 turnover reached some €600 billion. The sector employed an estimated 2.5 million people.

In 2013 turnover decreased by 3.3%, by a similar percentage as in 2012.

For 2014, there should be a return to growth, with a growth of 1.2% for the whole sector expected.

The subsectors showed an uneven evolution. The production volume in the **electrical lighting subsector** increased by 1.6%, where **domestic appliances** production decreased by 2%.

Medical instruments, motors, generators and transformers all showed production contraction. The subsector **consumer electronics**, as for the previous year, was hardest hit.

Mechanical engineering industry

The European mechanical engineering industry accounted for an annual turnover in 2013 of around €620 billion. Employment is estimated at more than 2.9 million people.

In contrast to the other subsectors of the European engineering industry, the mechanical engineering industry still showed growth in 2012. However, in 2013 this sector also contracted by some 1.4%, and, as such, was the least affected engineering sector.

In 2014 it is expected that growth will return: Orgalime economists foresee a growth in turnover of around 2.8%.

Most subsectors had a decrease, although there was difference in the rate of contraction. Production in the subsector of **machine tools**, however, only contracted by 0.9%, while output for agricultural and forestry machinery rose by 0.3%.

Fabricated metals and metalworking industry

The fabricated metals and metalworking industry's turnover in 2013 is estimated at almost €460 billion. In terms of employment this is the largest subsector of the European engineering industry with around 3.6 million staff.

This subsector produces, to a large extent, inputs and products used in other engineering sectors such as machinery. As the performance of the engineering industry as a whole deteriorated, the turnover in the fabricated metals and metalworking industry contracted by 1.6%.

For 2014 a growth of 1.9% is expected.

Production decreased by 0.9% on average in this sector in 2013. There were, however, wide variations between different subsectors, ranging from a contraction of production of 3.6% for structural metal products to an increase of almost 4% for the manufacturers of tanks, reservoirs and metal containers.

Employment

It is estimated that, as output contracted, so employment too decreased in 2013 by 1.1%, not repeating the growth that had been seen the previous year. This decrease, nevertheless, is smaller than the decrease in production. The decrease can for a part be attributed to the necessity to keep up with the internationally determined productivity growth.

For 2014 a stabilisation of employment is expected.

2014 general outlook: modest growth expected

Economic forecasts and forward-looking surveys expect an upturn in worldwide and European economic performance.

According to the IMF, global growth will be around 3.7% and world trade will increase by 4.5%. The Eurozone should turn the corner from recession in 2013 to see a recovery by 1% in 2014.

The IFO Institute's expectations for the manufacturing industry in Germany have been gradually improving during 2013 and the first months of 2014. However, in



March confidence fell slightly. Still, business confidence remained positive.

The OECD's leading indicator showed improvement over the second half of 2013 and the leading indicator for Europe shows even stronger improvement.

There are, however, still uncertainties and downward risks for the European engineering industry, such as:

- high public and private debt levels in the Eurozone
- uncertainty about the Chinese economy and its possible slowdown
- low inflation and the possibility of a Japan-style deflation scenario

- concerns about the Ukraine crisis and its consequences on trade relations including with Russia, a significant trading partner for the engineering industries.

Orgalime economists foresee therefore a modest improvement in the overall business climate for industry in 2014. Growth is expected to return and to be modest at around 2.1%. This is still below the long-term average annual growth of around 3%.

The recovery will be unevenly distributed across sectors of the industry with, as we have seen, a growth of 1.2% in the turnover of the electrical, electronics and instrument industries, whereas the mechanical engineering industry is expected to show a 2.8% growth.

Growth is also expected to be unevenly distributed across countries; with some showing slow growth or even contraction. Exports (intra plus extra EU) will grow by an estimated 2.2%. Investment will pick up considerably and are expected to grow by an estimated 7.1%.

Major forecasts expect a further increase of global and European economic growth in 2015. Therefore further improvement of the economic performance of the European engineering industries is a clear possibility. As industry is the cornerstone for a sustainable long-term economic growth, it is to be hoped that politicians on the European and national stage continue their newfound supportive approach to the manufacturing industry and that we will see the political commitments made translated into action, with the resulting growth in the economy and jobs.

Issues

INDUSTRIAL POLICY



Team

- Adrian Harris
- Christoph Riedmann

Manufacturing: the beating heart of Europe

Manufacturing is Europe's economic backbone: it has been in the past, it is today and it will be in the future. Making Europe more attractive for manufacturing investment and communicating this to policymakers and regulators has been at the core of our activities for many years. Now it is at the centre of the EU's policy agenda as well.

Our industry has clearly affirmed that it is ready to play a vital role in Europe's economic recovery if the European Union puts the right conditions in place. This was the main message that we gave to European Commission President when we presented him our joint manifesto - 'Manufacturing a Stronger and Greener Europe' in November 2012.

Our manifesto has clearly had a significant impact on the European Commission's (EC's) industrial policy agenda and led to a better understanding in the EU institutions and member states that a strong industrial manufacturing base is a must for growth, prosperity and employment.

We have therefore seen a rise in much needed support from regulators for an overarching industrial policy which promotes investment in Europe throughout 2013 and in 2014, culminating at the March 2014 European Council where the Heads of States' conclusions clearly put manufacturing at the centre of the EU's policy agenda. In the build up to this, we therefore continued our work in this area throughout the year, participating in several of the task forces that the EC has set up to prepare for the decisions of the European Council in March 2014.

In the European Parliament too, we saw support with MEP Bütikofer's report on 'reindustrialising Europe' which promotes

both competitiveness and sustainability. We commented on the draft report, welcoming this focus on industrial policy with its positive vision of manufacturing: this is unfortunately too rarely in the focus of MEPs agenda and is very welcome at this time where we believe it is essential that regulators should deal with what has become a core issue in many countries - unemployment.

We also contributed to the European Economic and Social Committee's (EESC's) report from December 2013 on industrial policy which was written along similar lines: it stresses the need to develop a clear vision and target for industry that makes Europe an attractive place to invest and set up business. Since the European engineering industry relies on appropriate investment in research and development to stay competitive in today's global market, the EESC report underlined the need for targeted research funding, better and earlier involvement of the companies at an early stage of the innovation process and the support for innovative engineering in SMEs.

The European Council in June 2013, the first of the two European Councils largely devoted to industrial policy paved the way on how to move forward to achieve the 20% of GDP industrial share target. We contributed to the debate with a joint position paper with our sister employers' association, CEEMET, calling for an investment friendly and predictable framework in Europe, less but better regulation and supportive labour markets.

The EC's Communication 'For European Industrial Renaissance' published in preparation for March 2014 European Council also echoes our manifesto. Many of the ideas and suggestions reflect actions Orgalime has proposed, for example on harmonising implementation of legislation and improving market surveillance in Europe. The priorities for



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investment and future growth outlined in the Communication show the evolution we see happening in our industry: advanced manufacturing, key enabling technologies, clean transport, sustainable construction, bio-based products, smart grids and digital infrastructures.

Recently, to prepare the dialogue with the new European Commission and European Parliament, Orgalime and CEEMET successfully launched www.manufacturingatheart.eu: this is a campaign website aimed at increasing the awareness of decision makers (including MEPs who are up for election) and European citizens alike, about the importance of manufacturing in Europe. It covers the core issues needed to achieve the EC's 20% manufacturing on GDP target. This is a call for action. Let's fall back in love with manufacturing!

LEGAL AND TRADE



Team

- Željko Pazin
- Paulina Marcickiewicz
- Jackie André

SEPTEMBER 2013

ORGALIME ORGANISED A MISSION IN WASHINGTON

Transatlantic Trade and Investment Partnership negotiations (TTIP)

Orgalime strongly supports increased cooperation between the EU and the US and sees the TTIP as a unique opportunity to stimulate growth.

In our view, goals of the agreement should include removing existing tariffs (with current average of 3.5%) and removing other barriers to trade such as some of the complex approval processes that businesses have to go through in order to sell products on both sides of the Atlantic.

Orgalime informed the European Commission (EC) that one key barrier for our industry on the US market is the malfunctioning of the US certification system. The TTIP will be an opportunity to solve this matter which has preoccupied our companies for many years.

In September 2013, Orgalime organised a mission in Washington DC with representatives of our member associations representing both technical and political expertise.

The main purpose of this successful mission was to discuss whether there is a momentum at political level that would help further expand the EU-US trade relationship for the benefit of the engineering industries, and what are the goals that can be agreed upon and achieved, whilst at the same time identifying the areas that will be difficult to bridge in the TTIP.



OCTOBER 2013

EU AND CANADA REACHED A POLITICAL AGREEMENT ON A COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)

Follow-up meetings with the EC were focusing on the priorities of the engineering industry for the horizontal and regulatory Technical Barriers to Trade (TBT) chapters. Next a decision on how to proceed on issues such as transparency, conformity assessment and standards is expected.

Orgalime will no doubt be working towards a more complete position in what is a highly strategic and therefore sensitive area for our members.

Free Trade Agreements (FTAs)

The negotiations with US were definitely in the spotlight this year in our trade working agenda, but we have seen some other FTA developments which are of importance for Orgalime.

In October 2013, the European Union and Canada reached a political agreement on the key elements of a Comprehensive Economic and Trade Agreement (CETA). The negotiations on the agreement were launched in 2009, taking 4 years to complete.

The EU-Canada deal will be the first free trade agreement between the European Union and a G8 country. It's expected that the outcome of these negotiations will no doubt impact those with the USA in the framework of the ongoing Transatlantic Trade and Investment Partnership negotiations (TTIP). CETA is expected to take about 2 years to be brought into force.

More than 2 years after the entry into force of the EU-Korea FTA, Orgalime is content to see that EU-Korea trade is increasing. However, it seems that Korea is still trying to introduce new technical requirements that would mean additional procedures for EU companies. Producers of press brakes, bending machines, and plastic processing machines operating in South Korea are faced with new burdensome certification requirements imposed on their products. Korean authorities are not very transparent about the new certification requirements with different sources mentioning different conditions.

Talks on a possible EU-Japan agreement are progressing. Orgalime's Director General Adrian Harris met Secretary General of the Japan Machinery Federation, Mr. Takao Sakamoto to discuss possible areas of cooperation between Orgalime and the Japanese counterpart, as well as the interest of the engineering industry in an FTA with Japan.

As Europe's leading export industry we support European Commission's (EC's) efforts with the ongoing FTA talks with partners such as Georgia, Armenia, Moldova (in 2013 the EU concluded the talks at technical level for a Deep and Comprehensive Free Trade Area with all three countries) and China (in 2013 the EU launched negotiations of a comprehensive EU-China Investment Agreement).



Conflict minerals

In spring 2013, the European Commission (EC) launched a public consultation on the issue, with the aim of hearing opinions on a potential EU initiative for responsible sourcing of minerals coming from conflict or high-risk areas.

In November, after issuing a position paper on conflict minerals, Orgalime hosted an evening debate in the European Parliament (EP), during which companies had a chance to express their views on the possible introduction of legislation.

MEPs and a member of the Cabinet of Commissioner De Gucht listened intently and heard that a greater awareness of the problem has already prompted companies of the engineering industry to investigate their supply chains and determine steps to promote socially responsible sourcing of specific minerals. Company speakers argued that a possible EU initiative should above all be designed with the aim to coordinate already existing measures and to avoid jeopardising the competitiveness of the European manufacturing industry.

Our actions are important since a European legislation similar to the US one could put costly administrative burdens on the engineering companies without contributing much to solving the actual problem in conflict affected areas.

In March 2014 the EC published its proposal on conflict minerals. The draft law would set up a system for supply chain due diligence self-certification and encompasses the same minerals as its US counterpart law: gold, tungsten, tantalum and tin. The territorial scope of the EU rule extends beyond territory of the Democratic Republic of the Congo, defining it as areas in a state of armed conflict, fragile post-conflict, as well as areas witnessing weak or non-existent governance and security.

Review of Trade Defence Instruments (TDI)

In January 2014 Orgalime met a representative of the Trade Defence Directorate of the European Commission (EC) to exchange views before the TDI vote in the Committee on International Trade (INTA).

We expressed our concerns on certain aspects of the reform, and specifically on the possible elimination of the lesser duty rule, the introduction of the shipping clause, as well as on the expanded competence of the EC to initiate ex-officio anti-dumping and anti-subsidy cases. It should be noted that current basic regulations already provide the EC with essential means to ensure transparency, speed and clarity of TDI proceedings.

The EC announced the launch of an awareness raising campaign among SMEs, explaining to companies how to better deal with the TDI consultations and how to participate more effectively in the TDI investigations.

Common European Sales Law (CESL)

Since its publication, Orgalime opposed the European Commission's (EC's) CESL proposal. We argued that business does not need a new layer of European contract law and that the best the EU could do is to not interfere at all in B-2-B contracts.

Meanwhile, through 2013 the European Parliament (EP) hosted hearings and workshops on the issue involving academia, industry, law firms and the EU institutions.

At the end of February 2014 the EP adopted a legislative resolution on an optional CESL. It is expected that the Council will go in the same direction.

Unitary Patent Protection

The European Union is finally set to have a unitary patent for 25 participating member states. Today, an EU-based SME seeking protection of its invention in the EU not only needs to obtain a patent granted by the European Patent Office (EPO) but also has to validate it separately in each EU member state. This involves a huge financial investment such as fees to be paid to each national patent office and high translation costs. The overall cost of such a patent is substantially higher than in the US or in China.

Following the adoption of the 2 Regulations in December 2012, the Unified Patent Court agreement has to be ratified in each of the participating countries. With prompt ratification process, European companies could start protecting their inventions with European unitary patents already in 2014.

Intellectual Property Rights (IPR)

At the end of 2013, the European Commission (EC) adopted a proposal for a Directive on the protection of trade secrets and confidential business information from misappropriation and misuse by third parties. The objective is to harmonise national laws by establishing a common definition and ensuring that in cases of unlawful use or disclosure of a trade secret, a sufficient and comparable level of redress across the EU would be provided.

Orgalime is monitoring developments in the field of trade secrets and advocates for EU harmonisation of trade secrets protection. We are currently analysing the text of the proposal and will lead the discussion on the dossier with possible publication of a position paper and meetings with the EC.

Collective redress

In June 2013, the European Commission (EC) adopted a Recommendation addressed to EU member states indicating that within 2 years they should adopt mechanisms for 'collective redress' which allow multiple claimants to seek damages or injunctive relief on a collective basis or through a representative claimant. This is the first EU's pan-European, cross-sector initiative aimed at creating a common framework for collective claims for breaches of rights granted under EU law.

However, the proposal contains only guidelines that member states will be free to ignore. It is therefore doubtful that the guidelines will have any effect at all, given the strong domestic resistance from industry.

The proposal for a Directive will now be discussed by the European Parliament and the Council according to the ordinary legislative procedure.

Personal Data Protection

Two years ago, in January 2012, the European Commission (EC) proposed a reform of the EU's data protection rules. The reform included a proposal for a General Data Protection Regulation, followed by a Directive on the protection of individuals with regard to the processing of personal data.

Some of the solutions adopted in the new framework raised concerns among Orgalime members. These included: introducing a large number of delegated acts, high penalties for infringements of up to 2% of annual turnover, notification

obligations and a 24h rule and, in general, the level of bureaucracy possibly introduced with the new Regulation.

In response to the above, Orgalime published a position paper commenting on the reform. In the paper Orgalime explains that the customer's data, financial and legal records, sales figures, as well as the day-to-day correspondence – constitute vital information required to run a company successfully. Orgalime therefore believes that there should be a differentiation in the scope of regulating different stakeholders. In Orgalime's view it is not possible to build a one-size-fits all framework for data protection.

In March, the European Parliament adopted the Data Protection package and gave its backing to the principles of the EC's proposals (the General Data Protection Regulation and the Data Protection Directive in the law enforcement context). The next steps for both the Regulation and the Directive are for the EU Council of Ministers to formulate a position and for trilateral negotiations between the institutions to begin. This is an issue we will be following for the coming year.

RESEARCH, DEVELOPMENT & INNOVATION



Team

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Horizon 2020



Orgalime has continued monitoring progress on the new Horizon 2020 programme for research and innovation for the period 2014 to 2020 which was adopted by regulators in 2013. Its budget is much more significant than that of the past framework programmes, as it reaches almost €80 billion. It consists of 3 'pillars', two of which, namely 'societal challenges' and 'industrial leadership' pillars are relevant for our members. Horizon 2020 aspires to go beyond research, closer to industrial application and closer to market needs.

Bringing all EU funding for R&D under one umbrella, Horizon 2020 should provide much simpler participation and reimbursement rules for which our industry has been advocating. For example, complex rules on indirect costs are replaced by a flat rate of 25% of direct costs reimbursed to cover any indirect costs.

Public Private Partnerships (PPP)

We have also continued our support for the research association set up by our members and ourselves – EFFRA - which is partner of the European Commission (EC) for the execution of the Factories of the Future (FoF) PPP. This partnership has been confirmed for Horizon 2020 after the EC's final assessment of the three PPPs on research that were launched with the European Economic Recovery Plan in 2008. The EC in its review gave a very positive opinion about those PPPs underlining that they have re-engaged the industry in research: this is clearly visible in the FoF PPP where company participation in calls is double that in the traditional FP7 programmes.

Given the success of the contractual PPP approach, we are now seeing a multiplication of PPPs set up with the EC.

Smart Specialisation Strategy

We have also encouraged members to look closely at the issue of 'Smart Specialisation' as a source of further funding for the period 2014 - 2020: €50 billion in funding from the Cohesion Policy is available for boosting European regions' competitiveness. Added to the funding allocated for the digital agenda, the support for small and medium-sized businesses (SMEs), and the low-carbon economy, sums up to €100 billion.

To benefit from 'Smart Specialisation', regions are required to draw a strategy choosing a limited number of research and innovation priorities. Regions are expected to prioritise domains, areas and economic activities for which they already have a competitive advantage or the potential to generate knowledge-driven growth.

€50 BILLION

IN FUNDING FROM THE COHESION POLICY IS AVAILABLE FOR BOOSTING EUROPEAN REGIONS' COMPETITIVENESS.

€80 BILLION

IN FUNDING IS ALLOCATED FOR HORIZON 2020.



Orgalime considers that 'Smart Specialisation' can promote sane industry involvement in research infrastructures of European relevance, both from a user and supplier perspective and therefore offers opportunities to our industry.

Energy R&D&I Roadmap

In 2013, we also started working on the revision of the SET plan: the European Strategic Energy Technology (SET)-Plan has been a policy driver in research and innovation policy in the field of energy since 2008. However, it needed a revision and an update.

In May 2013 the European Commission (EC) published a Communication on Energy Technologies and Innovation where the development of an Integrated Roadmap was presented. The process was initiated in September 2013 with a kick off of a newly established SET Plan Coordination Group chaired by the EC and attended by member state representatives and experts. Orgalime is a member of the group as well. Work is now ongoing on developing a Horizon 2020 roadmap for energy-related research. We are continuing work on this in 2014.

Finally, we are also increasingly monitoring activity in other PPPs and programmes such as the new Competitiveness of Enterprises and SMEs (COSME) programme, to which around €2 billion will be allocated from 2014 to 2020 and developments in the future European Institute of Innovation and Technology Added-Value Manufacturing Knowledge and Innovation Community (EIT- KIC) in 2016, which is of interest to Orgalime members. We will be following this closely and deciding in the coming months the level of our involvement in this.



ENVIRONMENT, ENERGY & CLIMATE CHANGE POLICY



Team

- **Sigrid Linher**
- **Anne-Claire Rasselet**
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Resource Efficiency (RE)

Orgalime is committed to the sustainable management of resources and the constant environmental improvement of our own production processes and products. Since the raw material input represents (we estimate on average over the industry) some 40% of total production costs, resource efficiency is a must, as it always has been, if our industry wants to remain competitive.

Yet, we expressed our reservations on the methodology proposed by the European Commission (EC). In our view, it is not a reliable tool for creating demand for 'better and greener products' in the EU, but risks exposing companies to unfair competition and market distortion as consumers would base buying decisions on misleading information.

We also believe reliable and robust indicators are needed to guide political priority-setting. They can help in identifying those areas of relevance for action, both in terms of cost-effectiveness and environmental impact. Instead of using one lead indicator, though, Orgalime prefers focusing on dashboard indicators. This step should be made before endeavouring to launch on the debate on the setting of targets. Setting a resource productivity target would be a particularly delicate matter.

In the context of DG Environment's work on a Circular Economy Package, we have issued two position papers, which will provide our comments regarding resource efficiency indicators and the review of the EU waste management targets.

We also participated in DG Environment's stakeholder consultation on sustainable buildings, which aims at preparing the introduction of EU-wide measures minimising the negative environmental impact of buildings. Our industries cover a wide range of products, technical installations and systems installed in buildings and therefore, Orgalime published a position paper in October 2013 asking the EC to avoid overlaps with already existing legislation and to properly involve stakeholders throughout the process.

Concerning horizontal EU waste policy issues, we call for a proper transposition, implementation, market surveillance and enforcement of the existing EU waste policy acquis. We also support the setting of quality standards for secondary raw materials, the establishment of harmonised treatment standards for priority waste streams and a zero landfill policy. We ask for an acknowledgment our sectors' current resource efficiency contribution to the implementation of the EU's Resource Efficiency Roadmap.

As 70-85% of the potential for resource efficiency lies outside Europe, Orgalime calls for setting up a technology deployment roadmap.

The resource efficiency implementation actions envisaged by the EC directly tie in with many of Orgalime's core policy issues. To ensure consistency for implementation activities, whether for waste policy, product policy, substance policy, energy policy or others, Orgalime has created a new Working Group tackling resource efficiency as a whole. This seems to us the only logical way to proceed.



Eco design (ErP) and Energy Labelling (EL) Directives

Under the review of the Energy Labelling provisions and specific aspects of the Eco design, ECOFYS is progressing with its study on behalf of Directorate General Energy to prepare for the European Commission's (EC's) decision on a possible amendment of these Directives by the end of 2014 or beginning of 2015.

In September 2013, Orgalime provided its position on the strengths, weaknesses and improvement options we saw for both legislative tools, and at the beginning of 2014 we published two position papers: in February on core principles for the energy label, and in March on the draft ECOFYS interim report on the evaluation of the two directives.

Orgalime stressed its support for the core concepts of the Eco design Directive, but although we identify weaknesses and options for improvement, we hold that they relate to the implementation of Eco design Directive rather than to the framework directive itself. We do not support adding new products to its scope at this stage, because it would risk upsetting the ongoing implementation for the existing scope and once again impact regulatory stability.

Concerning the Energy Labelling Directive and its review, we support the instrument as an effective means of improving consumer understanding of the environmental performance of consumer products. Still, a more dynamic system rewarding best performers should be established while ensuring that there is only one energy label per product. Better alignment with Green Public Procurement and the Ecolabel would be desirable.

ECOFYS' draft interim report also recommends Energy Labelling Directive implementation for business-to-business products. However, in our view, it is not the best tool to provide the information needed in B2B relationships.

On the implementation front, Orgalime supports the holistic approach of the Eco design Directive, which addresses all environmental aspects of energy-related products from a life cycle perspective. The framework has led to the identification of the most significant parameter(s) for improvement – usually energy consumption in the use phase. New parameters were suggested (for example material efficiency parameters), but we doubt that they have the same potential for improvement and cost efficiency.

In 2013, the implementation progressed with 8 new Eco design and Energy Labelling Directive implementing measures adopted, one voluntary agreement recognised and a further 8 studies launched on new product groups. The EC also launched the review of the existing implementation measures.

Substance Policy

As the implementations of the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and the Directive on the Restriction of Hazardous Substances Directive (RoHS) progress in parallel, overlaps increase. Inconsistencies are evident, especially in the areas of restrictions on the use of certain substances in electrical and electronic equipment, REACH authorisations and RoHS exemptions.

A common understanding is essential for a successful implementation, application and enforcement of both regulations in environmental and economic terms. Therefore, Orgalime welcomes the initiative of the European Commission (EC) to work on such a document in 2014. We have in the past months published 3 position papers on the subject with our industry partners.

Diverging national interpretation of the articles 7 and 33 REACH remains a hot issue on the REACH implementation side. Our industry consistently stresses that the threshold of 0.1% of Substances of Very High Concern should apply to the weight of the entire product as produced/imported and not to each separate component (as interpreted by some member states). The EC shares our point of view and is making efforts to secure a fully harmonised implementation in the internal market, which we welcome.

Another point on the REACH agenda is the Risk Management Options (RMO) analysis initiated by the EC. There are several options for managing the risks of hazardous chemicals and choosing the correct measure is crucial. Therefore, we support the EC's and ECHA's activities on Risk Management Options, in particular for proper involvement of stakeholders at an early stage and in a transparent and consistent manner.

RoHS, on the other hand, seems to wish to work as a standalone, although in practice this is not reality: Orgalime sees the need for establishing better consistency of the future RoHS substance methodology with REACH, the Regulation on classification, labelling and packaging of substances and



mixtures (CLP) and other existing legislation. This RoHS methodology, we stress, should be risk based, assess substances and their alternatives from a life cycle perspective and take socio-economic aspects into consideration. Moreover, the CLP definition of 'hazardous substances' should be used.

Regarding nanomaterials, we expressed our views in a joint industry position 'Europe needs safe and innovative nanotechnologies and nanomaterials'. We call for balanced policy ensuring the protection of human health and the environment while providing the necessary framework for enhancing innovation, growth and jobs in Europe.

Waste Policy

Following a complex recast procedure, now the focus has shifted to transposition and implementation of the recast Directive on Waste from Electrical and Electronic Equipment (WEEE2) at national level.

Orgalime is generally satisfied with the European Commission's (EC's) draft of WEEE2 FAQs. However, the EC's criteria for interpreting the scope exclusion of 'Large Scale Fixed Installations' and 'Large Scale Stationary Industrial Tools' seem arbitrary and raise our concerns. In our position paper published in August 2013, we suggested instead to base any interpretation on the 'complexity of the installation/tool' and the 'co-dependence of its different apparatus and devices.

Regarding the EC's work on the WEEE scope review, we call for a careful assessment of the implications brought by the recast modifications in this area, especially considering the reshuffle of the existing scope categories from 10 to 6.

In July 2013, the EC issued its proposal on Waste Shipment Regulation. We underpinned the subsequent legislative procedure in the interest of ensuring consistency of this amendment with the WEEE Directive, which already regulates these aspects for the shipment of used electrical and electronic equipment and waste from electrical and electronic equipment.

2030 ENERGY AND CLIMATE CHANGE FRAMEWORK

WE WELCOME THAT THE EUROPEAN SUMMIT IN MARCH 2014 HAS DECIDED TO PUT ENERGY EFFICIENCY BACK ON THE AGENDA.



2030 Energy and Climate Change Framework

In January 2014, the European Commission (EC) adopted its proposal for a 2030 Energy and Climate Change Framework, which suggests a binding 40% greenhouse gas reduction target (GHG) and a binding target of 27% for energy from renewable energy sources (RES) by 2030.

While Orgalime supports the 40% GHG target, we were disappointed that no immediate energy efficiency commitment formed part of this proposal. Europe is limited in its indigenous energy sources and relies heavily on energy imports.

Energy efficiency is a 'no regrets option' according to the EC's 2050 Roadmap and helps in mitigating Europe's energy dependence and increasing energy poverty. Moreover, the International Energy Agency (IEA) confirms the significant potential of energy efficiency and energy savings as a boost for economic growth. We therefore welcome that the European Summit in March 2014 has decided to put energy efficiency back on the agenda.

Orgalime proposes an integrated approach of a binding 40% lead GHG target together with an indicative EU 30% renewables (RES) target and an indicative EU 40% energy efficiency target. Binding national minimum corridors for RES and energy efficiency retaining the 2020 levels should be set for tracing the way up to 2030 and beyond. This would provide the clear signal for investment into energy efficiency and low carbon technologies, while member states would keep the flexibility to choose the technologies that are best suited for their environment and their energy mix.

Considering the international dimension of this debate, we encourage the EU to make the necessary efforts to obtain a global and legally binding climate change agreement at the

United Nations Framework Convention on Climate Change in Paris in 2015 and to secure the overall competitiveness of European manufacturing industry.

Orgalime's two position papers substantiated these suggestions. We held a workshop within the frame of our general assembly with interventions from the EC and IEA and we promoted these positions with member states and the European Parliament throughout the year. Also, Orgalime initiated the organisation of an event on this theme during the European Sustainable Energy Week in June 2014, which is supported by several European Sector Organisations.

Internal Energy Market

The Greek Presidency made it one of its priorities, whereas the European Commission (EC) has published both, its Communication on 'Delivering the internal electricity market and making most of public intervention' and stakeholder consultation on the future energy retail market.

Although, 2014 is the year of the completion of the EU Internal Energy Market, a lot still remains to be done. Orgalime would like to see a fully completed, interconnected, consumer centred future energy market in Europe. We promote an energy policy, which allows 'prosumers' to benefit from the opportunities offered by energy efficiency and low carbon technologies and that guarantees access to affordable and cost-reflective energy for all.

We support Demand Side Flexibility. It offers significant opportunities in terms of realising monetary savings for private and industrial consumers alike, as well as increasing the overall efficiency of the EU energy system. It will also ease the integration of an ever higher share of RES in the future energy

system. However, several legislative and market barriers still need to be removed.

More interconnectivity of electricity and energy systems across national borders is essential to strengthen security of supply and contribute to cost-reflective energy prices. The European Summit in March 2014 has supported this as well as speeding up the implementation of Projects of Common Interests (PCIs), which we welcome.

We responded to the consultation of the European Council of Energy Regulators (CEER) on Demand Side Flexibility and to the EC Stakeholder Consultation on the Energy Retail Market.

Energy Infrastructure

The aim of the Energy Infrastructure Package is to ensure that strategic energy networks and storage facilities are completed by 2020.

For European technology providers represented by Orgalime, this new infrastructure legislation is vital for the rapid deployment of smart grids technologies in Europe. We were disappointed however, with the limited progress made in the EU Smart Grids Task Force in 2013, while satisfied that new drive has been coming up in 2014. We remain active in this Task Force.

For Orgalime, grid stability and system security are essential and should be the key objective of the future grid codes elaborated by ENTSO-E. However, as we stated in the letter addressed to both the Agency for the Cooperation of Energy Regulators (ACER) and the European Commission (EC), network codes should not hinder the fair market uptake of demand response, electricity balancing services or

interoperability, which would however be the case with the ENTSO-E versions of certain network codes.

We are also closely monitoring EU Smart Cities developments. It cannot be overemphasised that if the EU wants to transform its urban areas into cities that reduce their ecological impact, it needs to create the right framework conditions to properly adopt, implement and use smart solutions.

Energy Efficiency Directive (EED)

Our industries are fully committed to continuously improving the energy use in their own processes, to placing on the market more energy efficient products, services and technologies for the consumer to enjoy and to play a role in facilitating better informed consumer choices.

However, we were disappointed with the limited ambition of the EED in its present form. An additional effort needs to be made now, especially in terms of a harmonised and timely implementation in member states. Our concrete recommendations are spelled out in our position paper on general principles for this implementation.

A successful EED implementation requires an active public sector leading by example, an as ambitious as possible annual renovation target for public buildings, and renovation targets for all existing buildings (both private and public). We have commented on the European Commission's guidelines for EED implementation and issued an additional Orgalime guideline for a 'national building renovation roadmap'.

In spring 2014, the EC consulted stakeholders on the upcoming review of the Directive, in which Orgalime

participated. This review is the opportunity to reconcile the Directive with the EU's 2050 energy and climate change objectives. Currently, as things are progressing, the EU risks even falling behind its 2020 energy efficiency commitments.

Alternative Fuels Infrastructure Directive

Orgalime promotes sustainable transport solutions and the establishment of interoperable alternative fuels infrastructures in Europe. We see it as the right way to implement environmental and energy policy objectives and stimulate growth and jobs in the EU at the same time.

We therefore welcome the swift adoption of the European Commission's proposal for a Directive on the Deployment of Alternative Fuels Infrastructure in one reading. Nevertheless, member states have to show commitment now and in particular issue sufficiently ambitious implementation plans.

We also recommend to build technical specifications on market needs and realities, technology neutrality and to use standardisation to support this critical piece of legislation.

Orgalime's 3 position papers and political letter issued prior to the adoption of the Directive have promoted this. Our Director General, Adrian Harris, spoke at the EC's 'Clean Power for Transport Conference'.

Finally, we commented on draft CEN-CENELEC-ETSI Electro Mobility Smart Charging report supporting the Smart Charging functions as a key enabler for energy management in homes and buildings as well as in public charging stations.

INTERNAL MARKET & STANDARDISATION



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Consumer Product Safety Regulation (CPSR) and Market Surveillance of Products Regulation (MSPR)

Orgalime has been working on the issue of market surveillance for over 10 years. We continued to do so actively through a large number of positions issued during the year. Our industry needs simple, straightforward laws that are easy for manufacturers to apply and easy for authorities to enforce. So far the focus of enforcement authorities has been on unsafe products especially for consumers. Now for the first time a proposal for a European Regulation addresses businesses' long standing claim for a level-playing field in the application of legislation throughout Europe: any product placed on the internal market should respect all EU legislation.

Last year the European Commission (EC) tabled proposals for CPSR and MSPR as a package to replace the current General Product Safety Directive and to amend Regulation (EC) 765/2008 on accreditation and market surveillance. The new proposals were aiming at enacting a coherent and efficient legal framework for the marketing of products in the internal market.

Although supporting this principle objective, Orgalime raised a number of comments, especially relating to scope overlaps and to numerous additional sources of administrative burden in the CPSR proposal. We did however, with a number of other parties, call upon regulators to set up an accident and injury

WE WELCOME THE NEW LEGISLATIVE FRAMEWORK

AS A MOVE TOWARDS AN IMPROVED LEGAL FRAMEWORK FOR THE PLACING OF HARMONISED MANUFACTURED PRODUCTS ON THE SINGLE MARKET

database since we believe this would be the most objective way to underpin in a factual way the debate on consumer safety.

Unfortunately, the Committee on Internal Market and Consumer Protection (IMCO) of the European Parliament (EP) did not sufficiently consider industry's expectations, namely by failing to clarify concepts such as 'product presenting a risk' versus 'non-compliant product'. Indeed, IMCO suggested new burdensome obligations, including a new 'EU safety-tested' mark, post-marketing sample testing, manufacturers' contact details and instructions on every consumer product.

Throughout the legislative process, Orgalime successfully advocated against other industry unfriendly demands of the EP, such as the application of the precautionary principle by manufacturers and completely harmonised Union-wide penalties. The latter were initially intended to be proportionate to the turnover of the faulting company instead of to the severity of the infringement and the profit generated by selling non-compliant products.

The EP closed its first reading of both proposals on 15 April 2014. To our satisfaction, it rejected the provision introducing a voluntary 'EU safety tested mark'. However, the EP also confirmed its support to the EC's proposal for a mandatory 'indication of origin'. In most of Orgalime members' views, such obligation would neither improve consumer safety nor



product traceability that are already ensured by other means in harmonised legislation and in the CPSR. This provision on the 'made in' led to split views between member states at Council level and eventually to a deadlock, which remains to be resolved under the upcoming Council Presidencies and the new EP, after the European elections on 25 May 2014.

This Package will remain a major issue for 2014 and beyond.

Harmonised legislation - New Legislative Framework (NLF)

The European Parliament (EP) and the Council of the European Union reached an agreement on the alignment of 9 Directives. It covers the Low Voltage Directive (LVD), Electromagnetic Compatibility Directive (EMC), Directive on Equipment and Protective Systems Intended for Use in Potentially Explosive Atmospheres (ATEX), Simple Pressure Vessels Directive

(SPVD), Measuring Instruments Directive (MID), Non-Automatic Weighing Measurements Directive (NAWI), Civil Explosives, Pyrotechnics and Lifts.

Orgalime's continuous advocacy during the year contributed to improving the legal clarity of the texts and to reducing the red tape that the new proposals would have generated for manufacturers. We welcome the new set of Directives as a move towards an improved legal framework for the placing of harmonised manufactured products on the single market.

The document introduces several procedural simplifications such as: a single EU Declaration of Conformity (DoC) can be presented in a package containing several directive-specific declarations, without the need to include a photograph or a unique identification number for each product; all documentation can be transmitted to national authorities either in paper or in electronic form; for reasons of legal certainty, distributors can supply products that they have in stock in their warehouses without any additional requirements (even after the new directives have entered into force); concepts, such as 'vulnerable consumers' have been excluded from the body of the revised directives and product compliance will be checked according to their intended use or under conditions of use which can be reasonably foreseen.

Overall, Orgalime welcomes the outcome of this alignment, although there are a few directive-specific provisions which will require Orgalime's full attention during the period of transposition into national law and the interpretation phase for a smooth application by manufacturers.

Pressure Equipment Directive (PED) and Simple Pressure Vessels Directive (SPVD)

Orgalime successfully represented industry's point of view regarding the European Commission's (EC) recast of the PED tabled in June 2013. Our comments were well reflected in the report of MEP Rapporteur, Ms Roithova.

The only issue which remains to be considered is the replacement of the term 'hazard' by 'risk' which came as a result of the alignment with the New Legislative Framework. Orgalime raised some concerns that the term 'risk' could cause some confusion among manufacturers, especially SMEs involved in the pressure equipment sector.

The PED recast was voted in the EP plenary session in April 2014. The SPVD was voted together with the whole Alignment package in February 2014. The regulatory process at EU level is therefore close to completion and we will therefore be focusing on monitoring the transposition and application of the legislation.

Radio Telecommunications Terminal Equipment Directive (R&TTE)

The R&TTE has been proposed for revision into a less industry-friendly Radio Equipment Directive (RED). The European Commission (EC) proposed to enlarge the scope to cover all products using radio waves.

The European Parliament (EP) produced a report that was receptive to our demands for a less burdensome framework. However, inter-institutional negotiations led to a rather mixed picture, namely a broader scope, maintaining the possibility of a registration procedure under strict conditions, and some supplementary administrative obligations, all of which we opposed.

Although Orgalime succeeded in limiting the EC's ambitions to opening up the scope to all products using radio waves, manufacturers of broadcast receivers and other devices using the radio spectrum for determination would need to demonstrate conformity with the RED.

As we expect the new RED to be published in May 2014, manufacturers will have 3 years to comply, until May 2017.

European standardisation policy

The Regulation on European Standardisation entered into force on 1 January 2013. Although it opened up the scope of European Commission (EC) standardisation requests to the sector of services, and pushed European standardisation organisation to be more 'inclusive' to so-called 'societal stakeholders', it did not bring significant changes.

Less than a year later, the EC has started an 'independent review' of the way European Standards Organisations meet the 'strategic objectives', shaped by the European Regulator. It is a deep-seated wish of Orgalime members and a wide range of industry stakeholders that European Standards remain a private and voluntary tool for companies to meet their markets' needs first.

Industry is keen to remind regulators that it finances 95% of the standards development costs in Europe. In this context, the use of European standards is the logical result of such an investment. It is not primarily driven by the facility offered in the area of conformity assessment procedures by harmonised European standards in support of EU legislation, which nevertheless remains appreciated by most companies. These and other issues were brought up in our comments early in 2013 on CEN and CENELEC's European standardisation strategy 2020 and we commented further on the importance of quality versus speed in the standardisation process.





With the Transatlantic Trade and Investment Partnership (TTIP) negotiations progressing, standardisation and conformity assessment systems have become an important and integral part of the discussion. We believe that constant and stable dialogue between the 2 trade partners should start among regulators first, to enable progress on approximating their respective approach to the use of standards. From a European perspective, work at the international level is paramount, with our preference for the use of ISO and IEC standards organisations.

In 2014, Orgalime plans to promote actively its members' views to both the European Commission and European Standardisation Organisations, which we have requested should concentrate on servicing their needs of industry, the main stakeholder and user of standards.

Machinery Directive (MD) and Outdoor Noise Directive (OND)

At the beginning of 2013 the European Commission (EC) launched a study assessing the possibility to integrate the requirements of 'noise' from the OND into the MD. Orgalime and its members have actively participated in the process, underlining several problematic issues: differences in the approach adopted in the two pieces of legislation, varying conformity assessment procedures and management of the directives in the member states. The final EC report on the study and its recommendations were publicly released in March 2014 during a workshop organised by the EC.

We continue to act as the interface between the mechanical engineering industry and the regulators interpreting all concrete questions regarding the application of the MD at European level.

Construction Products Regulation (CPR)

On the 1 July 2013 the Construction Products Regulation (CPR) replaced the Construction Products Directive (CPD). To help companies to comply, Orgalime published an interpretation guide. It explained the main changes and obligations for all economic operators arising from CPR and helped Orgalime industries to prepare to meet the new requirements.

At the end of February 2014 the European Commission's (EC's) Delegated Regulation on the conditions for making a Declaration of Performance (DoP) available on a website entered into force. It defines the conditions on which DoP can be electronically supplied by the companies. The DoP can be now submitted either in paper form, by electronic means or by using a website.

Orgalime is also busily preparing for the CPR implementation phase. We will be dealing, among other, with interpretation problems that companies may face during the process.

Directive on Equipment used in Explosive Atmospheres (ATEX directive)

We have continued following the implementation of this directive and during the year wrote a position on the validity of EU type examination certificates and EU declarations of conformity which are very practical issues faced by manufacturers.

Your manufacturing pioneers of the future

The Orgalime Secretariat numbers 27. This dedicated team of public affairs specialists are consistently trying to ensure that the European Commission & European Parliament only receives quality input on issues of direct interest to Orgalime. Of course, we are not alone - an effective input from Orgalime can only be achieved with the committed support of specialists from its member federations and European product sector committees. We acknowledge the efforts of the pioneers of manufacturing in our 60th year!



Communications

Communicators really can jump for joy!



Team

- Mark Redgrove
- Magdalena Wawrzonkowska

Much has been written in the past 12 months about the role of the ‘chief communicator’ – certainly, communication is everybody’s job and the media (and public) want to hear from the boss, as well as the experts themselves. We communicators are increasingly orchestrators rather than actors.

Indeed, that is the Orgalime approach too. Strategy is on everybody’s tongue – the *strategic* importance of good communications; a communications *strategy* to match. However, it is paramount that wherever the message exits from the organisation, it is clear, concise and unequivocal. That is where the communications department adopts its role of ‘conductor’, ensuring that messages are adapted for the intended audience but in a language and tone to suit. All this has an impact on ‘trust’, which in turn strengthens the ‘brand’ – mess up in one area and the whole organisation can be ‘reputation damaged’!

2014 will see big changes in the Brussels bubble, with up to 70% of the newly elected Members of the European Parliament (MEPs) being ‘first-timers’. That means that relationships that had been built over the years will need to start all over again with the new incumbents. The race to win an audience with key MEPs will be fraught, as trade associations and NGOs alike, scramble to gain some political one-upmanship. Messaging needs to be tailored, stories need to be aligned...

And we need campaigns and champions!

First a campaign...

Orgalime will seek to take ownership (using management jargon!) of the engineering community and engage with them. Let’s get everybody talking about Europe, manufacturing in

WE NEED CAMPAIGNS...

LET’S GET EVERYBODY TALKING ABOUT EUROPE, MANUFACTURING IN EUROPE AND ESPECIALLY ENGINEERING IN EUROPE.

..AND CHAMPIONS

LET US GATHER THE MOMENTUM AS A COLLECTIVE, TALK WITH PASSION AND CREDIBILITY ABOUT WHAT MANUFACTURING IN THE EU DOES AND WHY IT MATTERS.

Europe and especially engineering in Europe. Let us promote the benefits and vision of the European engineering industries and eloquently elaborate why industrial investment is necessary to keep the European manufacturing heart beating.

...and then find the champions

Who better to champion our issues than the engineers themselves – let us gather the momentum as a collective, talk with passion and credibility about what manufacturing in the EU does and why it matters. This wider pool should not really come from Brussels but rather from throughout Europe – and there should be a concerted effort from the membership to get regular national media columns and broadcast slots. We need to start punching above our weight, advocating passionately and taking on the regulators in a language they can understand but with more substance. We need to make them fall back in love with manufacturing!

Some key figures for 2013/14

2013 was the first full calendar year with the current website in operation. Statistically speaking, the site has surpassed expectations with an increasing audience remaining engaged for a longer time whilst at the same time, staying loyal! Unique visits are up nearly 10% year on year, with that all important bounce rate slightly improving but remaining less than 50%. 2013 also saw the introduction of the video position. 3 were issued in quite quick succession on different topics, however worthy of note is that there were more video views than views of the position paper itself, underlining the strategic goal of providing a ‘taster’ for the very business audience we are engaged with. Social media continues to grow in importance – the network expands and Orgalime’s constituents are very much present. Watch out for some crowdsourcing tactics later in 2014 too – your trade association needs you! Now you can see why we’re jumping for joy!

Publications



Team

- Željko Pazin
- Paulina Marcickiewicz
- Jackie André

Increase in demand for Orgalime general conditions and model forms

The success of Orgalime general conditions and model forms proved yet again companies' trust and reliance on Orgalime legal publications. The S 2012 General Conditions for the supply of mechanical, electrical and electronic products (an update of our S 2000 bestseller) that were released in 2012 enjoyed a continuing interest in 2013 whether in paper format or as a licence in electronic format from companies worldwide.

Amongst our model forms, Orgalime's Exclusive Agreement with Distributors Abroad, with Agents Abroad, the Non-Disclosure Agreement and the Turnkey Contract have all confirmed their indispensable status for engineering companies.

More information on our legal publications can be found on our webpage:
<http://www.Orgalime.org/page/legal-publications-guides>

To date, there are 9 different sets of Orgalime general conditions designed to give concrete and comprehensive solutions to the most practical problems encountered by companies trying to reach an agreement in business-to-business transactions.

SUCCESS

THE SUCCESS OF ORGALIME GENERAL CONDITIONS AND MODEL FORMS PROVED YET AGAIN COMPANIES' TRUST AND RELIANCE ON ORGALIME LEGAL PUBLICATIONS.

So far, in 2014

Release of Orgalime general conditions SI 14 – a revision of the SE 01 General Conditions

Orgalime released in 2014, the SI 14 General Conditions, 'General Conditions for the supply and installation of mechanical, electrical and electronic products' - standardised General Conditions of sale for companies in the mechanical and electrical engineering industries).

As the international sale of plants and their installation represent the core business of many companies in the mechanical and electrical engineering industries in Europe, Orgalime has recognised that these companies would benefit from a set of general conditions for the supply and installation of plants which could be used all over the world.

The first version of the Orgalime Supply and Installation Conditions was first published in 1994 (SE 94-conditions) and these conditions have ever since been among Orgalime's most widely used legal publications. They are certainly used on a very large scale. Millions of hard copies have been sold through the years, whereas the electronic use (under an Orgalime licence) has increased to a very substantial level.

The Orgalime Legal Affairs working group (consisting of lawyers representing the national member associations of Orgalime) updates these conditions from time to time to take

into account legal developments and their experience in dealing with contracts in the engineering industry. After a first review that resulted in the SE 01-conditions in 2001, the working group has now adopted a new updated text, which results in the SI 14-conditions.

The Orgalime Supply and Installation Conditions are to a great extent based on the Orgalime Supply Conditions, which were most recently revised in 2012 when the S 2012-conditions for supply were adopted and published. Therefore, the major changes in the Orgalime Supply Conditions are also reflected in the Orgalime Supply and Installation Conditions.

The SE 01 conditions have been reviewed in detail to produce the SI14 conditions. The Orgalime Legal Affairs working group concluded that the Orgalime Supply and Installation Conditions have been widely accepted and endorsed in international business and meet the parties' needs. Thus, the review work could be restricted to an update of the SE 01-conditions. Nevertheless, some material changes have been made. New texts have been inserted and existing texts have been amended. Apart from these material changes, texts have been amended to clarify the meaning. These changes have however not changed the well-balanced nature of the conditions. Some changes may improve the position of the Contractor, whereas other changes may improve the position of the Purchaser.

What's next in 2014?

Guide on S 2012, S 2012 S and SW 14

Subsequently to the update of the S 2012 general conditions, many of our legal publications have undergone a review and have been published in 2014. This concerns mainly the following publications that have all replied to the needs of the industry we represent as can be attested by their success with companies since their publication:

- Guide on S 2012 (Ex-Guide on S 2000), a detailed commentary on the provisions of the S 2012 conditions;
- S 2012 S, Supplementary conditions for the supervision of installation of mechanical, electrical and electronic products, delivered in accordance with S 2012 (Ex-S 2000 S);
- General Conditions for computer software, supplement to Orgalime S 2012 & SI 14 (Ex-SW 01)

How to order Orgalime publications?

Orgalime publications are available from Orgalime member associations. A list of members as well as the specific contact details can be found on Orgalime's website (www.orgalime.org)

Licensing

For companies that would like to attach an electronic version of Orgalime's General Conditions when sending tenders and contracts by emails to their customers and suppliers, obtaining a license is a useful option. These licenses can be obtained through our licensing website <https://licensing.orgalime.org>

Orgalime Partnership



Team

- Guy van Doorslaer
- Olivier Janin
- Pierre Lucas
- Stéphanie Uny
- Rozenn Maréchal
- Zoi Mylona
- Nicolle Raven
- Thijs de Wolff
- Janet Almond
- Ioana Smarandache

We have the pleasure of counting two more European engineering industry sector associations among our partners. Last spring, GCI-UICP, representing European Technical Contractors for the Construction Industry, entrusted the Orgalime Partnership with the management of its secretariat. In addition, we are providing coordination, guidance and assistance to CECAPI for the MSSSI – the Market Surveillance Support Initiative in the electrical installation equipment sector.

We have spent a lot of time and effort integrating the customers signed last year to our work methods and environment. Indeed, we have learned a lot from them about their business and challenges and about what makes them special. To support these additional activities, Orgalime Partnership has expanded and Thijs de Wolff joined our team as Junior Adviser.

Political achievements

F-gas was a major dossier for 2 of our sector associations. The Orgalime Partnership organised an intense advocacy campaign for AREA, whose members' working framework is directly impacted by the revision of the Regulation. The campaign produced positive results for AREA, which had a number of its positions taken on board, notably on key issues such as professional installation on pre-charged air conditioning equipment, distribution of responsibilities in the delivery of refrigerants and competence on low GWP (global warming potential) refrigerants. Switchgear manufacturers also achieved a successful outcome in the revision. Actions targeted towards the European Parliament (ENVI Committee) and the Council produced positive results for the transmission & distribution industry, which saw the danger of a ban on a key refrigerant postponed to a later stage, allowing for more time to invest in R&D on alternatives.

Orgalime Partnership supported sector associations on a wide range of policies, such as market surveillance, competitiveness, energy efficiency (Ecodesign, EED), environment (WEEE, RoHS, REACH (FEM) and Internal Market (outdoor noise, machinery and exhaust emissions) issues.

The sectors, some of which have become Associate Members of Orgalime (CEIR, Europump, EGMF and EFCEM) also worked hand in hand with Orgalime on various issues. EGMF and FEM collaborated closely with Orgalime on the study on a potential merger of the Outdoor Noise and Machinery Directives. ESMIG, Europump and Pneurop contributed to the Orgalime RoHS Guide.

Visibility achievements

The Orgalime Partnership organised several events in the European Parliament:

- roundtable on Market surveillance: preserving a Competitive Machinery Industry in Europe on behalf of FEM and in cooperation with other machinery industries
- ESMIG- EEF Dinner Debate on data privacy and smart metering technologies
- T&D Europe annual networking dinner and debate (hosted by MEP Prof. Jerzy Buzek, former President of the European Parliament and rapporteur on the completion of the Internal Energy Market).
- Our advisers also cooperated on the Joint workshop on Electromagnetic Interference in the Cenelec-A band (ESMIG, Eurelectric, Orgalime and CEN/CLC).

A few industry specific events were also successfully organised:

- The EIA Irrigation Days which consisted of irrigation training classes and an awards ceremony offering recognition to professional innovative products and services in the field of irrigation.

- For GCI-UICP, the co-organisation of the Installers' Summit in Copenhagen, in association with the European Association of Electrical Contractors
- Europump organised a workshop on the application of the Ecodesign Regulations on water pumps and circulators, which came into force on 1 January 2013

Communication achievements

The Orgalime Partnership has worked on the development of its sectors' online presence. LinkedIn Groups were launched for FEM, Europerf and CEIR and soon became a dynamic and customary communication vector. ESMIG and CEIR developed videos. Europump improved its press relations and communication through its blog. Finally, ESMIG and EIA revamped their websites whilst GCI-UICP developed an extranet with the support of Orgalime.

Our team has also contributed to a variety of information or reporting initiatives, such as EGMF and AREA annual reports, GCI-UICP, CEIR, ESMIG newsletters, Pneurop and Europump Presidents' annual presentations, etc.

Orgalime Partnership branded services

Europacable have joined the many subscribers to our Monitoring Package. They benefit from our tailor-made service consisting of our bi-monthly comprehensive Bulletin, as well as timely updates on issues of importance to their sector.

On the legal and administration side, we created the legal statutes of CEMEP and managed the liquidation of EFSAC.

Today the Orgalime Partnership is a team of 10 experienced and dynamic professionals servicing some 22 engineering sectors.

Members

AUSTRIA



FEEI



FMMI

BELGIUM



AGORIA

BULGARIA



BASSEL

CROATIA



HRVATSKA GOSPODARSKA ZBORNICA
CROATIAN ENTREPRENEUR ASSOCIATION

CEA



HGK

DENMARK



Confederation of Danish Industry

DI

FINLAND



The Federation of Finnish
Technology Industries

FRANCE



FIEEC



FIM

GERMANY



VDMA



WSM



ZVEI

HUNGARY



MAGEOSZ

IRELAND



IEEF

ITALY



ANIE



ANIMA

LATVIA



Association of Mechanical Engineering and
Metalworking Industries of Latvia

LITHUANIA



LINPRA

LUXEMBOURG



ILTM

THE NETHERLANDS



FME-CWM



METAALUNIE

NORWAY



Norsk Industri

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Polish Economic Chamber of
Electrotechnics

PORTUGAL



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ANEME

SLOVENIA



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SPAIN



CONFEMETAL



SERCOBE

SWEDEN



TEKNIKFÖRETAGEN

SWITZERLAND



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UNITED KINGDOM



BEAMA



EAMA



GAMBICA

EUROPE



CEIR



EFCEM



EGMF



EUROPUMP



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