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# The President's Message

## Robert Mahler

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### Our industry is not asking for subsidies. Companies, however, need to be able to weather the storm.

#### The times they have changed...

As I said in my statement to the press at Orgalime's General Assembly in November 2008, after several excellent years, with a strong expansion for European engineering, prospects for the coming year are looking somewhat bleak. Apart from the expected and usual cyclical slowdown that started in the last year, the global financial turbulence is having a clear impact on the demand for both the capital goods and the consumer durables manufactured by our industry. We are seeing an uncharacteristically brutal downturn in incoming orders. Not in all sectors, since, for example, business is holding up for many suppliers to the energy sector. Nor are all companies affected in the same way, since many companies still have a backlog of work in progress and will continue to enjoy this for the coming months. Nevertheless, the longer the present conditions persist, the more severe the consequences of the economic downturn will be on our companies and on employment: and what is of concern today, as I write these words, is that it is still unclear when this downturn will start to bottom out.

#### And are regulators responding?

Are regulators in Europe responding adequately to these challenges? In our view not. We are acutely aware that the response of our institutions in the face of these exceptional circumstances does not

match the expectations of our industry: if it is true that politicians have taken some very visible decisions to help a company or a particular sector, we do not feel that they fully appreciate the consequences of the downturn on Europe's industrial infrastructure and on the 11 million jobs that our

industry provides here in Europe.

#### The way forward

Our industry is not asking for subsidies. Companies, however, need to be able to weather the storm. They also need their clients to be able to start investing again



and to feel confident about doing so: our clients are finding it difficult to finance their business; often too, they are worried to commit themselves to invest at this uncertain time.

So we need a two-pronged strategy – one which allows our industry to resist the downturn and then a strategy to facilitate the recovery of our clients, which are essentially, but not exclusively, the rest of industry.

#### Intelligent regulation?

To allow our companies to face these difficult times, we ask both the EU institutions and national governments to make a particular effort to appreciate what the effect of the crisis is on our companies and to act accordingly. It is particularly important at this time, that governments and the EU institutions should get their priorities right: we need them to help us keep skilled manufacturing jobs. We therefore ask regulators to show particular sensitivity when considering new regulation, especially if it imposes significant short term investment requirements. If companies perceive that regulators are sensitive to their situation – and this is what many companies would like to feel – this will act as a positive signal for where future investment in manufacturing facilities is made when the economic upturn comes. We would like regulators to think over and over again if and whether new regulation is necessary. They must also rethink the speed of regulatory change. The worst thing that could happen today would be that the institutions continue in a “business as usual mode”.

Let me give an example: in the area of waste management, hardly has our industry organised itself and invested hundreds of millions of euro into setting up waste management systems for dealing with end of

life electrical and electronic products that the proposal is to change the rules of the game. We fundamentally ask the question whether this is really necessary when the existing regulation is recent and is working better every day.

Some may ask why we care, as in the end, it is of course the consumer who pays: what we, as manufacturers in Europe, must seek to achieve are better products, which are produced in an environmentally conscious way and which are still affordable even when produced in the EU.

#### Investing for the future

There are areas where we see things going the right way: we welcome the European Commission's Economic Recovery Package which goes in the right direction. It proposes a number of interesting initiatives, such as the “Factory of the Future” and the proposal to invest for Trans European energy interconnections and broadband infrastructures. We fully support these initiatives, but, for us, they must materialise quickly, if they are to have a beneficial impact on industry: a fast track procedure which allows for short cuts through the complexity of the Commission's rules is therefore a must.

There are also other actions that can be taken: the energy agenda and lead market initiatives can provide a positive stimulus for the economy and therefore for jobs and growth. We would like to see regulation and policies focus on favouring, for example, the take up of the energy efficient products which already exist today, on developing new areas of expertise in the field of energy and energy efficiency, on new markets which aim to meet the needs of our citizens. We also need demonstration projects which allow us to showcase our technologies first in the EU. It is in this way that we will continue to have the potential to lead in many areas of technology. There

are new markets to be met to deal with our increasingly aging population and our growing cities: all these offer potential for innovation, for growth and, therefore, for manufacturing employment in the EU.

#### Keeping our lead

A final word: we in Europe are world leaders in many areas of engineering technology. We are therefore optimistic that our industry can and should have a bright future, but we must again stress that this is not something we can automatically count on. The conditions must be right. And today, for us this means again resisting the temptation towards protectionism and on the contrary going for a stronger and better internal EU market. We must also seek to keep our export markets open.

I therefore call upon European and national regulators to take into account the importance of this major manufacturing sector to the economy as a whole by ensuring that the framework conditions for the engineering industry and for our customers in the EU are not allowed to deteriorate. We are about to have a new European Parliament and a new Commission; let us hope that this will be an opportunity for focusing on what Europe does best: creating a large, thriving and increasingly integrated economy.

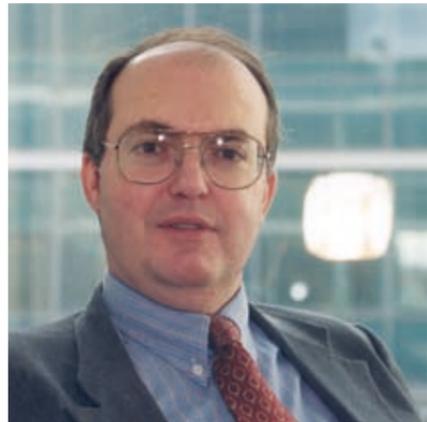
# Calendar key dates

## Orgalime's year at a glance

2008 → MAY	→ JUNE	→ JULY	→ SEPTEMBER	→ OCTOBER	→ NOVEMBER
<p><b>Anti Counterfeiting Conference</b></p> <p>The European Commission, together with Members of the European Parliament, organised a High Level Conference on Counterfeiting in May 2008. Orgalime was invited to participate at the exhibition and therefore asked member associations to provide the Secretariat with examples of copied or counterfeited products within the engineering sector. Counterfeited products from many sub-sectors were provided such as plugs, adaptors, sockets, fuses, switches, circuit breakers, thermostats for household refrigerators, a starter for household compressors, an expansion valve for refrigeration furniture, a filter drier for extraction of humidity from industrial air conditioning systems and last but not least a copy of a famous brand chain saw that was discovered at a bazaar in Moscow.</p>	<p><b>Electra launch</b></p> <p>A successful launch event was orchestrated by Orgalime at Bavaria House in Brussels with some 140 people (comprising industry, institutions and media) attending the launch event for the electro-technical sector, at which speakers (and co-chairmen) Commission Vice President Günter Verheugen and Professor Edward Krubasik along with Orgalime President Robert Mahler, conveyed the message, 'We can do it'.</p> 	<p><b>French Presidency of the Union</b></p> <p>Orgalime participated in the industry day organised by the French Group of Industrial Federations (GFI) representing the main manufacturing sectors in France and the Alliance for a Competitive European Industry at the start of the French Presidency. Among the speakers at the event were Orgalime President, Mr. Mahler, Mr. Jacob (FIM), President of the GFI, Mr. Rohwedder, Vice-President of VDMA, as well as numerous French political and industry representatives including the French Secretary of State for Consumer Affairs and Industry, Mr. Chatel, who chaired the Competitiveness Council under the French Presidency of the EU.</p> 	<p><b>Launch of Orgalime In-Brief</b></p> <p>A new monthly e-newsletter (Orgalime In Brief) was launched in September aimed at stakeholders at the business level and within the European institutions. Immensely successful so far, the short, sharp content aims at encouraging and reminding the audience of Orgalime's work allowing more details to be obtained if and when required.</p>	<p><b>EP hearing on IPR</b></p> <p>Orgalime delivered our industry's points of view on counterfeiting when we were invited to speak to the European Parliament in October 2008 at an ALDE (Alliance for Liberals and Democrats for Europe) hearing. It is quite clear that in order to combat the threat and the subsequent costs of counterfeiting, member states have to allocate many more resources to Market Surveillance.</p> 	<p><b>General Assembly, Milan</b></p> <p>This meeting was hosted in Milan by Orgalime's Italian members, ANIE, ANIMA and FEDERMACCHINE who orchestrated a splendid event. Aside the normal procedure, members unanimously agreed that Orgalime should become a founding member of a new association to be set up to manage a Joint Technology initiative in the field of production technologies. The follow-up programme included excellent presentations and a debate on the theme of "Coopetition".</p> 
→ DECEMBER	2009 → JANUARY	→ FEBRUARY	→ MARCH	→ APRIL	
<p><b>Launch of metalworking review</b></p> <p>After launching a review of the competitiveness of both the mechanical engineering and electrical engineering &amp; electronics industry, December saw the launch by the European Commission and Orgalime of a review of Europe's metalworking industry.</p>	<p><b>Meetings with Czech Presidency of the Union &amp; Commission President, Mr. Barroso</b></p> <p>In order to keep our work priorities on the agendas of those decision makers, Orgalime high level delegations have been discussing our industries issues with (among others) the Czech Presidency of the Union and President of the Commission, Mr. Barroso.</p>	<p><b>Steel campaign</b></p> <p>Double success for Orgalime with steel: Eurofer withdrew their anti-dumping complaint originally filed in December 2007 against imports of cold rolled stainless steel from China, Korea and Taiwan. This followed another withdrawal of an anti-dumping complaint against imports of hot-dip galvanised sheet from China. Orgalime had all along felt that these complaints were unwarranted and considers the continuous sabre rattling by the steel industry is unhelpful towards achieving a fair and free trade system along the whole of the engineering supply chain.</p>	<p><b>European Factories of the Future Research Association (EFFRA)</b></p> <p>ManuFuture, the European technology platform on future manufacturing technologies, agreed to set up a new industry-led R&amp;D association - "European Factories of the Future Research Association" (EFFRA) that will engage into a public private partnership in the area of R&amp;D with the European Commission. "EFFRA" was launched in April with seven Orgalime members and Orgalime itself among the founder members.</p>	<p><b>Electra goes to Sofia, Bulgaria</b></p> <p>In April 2009, Orgalime organised (together with CENELEC), a one day workshop on future opportunities and markets for innovation that are offered around energy efficiency. The target audience was Bulgarian and neighbouring countries industries. Executives from Siemens, Schneider Electric and ABB shared their business experience and expectations with CEOs of large enterprises, SMEs and trade associations in Eastern and Southern Europe. Elaborating on the conclusions of the Electra</p> 	<p>report "Twenty solutions for growth and investment to 2020 and beyond" its objective was to increase awareness in new EU member states and neighbouring countries on what can be done through participating in standardisation work and trade associations' activities to tune business to regulatory framework.</p>

# Secretary General Adrian Harris

Founded over 50 years ago by members from 12 countries, Orgalime today has 35 members – national trade federations or associations representing the metalworking, mechanical, electrical and electronic industries of 23 European countries. The industry that we represent includes some 130.000 companies and accounts for over a quarter of EU manufacturing output and a third of manufacturing exports.



in numbers the representatives of the EU institutions, it is becoming increasingly important for us not only to reinforce our communication, but also to continuously streamline our working methods, so as to have the ability to continue to operate effectively in a fast changing environment: we firmly believe that if the new Lisbon Treaty is adopted, our network whose roots are in the different EU countries, will see its role further strengthened since national parliaments will now be called on to play a significant role in the adoption of regulatory proposals at a EU level.

### 2008 a year of transition for the economy...

If output in our industry rose at the start of 2008, as the year drew to its end it became evident that the normal weakening in the cycle for investment goods, which had started a year before, was giving way to a brutal drop in incoming orders in many sectors: what had been expected to be a soft landing turned into a sharp slowdown at the end of the year. Nevertheless, as a consequence of the strong activity in the first half year of 2008, employment in the

industry grew by an estimated 1.3 percent bringing the total number of people employed in engineering to some 11 million, the highest for any sector of industry by far.

### ... and 2009 for the institutions

If life is tough for the economy and for industry today, we are seeing no signs of this affecting the EU institutions: on the contrary, we have seen an unprecedented burst of regulatory activity prior to the forthcoming election of the new European Parliament and the appointment of a new Commission at the end of 2009.

### Issues

We are now facing heavy regulatory activity, in particular in the area of environmental and eco design regulation which is posing increasing challenges to both Orgalime and to the particular sectors affected. Much of our everyday agenda is focused on these areas. At the same time we are pursuing vigorously work in the area of the internal market directives and on the introduction of the New Legislative Framework, which we consider as strategic

for our industry: both in the short term, to deal with essential issues such as market surveillance and, in the longer term, to provide a unitary regulatory framework for product legislation. There have also been a number of trade issues, which have been on our agenda during the year, such as resisting anti dumping measures on steel where we have been successful.

Industrial policy, however, is very much on our agenda: we have been gearing up, for the first time, to participate in a public private partnership in the area of R&D through setting up a new industrial research association, together with a number of our members, our industry, customer industries and research institutes, to participate in the "Factories of the Future" initiative, a massive 1.2 billion euro project to be financed 50:50 by industry and the European Commission. This will be a first for us and is perhaps one of the major outcomes of the work we have undertaken in the area of industrial policy with our mechanical engineering branch.

We are also well on the way to achieving success, both political at the level of the EU and on the ground in many countries, with our push for developing policies which will drive growth in the electrical engineering industry. Notwithstanding the economic situation, this branch of our industry is still reporting a comparatively reasonable turnover in many sectors due to Europe's energy efficiency and energy security agendas. This is an agenda which we see as a long term one.

Orgalime is therefore more than ever a key player in Brussels, working closely with the European institutions to promote a future for our industries in the EU. Our aim is simple: to ensure that the voice of the EU's engineering industry, the largest manufacturing sector in Europe, is clearly heard in Brussels and the European capitals alike.

## Board of Directors 2008



**Chairman**  
**Mr. Berndt-Thomas Krafft**  
FMMI, Austria



**Mr. David Dossett**  
BEAMA, UK



**Mr. Paul Soete**  
AGORIA, Belgium



**Mr. Michele Schweinöster**  
ANIMA, Italy



**Mr. Eric Jourde**  
FIEEC, France



**Mr. Claude Charrier**  
FIM, France



**Mr. Janez Renko**  
GZS MPA, Slovenia



**Mr. Martti Mäenpää**  
The Federation of Finnish  
Technology Industries,  
Finland



**Mr. Åke Danemar**  
Teknikföretagen, Sweden



**Mr. José Luis Castañeda**  
SERCOCBE, Spain



**Mr. Hannes Hesse**  
VDMA, Germany



<b>2008 (est.)</b>	1 885 billion €	472 billion €	62.4 billion €	11.1 million
<b>2007</b>	1 813 billion €	448 billion €	59.4 billion €	10.9 million
<b>2006</b>	1 779 billion €	417 billion €	47.5 billion €	10.6 million
<b>2005</b>	1 598 billion €	361 billion €	42 billion €	10 million
	Output	Exports out of EU	Investment	Employment

### EUROPEAN ENGINEERING IN 2008

[source : Eurostat, Orgalime economists]

# Policy Committees Inside Orgalime

"After several excellent years, with a strong expansion for European engineering, the recent global financial turbulence is now increasingly having an impact on the demand for both capital goods and consumer durables manufactured by our industry. How long this downturn will last is difficult to forecast. Nevertheless, I am certain that when the rebound comes, European engineering, together with the industrial policy initiatives we have launched, will be at the heart of driving Europe's manufacturing economy. Orgalime continues to play a key role in determining just how the EU's policies can 'engineer the future'." Berndt-Thomas Krafft, Chairman of Orgalime

## Metal Articles Liaison Committee | (MALC)



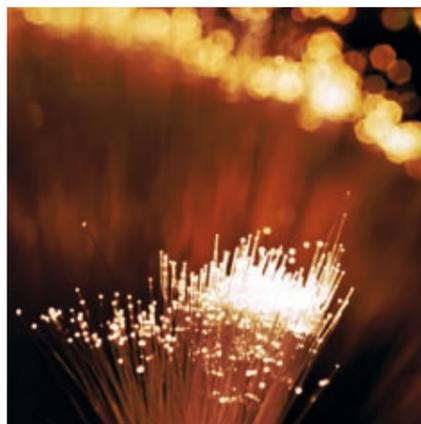
### Andreas Möhlenkamp

"2008 has been the year when Europe's metalworking industry has at last been recognised as a major manufacturing sector in its own right. After several years of discussion with the European Commission, a review of the sector has been launched."

Orgalime will be the major partner in the European Commission's review on the metalworking sector. The aim is to pinpoint the main challenges of the sector and, from a longer-term perspective, the review is a key Orgalime project and a strategic step to:

- Enhancing the voice of the metalworking sector within the Commission structure;
  - Including our challenges and concerns into the Commission's broader political agenda.
- An Orgalime "ad hoc" group was mandated with the task to provide the Commission/consultant in charge with our views and concrete input on the study, and will provide a platform to discuss and prepare issues and monitor/evaluate progress and results.

## Committee of the Electrical & Electronic | Industries (CEEI)



### Åke Danemar

"After the launch of the Electra report, a joint European Commission and Orgalime led initiative in June 2008, the European electrical, electronic and ICT industry are now in a position to push innovation and energy efficiency as key drivers to help realise the EU's 2020 climate change goals and the long term development of key markets for the industry."

The electrical, electronic and ICT industry remains one of the leading industrial sectors in Europe, representing some 11% of the total manufacturing output of the EU27. Competitiveness continues to be a priority in the EE & ICT companies. Most of the Electra proposals provide a positive return for customers (private, public or professional). However, to achieve this, while at the same time creating growth and jobs in the EU – one of Orgalime's essential aims – requires that politicians, both EU and national, create the right conditions for the Electra industry and its customers in particular.

## Mechanical Engineering Liaison Committee | (MELC)



### Paul van Roon

"The publication of the EnginEurope final report in 2007 has laid the foundations for a new focus on EU-mechanical engineering policy."

Technical Directives and EnginEurope were amongst the flurry of activity within MELC during 2008. Although some of the 65 EnginEurope recommendations had already been taken up, the industry continues to press its case for the adoption of further policies to improve framework conditions for companies operating in the EU, including in the areas of harmonisation of workers' protection rules where they affect our products, the greening of industrial policy, market surveillance, the promotion of European standards around the globe, IPR, skills and human resources, research and development.

# Communication Evolve in order to survive

Communication has increasingly become an integral part in the way an organisation – be they corporate or other – does their day-to-day business. Since 2006, Orgalime has delivered its messages to a much wider audience whilst at the same time embraced the constantly evolving communication technology. These technologies can only help to further our aims.

Following a 'brand' refreshment in early 2007, Orgalime has issued a number of additional communications tools to pass our messages. A corporate leaflet was created to inform (or indeed, remind) interested parties what exactly Orgalime's core business was about – simple in design, a folding leaflet (A5) explained how Orgalime functioned and expanded the three engineering sectors that they represent. The on-line version continues to attract daily interest, having constantly remained in the top 20 downloaded documents from the website.

Orgalime has tried to embrace the new communications tools as and when they appear. Web 2.0 or 'Social Media' has been

scoffed at by many – however, it is those that have chosen to ignore these that have later come to regret it! Orgalime was the first Brussels Trade Association to sign up to Blogactiv, a blog (a contraction of the term "Web log") which allows an organisation to communicate, through another medium, its key messages. Blogactiv is hosted by the popular news portal, Euractiv, which has 500 000 unique visitors per month! Orgalime has remained in the top 20 active bloggers throughout 2008. If you can't take your people to the blog, then take the blog to the people. For more information and indeed to add your comments, go to [www.orgalime.blogactiv.eu](http://www.orgalime.blogactiv.eu).

For those really into social media, Orgalime is experimenting in the benefits of Twitter, (<http://twitter.com/EngineerComms>) which is being used to explore the fields of reputation management, social advocacy, crisis management, news & event coverage and research & development. Orgalime has set up its own YouTube channel too: <http://uk.youtube.com/Orgalime>.

Also in 2008, Orgalime stage-managed a huge communications event – namely Electra – where they were tasked to launch a report for the Electrical & Electronics sector. Electra was branded and supported by an animated logo, launch event DVD and professionally produced document. The event received wide publicity culminating in a video report hosted on YouTube and coverage on CNN World Report over four consecutive days.

On the more traditional lines, Orgalime has continued to have success with the print media. Articles, letters to the editor and opinions have appeared in European, national and international editions. Altogether more satisfying has been a significant increase in the number of articles reproduced in member states' press.

Orgalime has seen an increase in website traffic throughout 2008. There are now close to 220 000 unique visitors annually – up from 130 000 in 2006.



Mark Redgrove

Finally, Orgalime has recently launched a monthly e-newsletter 'Orgalime In Brief' which is proving exceptionally popular. Sign-up can be effected from the Orgalime homepage ([www.orgalime.org](http://www.orgalime.org)).



# The Business Situation 2008-2009

## 2008-2009 A year of highs and lows

Orgalime's economists compile and analyse their latest data and forecasts for the engineering industry twice a year. Economic trends for metal products, mechanical engineering, electrical engineering, electronics and ICT and instruments which are in chapters 28 to 33 of the NACE rev 1.1 nomenclature are therefore analysed and commented upon. The engineering industry's value of production in EU27 was estimated to have reached some 1885 billion euro in 2008 and the number employed rose to some 11.1 million people. The engineering industry, which Orgalime represents as a whole at the level of the EU, represents more than one quarter of the output and a third of the exports of the EU's manufacturing industries. Total trade (intra + extra trade) of the industry reached 1210 billion euro in 2008.

### 2008: high growth that diminished

The business situation was strong and expectations positive as the industry entered 2008. High activity and high utilisation of resources resulted from high demand both in the EU as a whole and on most extra EU export markets, especially in Asia and Latin America.

Inflation became a cause of concern during the first half of 2008 and shortages of skilled personnel became a problem in some sectors and in some countries. High activity and fear of high inflation was also reflected in the evolution of input prices for Orgalime industries.

The first half of 2008 showed an expansion of about 4 percent in volume of production for the industry as a whole. On the other

hand, the second half of 2008 showed one of the most severe contractions ever recorded. The level of production of Orgalime industries is estimated to have fallen by 8% between July and December. One explanation to this dramatic drop was the negative effect from the global financial crisis that struck the economy and manufacturing industries in particular.

Orgalime industries have been more than usually vulnerable to the recent financial turmoil, since output of our industry to a large extent consists of capital goods that are highly sensitive to the functioning of the financial markets and to normal access to credit from financial institutions.

Over the year then, the production volume of the industry grew by an estimated 0.9

percent. This was well below the long term average of about 3 percent. Sectors that still expanded briskly were especially steam generators, agricultural machinery, office and computing equipment, electronic components, medical instruments and industrial process control equipment. Other sectors, such as domestic appliances and batteries and accumulators, showed rather high contraction.

### Investment and employment continued to grow for Orgalime industries

As a consequence of a strong first half year in 2008, gross fixed investment (GFI) increased in Orgalime industries for the third consecutive year. Altogether GFI rose by 3.6 percent in volume terms. This is very important since fixed investment formation is the foundation for implementing new technology, for future growth, productivity and international competitiveness.

Employment also increased for the third year in a row. Overall European engineering employment rose by some 1.3 percent in 2008. Employment creation was especially high in the machinery and equipment and in the metal goods sectors. Employment in electrical engineering however unfortunately fell by 0.4 percent.

### The general outlook for 2009: financial turbulence will shape the picture

The end of 2008 and the beginning of 2009 saw the level of production fall in all Orgalime sectors. Based on what official data is now already available for early 2009 for Orgalime's industry in EU27, we see the volume of production contracting at the beginning of the year at a rate of about 15 percent annual. This exceptional situation indicates that, whatever the actual forecast is, 2009 will be a difficult year for our industry.

The results from various business surveys have deteriorated sharply during the first quarter of 2009. The Commission's

-1.1	+3.2	+0.0	+1.2	+0.9
Metal Products & Metalworking	Mechanical Engineering	Electrical / Electronic Engineering & ICT*	Instruments	Total Orgalime Industries 2008

#### AN OVERVIEW OF SECTOR PERFORMANCE IN 2008 - PERCENTAGE CHANGE IN VOLUME OF PRODUCTION

(\* Incl. Computers & Office Machines, Telecommunication equipment and certain instruments)

DG Economic & Finance monthly business survey showed that most of EU27 Orgalime firms consider incoming order stocks well below average and inventories of finished goods have continued to grow in an involuntary manner. The outcome of these surveyed variables is definitely not encouraging.

The financial sector across the globe is still in trouble: this has for instance increased the risk premium. In many countries, credit is becoming tighter, as banks are forced to consolidate their balance sheets. Investment will therefore continue to be negatively affected. However, economic policies are clearly accommodating: interest rates have been cut, fiscal policy is expansive, with tax cuts or general stimulus packages in almost all countries around the world. Apart from implemented economic policies, the euro, as well as some other European currencies, have depreciated against the dollar.

Many factors are in place for a recovery, but we will probably not see any upswing until confidence is back and until we see a normal functioning of the financial markets.

We expect a rather deep decline in volume of production in 2009 or by about 6.8 percent. Foreign trade in terms of exports is expected to shrink by 6.5 percent. It is also estimated that employment will contract rather sharply in 2009, by some 2.8 percent.

Lower level of production, lower utilisation of capacity and limited access to credit has the implication that fixed investment will be negatively affected. We expect that fixed investment will contract in our industry by 9.3 percent in 2009.



## Electrical, electronics & instrument industries

**The electrical, electronics, ICT and instrument industry is amongst the largest industrial sectors in Europe. Value of production in 2008 was about 670 billion euro and employment stood at an estimated 3.5 million.**

2008 came to be less expansionary than the previous year, with the production volume remaining at 2007 levels. A reason behind this limited growth was considerably lower growth of exports.

Austria, Finland and Norway showed some limited growth, whereas the larger countries appeared to have faced tougher market conditions, but also structural adjustments which affected growth negatively.

### Situation in electrical engineering subsectors:

Volume of production in **electrical engineering machinery** was more or less unchanged in 2008. The sub sector of motors, generators, and transformers faced high demand for the third year running. The need for sophisticated energy solutions was and is still rather high.

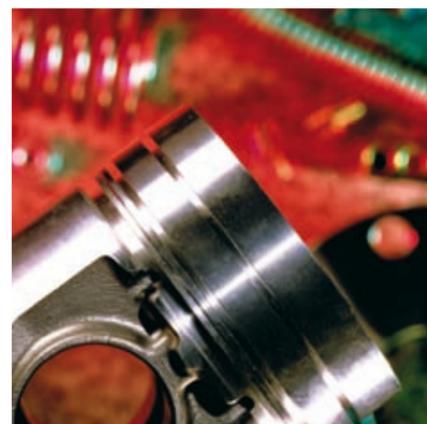
All other sectors recorded a contraction. Batteries and accumulators, together with other electrical equipment (where electrical parts for motor vehicle can be found) posted double digit contraction in production.

Business activity slowed in the **ICT industry** in 2008 after a rather strong 2007. Output in volume is estimated to have decreased by 6 percent. The sector was weak in many

countries as restructuring and structural change affected the overall outcome for the ICT-industry.

Among sub sectors, the **electronic components sector** faced strong demand. Output in terms of volume reached double digit growth for the second straight year and grew at a rate of 13 percent. In contrast to this strong performance, output fell for **telecom equipment and radio and television apparatus**.

Production in **instrument engineering** continued to increase for the sixth consecutive year and volume of production reached a growth of 1.2 percent. The sector performed well in Germany and Norway. The sub sector of checking and testing instruments showed strong growth together with medical instruments.



## Mechanical engineering industry

**The European mechanical engineering industry (including domestic appliances – NACE 29.7 which are habitually considered as electrical engineering) reached an annual value of production of about 685 billion euro in 2008. Employment is estimated to have risen to 3.7 million employees.**

This sector of the engineering industry plays a key role in the evolution of both competitiveness and productivity of industry in general. Among the most important customers is manufacturing industry itself. It is a rather cyclical industry whose performance depends on the investment cycles of its clients.

Volume of production decelerated during 2008 after two very strong years. Production grew by a rather limited 3.2 percent.

The modest growth was a result of lower demand for investment goods as the year progressed. Almost all important markets showed a deceleration of growth in fixed investment. During the fourth quarter of 2008 growth of investment contracted after a couple of years of strong growth in both in EU 15 and in the new member states. Austria, Belgium, Germany, and Norway reported high growth in the sector during 2008.

**Deceleration in many subsectors:** For the second year running agricultural machinery showed healthy performance, reaching a double digit growth. In other sectors such as machine tools and general purpose machinery growth decelerated sharply. The volume of production also fell for domestic appliances.



## Industry of fabricated metals

**The industry covers a wide range of products including tools and finished metal goods (accounting for some 40 percent of production), castings, forgings, boilers and metal containers, as well as secondary transformation on contract basis, such as treatment and coating of metals.**

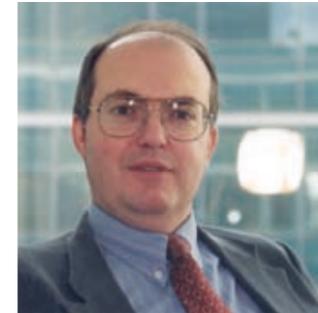
The value of production for the sector in the year 2008 is estimated at 530 billion euro. The number of employees is estimated to have reached a level of 3.8 million.

The industry produces, to a large extent, inputs or products used in other sectors in engineering, such as machinery and the motor car industry. Demand from those sectors started to decelerate during the second half of 2008. As a result, output is estimated to have fallen by 1.1 percent during 2008. Though the sector has limited dependence on foreign trade, a contraction in intra trade contributed to the overall poor performance in the sector. Activity in the sector was especially high in Norway and Netherlands.

**Few sectors grew in 2008:** Only two sectors, tanks and containers and steam generators showed positive growth in 2008. Output fell for pure input manufacturers, such as the sectors for forging, pressing, treatment and coating.

# Orgalime Issues in 2008

## Industrial Policy Going to the heart of Europe as a manufacturing base



Adrian Harris



Francisca Meliá



Georg Matzner



Hester Jansen

**Orgalime's actions have paid dividends with all three sectors now being represented at the highest level.**

### Electra

→ In June 2008, the Electra report was launched. It focuses on how to reach Europe's 2020 objectives while ensuring growth and jobs to the electrical engineering and electronics industry, both in the short term and for the future. A successful launch event orchestrated by Orgalime saw some 140 people (comprising industry, European institutions and media) attending. Speakers (and co-chairmen) Commission Vice President Günter Verheugen and Professor Edward Krubasik along with Orgalime President Robert Mahler, conveyed the message, 'We can do it'. With a Communication imminent from the Commission (based on our report), our industry is really in a position to confirm the central role that technology plays to meet the challenges our society faces for the future. There is more to come: with Electra due to be presented to the European Parliament and further events foreseen in Brussels and with a number of our national association members, there is real momentum to keep this issue firmly in the minds of decision makers in Brussels and nationally.

In early April 2009 Orgalime organised, in conjunction with CENELEC, a one day workshop on future opportunities and markets for innovation that are offered around energy efficiency. The target audience was Bulgarian and neighbouring countries industries. Leading

executives from some of our major companies and associations in the area – Siemens, Schneider Electric, ABB and T&D Europe shared their business experience and expectations with CEOs and trade associations in Eastern and Southern Europe.

### EnginEurope

→ With the publication of the EnginEurope final report back in 2007, the main EU-mechanical engineering policy initiative has now entered the implementation phase. The substantial report contained 65 concrete proposals to different stakeholders, be it the Commission, member states or industry, providing the basis for our work in the area of industrial policy in the mechanical engineering sectors for the next years. In 2008, Orgalime issued a supporting position paper highlighting the areas in which we will concentrate our efforts, namely internal markets, external markets, skills shortages and research and development. In December 2008, Orgalime further issued a letter to the Commission detailing some of the specific technical and internal market issues raised in the report. Following discussions with the Commission, it was agreed that a review of progress on the conclusions of the report would be launched in 2010 under the new Commission.

### Strengthening the Link

→ Orgalime has become the major partner in the European Commission's review on

the metalworking sector and its competitive challenges, including elements for a future Commission policy. The review which is expected to take a year was launched in October 2008. The aim of the review is to pinpoint the main challenges of the metalworking sector and produce proposals for action at the European level.

From a longer-term perspective, the review is a key Orgalime project and a strategic step to:

- Enhance the voice of the metalworking sector within the Commission structure
- Include our challenges and concerns into the Commission's broader political agenda.

In this context, steel issues have also extensively occupied Orgalime's agenda in 2008. With our industry under increased pressure in terms of competition, a lack of European produced steel at competitive market conditions has forced steel users to look elsewhere, notably China. EU steel producers had filed anti-dumping complaints on imported hot-dip galvanised sheet (a raw material extensively used in the automobile and construction sectors) from China and on stainless steel imported from China, Korea and Taiwan. Anti dumping duties, if imposed, would have given rise to substantial additional costs for our industry in already very challenging times and would have also created considerable market disruption. Significant efforts on the part of Orgalime resulted in the complaints being withdrawn.

# Internal Market & Standardisation

## The core of our framework conditions



Philippe Portalier



Francisca Meliá



Alessandro Maggioni



Mouna Benssina

### The New Legislative Framework (NLF) at last on the statute book

→ Based on the New Approach to technical harmonisation, the New Legislative Framework (NLF) was adopted by the European Parliament and Council on 9 July 2008 and published in the Official Journal of 13 August 2008. It gathers the Regulation setting out the requirements for accreditation and market surveillance relating to the marketing of products, and the closely related Decision 768/2008/EC on the common framework for the marketing of products. The objective of the NLF is to facilitate the conditions for placing a wide range of industrial products on the EU market by improving market surveillance and enhancing confidence in conformity assessment and the CE marking.

Orgalime has been actively involved in the whole regulatory process and is now leading the industry in the discussion about its terms of application, including the drafting of an application guide which will be issued in the coming months. The Regulation will be applicable from 1 January 2010. Orgalime is showing its support to the NLF by encouraging it to be taken as a basis for more and more product legislation, both when revising existing Directives or proposing new ones. During the year we actively promoted it through conferences and

other fora on product safety and market surveillance. Orgalime members also welcomed the European Commission conclusions (December 2008) on rejecting the setting up of a new European consumer safety mark: such a mark would only weaken the brand new status of the CE marking system which was reinforced by the NLF and would not significantly contribute to consumer confidence in product safety in the face of today's insufficient control of compliance of products to our regulations, both upon import and in the internal market.

### Electromagnetic Fields (EMF Directive)

→ Having worked hard to achieve a postponement of the application of the Directive until April 2012, we are now collaborating with the European Commission on the proposed review of the legislation. The Commission is now considering the new ICNIRP recommendations for less conservative protection levels and will take into account the results of a specific study on magnetic resonance imaging (MRI) applications. A complete impact assessment of the current 2004/40/EC Directive, whose terms of reference were published in 2008, will be conducted throughout 2009. Orgalime and our sister organisation CEEMET, have collaborated on the issue over the last few years. Orgalime has argued that re-evaluating the

exposure limit values is, in some cases, futile: the exposure of workers depends to a large extent on the practical conditions of use of the equipment. In order to investigate further on the applicability of this Directive, Orgalime and CEEMET organised a training session on "Electromagnetic fields" and are actively involved in the impact assessment and further work on a potential revision of the Directive.

### The Machinery Directive (MD)

→ The revised Machinery Directive (2006/42/EC) was published on 9 June 2006 and comes into force on 29 December 2009. Until that date, the current Machinery Directive 98/37/EC continues to apply. In order to ensure a smooth transition Orgalime has been engaged in a process of developing guidance and concrete industry positions to clarify grey areas of the new Directive. Orgalime, through its work in this area, has developed into the recognised industry platform for co-ordinating and consolidating industry's input, which is transmitted to the European Commission to serve as a support for the writing of the official Guidance of Directive 2006/42/EC. Orgalime also sends representatives and follows the progress of discussions on the guidelines. Orgalime positions, with key aspects and proposals for industry-friendly solutions within the

new Machinery Directive 2006/42/EC, are available on the Orgalime website.

**European Commission's proposal to include pesticides equipment into the scope of the Machinery Directive.** In September 2008, the Commission adopted a proposal for amending the Machinery Directive to include, in the future, environmental aspects (the so-called "pesticides proposal"). While the title of the proposal implies that the amendment would be addressing machinery for pesticides application only, the legal text itself modifies the definition of "essential requirements" in a general way so that all equipment currently in the scope of the Machinery Directive could potentially have to consider environmental aspects in the future. The Commission's pesticides proposal was presented to the Council and the European Parliament in December 2008. Orgalime has provided extensive input to try to guarantee legal certainty and avoid possible overlaps with other environmental legislation.

### The Low Voltage Directive (LVD)

→ Some member states have suggested a resumption of the revision of the Low Voltage Directive is appropriate following the New Legislative Framework (NLF), adopted in July 2008: the process was started in 2000 but was halted in 2005 following Orgalime's protests. But the electro-technical industry now recommends proceeding to the alignment of the LVD on the NLF through a horizontal "omnibus" procedure that would amend it simultaneously with other New Approach Directives such as the EMC or ATEX Directives. Members believe that alignment of the LVD Directive with Decision 768/2008/EC does not require changes to the essential requirements described in the technical Annex, which already cover all risks to users and their operational environment. Such changes would not only cause additional administrative procedures for manufacturers in order to adapt to these requirements, but will also result in the setting up of a new standardisation programme at huge cost for industry and other stakeholders. This will also have unforeseeable consequences on international standardisation.

### The Pressure Equipment Directive (PED)

→ Work on the proposed revision of this and other directives in the area of pressure equipment has been postponed until 2009 at least, following Orgalime's successful intervention to obtain a postponement. We however expect that work on this issue will resume in the not too distant future.

→ **EU/China Regulatory Dialogue:** Orgalime was invited to contribute to the 5th edition of the annual meeting of the EU-China working group on pressure equipment, in November 2008. The EU-China dialogue's objective is to ensure regulatory convergence between the EU and China's regulation in the area of pressure equipment in the long term, with a view of eliminating obstacles to trade and investment, in particular to try and ensure that European standards are accepted in the Chinese market. In addition, the Chinese are hoping to provide guidance (in English) on how to obtain the necessary licences to enable European pressure equipment to be used in China.

### The Construction Products Directive (CPD)

→ The Commission proposal for a Regulation on Construction Products revising Directive 89/106/EEC, was adopted by the Commission in May 2008 and was transmitted to the European Parliament and Council of Ministers under the co-decision procedure. In order to minimise the impact of the consequences of such a revision on our industry, Orgalime has worked intensively with both the European Parliament and the Council to provide our views. Orgalime prepared a position paper which included our proposed amendments to the Commission's proposal; most of our suggestions have been retained at this stage of the process. Orgalime's wishes to achieve greater simplification of European legislation in the construction products' market and, given that this is a CE marking Regulation, would like arrive at a solution which is as close as possible to the principles set out in the New Legislative Framework. Work on this issue will continue throughout 2009.

### Standardisation

→ Orgalime generally welcomed the 2008 Commission's Communication on Standards and Innovation at a time when the New Legislative Framework (NLF) offers the opportunity of reinforcing the use of standards in support to EU regulation. However, Orgalime commented on several instances in the Communication where the role the Commission wishes to play and their perceived objectives were not clear, as members see a role for standards in support for innovation, not in priority actions.

If we welcome the development of standards to support Directive 2005/32/EC on the eco-design of Energy-using Products (EuP), it is up to those who provide innovative products to decide whether to engage at all in the standardisation process.

Orgalime also expressed concern about increasing Community funding to "designated" interest groups without the possibility for sector-specific associations to benefit from similar funding in order to increase the participation of relevant experts in the various standards committees.

Members are also wary of the Commission's intention to provide free access to standards developed in support of EU legislation and policy, as this may drastically affect the business model of European and international standardisation.

To follow-up on the intense Commission activity in this area, Orgalime has launched a group which will mirror the work of the expert panel set up by the European Commission in December 2008 for providing recommendations on the European standardisation system (EXPRESS). This group is expected to deliver its conclusions by the end of 2009.

Orgalime members have also been addressing an initiative from CEN to promote management systems standards on "Innovation & Research & Development". A working group "STandardisation, Innovation and Research" (WG STAIR) will look into developing an integrated approach of research and innovation with standardisation. Management System Certification provides an auditable paper trail that is expensive to maintain, particularly for SMEs, but does not improve the quality of the products or services. If it is logical that the EU should regulate on the

issues of essential requirements for health and safety before a product can be placed on the market, however, members stress that quality issues are commercial issues and should be left to the marketplace. A similar initiative was launched in the form of a CEN Workshop Agreement for purchasing management standards (CEN WS 30 N 23/24), which ignores important principles of standardisation and may affect a wide range of Orgalime industries and a large number of their customers. Therefore Orgalime is actively calling on the European standardisation bodies to scrutinise the market relevance of these new standar-

disation work item projects, in accordance with the recommendations in our earlier position papers which remain relevant.

## Metric Units

→ In December 2008, the European Parliament endorsed the Council's common position of 18 November 2008 on units of measurement, thus closing decades of wrangling between the UK and Brussels. Amending the Council Directive 80/181/EEC, the use of supplementary non-metric indications is now authorised without further manda-

tory deadline. Not only do Britain's "metric martyrs" (i.e. food outlets prosecuted for refusing to stop using imperial measures) find themselves "safe", all European manufacturers of engineering equipment that export to the USA may continue affixing dual labelling on the package of their products without constraint. However, at the request of some member states, a "revision clause" has been added to the legislative text, requesting the Commission to report back on the application of the directive 10 years after its entry into force.

# Environment & Energy

## Orgalime's environment & energy policy agenda was driven by three core priorities



Sigrid Linher



Françoise Duplat



Eleonora Piccinni



Deborah Girasa

### → Tie in our proactive Electra agenda with the EU's path towards more sustainable consumption and production as well as its climate change and energy objectives:

2008 has been the year when implementation of the Eco Design Directive went full ahead. At the same time, the European Commission decided to propose an extension of the Directive to further products related to energy, which it committed should not undermine the ongoing implementation for our sector. With the development of the EU's agenda in this area, Orgalime decided to add new issues to our work programme, especially the recast of the

Energy Performance of Buildings Directive and the Energy Labelling Directive with a view to particularly promoting the uptake of energy efficient products in the market. Under the headline of "leaner production", the Commission tabled (in our view), a premature recast proposal for the EU's industrial emissions law (IPPC). Implementation of this Directive, however, is still weak in member states.

### → Strive for a consistent waste policy framework that respects the functioning of the internal market:

Orgalime worked hard throughout the legislative process of the revision of the EU's

horizontal waste framework Directive given the background of our experience in implementing (and now, reviewing) the sector specific legislation on waste electrical and electronic equipment (WEEE). We also focused on ensuring that waste policy should not unnecessarily tread on the toes of product policy or conflict with the free circulation of goods in the internal market.

### → Facilitate the implementation of the new EU chemicals law (REACH) in our sector whilst pushing for coherent requirements applying to substances used:

Since its first publication in May 2007,

Orgalime's REACH guide continued to attract an impressive number of engineering companies looking for practical information and easy to understand guidance on how to translate a several hundred pages long Regulation into the company's daily operation. At the same time, our sector is targeted by the RoHS Directive, for which a review is equally ongoing. It is similarly vital for a company's planning security and the protection of the environment that any RoHS provisions are fully in line with the REACH Regulation. We would like, for the sake of simplicity that the RoHS directive should eventually be merged into REACH.

### In more detail, our focus and activities on environment and energy issues included the following:

## Action Plan Sustainable Industrial Policy & Sustainable Consumption and Production

In July 2008, the European Commission tabled a Sustainability Package comprising the following initiatives:

- 1 Commission Communication on this Plan
- 2 Proposal for an amendment of the Eco Design Directive 2005/32/EC
- 3 Proposal for a revised Eco Label Regulation 1980/2000
- 4 Proposal for a revised EMAS Regulation 761/2001
- 5 Communication on Green Public Procurement

→ Orgalime generally supports the step towards promoting sustainable industrial policy and more sustainable consumption and production patterns in the EU. However, a number of issues needed to be ironed out to help create a win-win situation for the environment, consumers and industry alike. In particular, if the Action Plan is about moving towards a low carbon economy and if the Eco Design Directive is to deliver, it has, in our view, to be about more than an extension of the scope of the Eco Design Directive or product labelling. With a view to reaching first reading agreement by spring 2009, the European Parliament

and Council have been intensively discussing their draft reports and conclusions on the Commission's package since July 2008. Orgalime has constantly been active in this process.

### → Amendment Eco Design Directive:

Orgalime's primary focus was to ensure that the proposed amendment of the scope of the existing Eco Design Directive must not upset the implementation of the existing Directive for Energy Using Products, which is an ongoing process for more than 30 product groups of our industry sector. We were satisfied to see that the core of the Directive has not been touched by the Commission and that it committed to limiting this amendment to the issue of the scope.

During subsequent discussions in the European Parliament, the Chairman of the Environment Committee declared a significant number of amendments beyond the issue of the scope as non admissible. For example, issues such as mandatory carbon footprint labelling or the deletion of the Eco Design Directive's core article on free movement in the internal market have been avoided. Member states, in their Energy Council meeting in December 2008, moreover proposed that the Commission should sign a declaration that the adoption of the amendment should not affect the ongoing implementation of the Directive, that overlapping legislation would be avoided and that overall consistency in the EU legislation on products would be maintained.

### → Revision Eco Label Regulation:

Product labelling, Orgalime argued, in its position on the issue, is one tool for providing information to the consumer; it may however not always be the preferred option. For example, in business to business relationships, and especially on components, labelling is less relevant and should not be imposed. Orgalime continuously underlined the importance of keeping the voluntary character of the EU Eco Label as a label of excellence and that B2B products should not be included in the scope of the Regulation.

### → Revision EMAS Regulation:

Since Orgalime industries act on highly competitive global markets with complex global supply chains, the reality in our industry shows that European engineering companies today mainly opt for inter-

national management systems, and ISO standards in particular, rather than management systems that apply at regional or local levels only. For this regulatory amendment, Orgalime's main request was to secure the voluntary nature of the European eco-management and audit.

Later in the year, the Commission also presented further measures in the follow up on the Action Plan, namely:

### → An amendment to the Energy Labelling Directive:

In our position paper, we stressed our general support for an alignment of the scopes of the existing Energy Labelling Directive and the existing Eco Design Directive. However, we did not support the proposed horizontal extension and immediate application of any labelling scheme on additional product groups, be it consumer products or professional goods. Instead, we proposed that the pertinence of the tool for a certain product category should be assessed in the context, and, if judged appropriate, included in the respective Eco Design implementing measure for that product group after consultation of the affected industry sector. Orgalime is cooperating on this matter with other organisations. Early in 2009, Orgalime assumed the Vice Chairmanship of Business Europe's task force on sustainable production and consumption.

## Energy Performance of Buildings

In November 2008, the Commission released its recast proposal on the Energy Performance of Buildings Directive (EPBD). The proposal is one of the tools aimed at facilitating reaching the EU's 2020 objectives for the reduction in energy consumption and greenhouse gas emissions, as well as for increasing the share of renewables. Orgalime issued a position paper basing its proposals to a large extent on the work done in the Electra report: indeed, the buildings sector has indeed attracted particular attention in the Electra report given its high potential for energy efficiency improvements. While the European Commission's proposal already met some of our requests, we felt that there is still the need for improving a number of aspects, such as:

- The recast should provide the opportunity to fully harmonise the calculation methodology of minimum energy performance requirements across the EU.
- The recast should target any renovation in existing buildings that is technically, functionally and economically feasible, instead of limiting its scope to "major renovation".
- Provisions to encourage the necessary changes in consumption patterns should be added.
- Provisions for installers should be introduced.

In the light of the 2020 objectives, Orgalime believes that the opportunity should be explored to achieve a recast, which explores the full energy savings potential of buildings.

## Implementation of the Eco Design Directive

With more than ten meetings of the Consultation Forum established under this Directive and a series of member states meetings on draft implementing measures since the adoption of the Directive, which our industry constantly fed with information and positions, the Eco Design Directive is increasingly becoming a reality: the first implementing measure was adopted and published in the Official Journal on 17 December 2008 (Commission Regulation (EC) 1275/2008 on Ecodesign requirements for standby and off mode electric power consumption of electrical and electronic household and office equipment). This has been followed by the final adoption of implementation measures for simple set top boxes, household lamps and office, street and industrial lighting products early in 2009. Also, minimum efficiency standards have been agreed by member states for electric motors. The Commission has an ambitious agenda for adopting further measures to implement the Eco Design and Energy Labelling Directives during 2009, including those on battery chargers and external power supplies, water heaters, TVs, washing machines, dishwashers, domestic refrigerators and freezers. It remains Orgalime's overall objective to secure the use of standards for the implementation of the Directive and, while being progressive, still secure

realistic timelines for the industry to adapt to the necessary changes of products and production processes.

In October 2008, the Commission also published its working plan on product groups to be targeted next during 2009-2011. The implementation of the Directive will therefore require substantial industry resources also for the future.

## Industrial Emissions Directive (IPPC)

Following the Commission's proposal for an amendment of the existing IPPC Directive of December 2007, the legislative proposal has been undergoing a first reading in the European Parliament since autumn 2008. With the proposal to merge seven directives into one, and some 600 amendments tabled in the European Parliament on the initial Commission proposal, this issue has become somewhat complex and time consuming to follow. With the final vote on the European Parliament's first reading report scheduled for March 2009, Orgalime has worked apace contributing, often in cooperation with BusinessEurope, proposals for amendments. The main issues of concern for Orgalime industries can be summarised as follows:

- To maintain sufficient flexibility for competent authorities to deliver permits to operators, taking into account the technical characteristics of the sites and the geographical, local conditions. To this end, we support the voluntary nature of so called "Best-Available-Techniques-Reference Documents" (BREFs).
- The European Parliament's Rapporteur, Mr Krahmer, has proposed a European Safety Net, whose emission limit values would exceed the BATAELS (emission limit values related to Best Available Techniques), however, without any possibility to further derogate. A number of uncertainties related to this proposal would require clarification before it could, in our view, work in practice.
- The scope of the Directive should not be extended to small combustion plants or installations with a thermal capacity of less than 50 MW. The added administrative burden and costs appear disproportionate in comparison to the potential envi-

ronmental gains from such an extension.

At the Council, discussions on the file are gathering pace since early 2009. Orgalime's work will therefore shift to the level of member states with a view to requesting their support for our priority issues.

## Waste Directive

Orgalime worked hard throughout 2008 to bring to a successful conclusion its efforts concerning the Waste Directive, which entered into force following publication in the Official Journal on 22 November. Member states will now have to transpose the new provisions into national law by 12 December 2010. Many of Orgalime's core concerns were reflected in a number of areas, notably:

- The clarification that the new article on "extended producer responsibility" must not negatively impact on the functioning on the internal market. Also, this provision applies without prejudice to existing specific waste stream legislation and specific product legislation and importers have been added to the provision on extended producer responsibility.
- The replacement of the European Parliament's proposal for strict waste prevention, waste recycling and waste stabilisation targets by a reuse and recycling goal and a "policy to promote waste prevention" without binding targets at this stage.
- The clarification regarding the calculation of waste that has ceased to be waste for the WEEE Directive's recycling targets.
- The clarifications introduced regarding by-products.

## Waste Electrical & Electronic Equipment (WEEE) & Reduction of Hazardous Substances (RoHS)

The revision process for these directives has been a constant battle for Orgalime's environment team. Orgalime reacted to a clear breach of the Better Regulation principles when DG Environment launched inter service consultation on the draft proposals without beforehand issuing any pu-

blic consultation document highlighting its intentions. Letters were sent to Commission VP Verheugen and twelve other Commissioners, commenting on some key elements of the draft proposal which we believe would lead to increased costs and burdens on industry. While the electrical engineering and electronics industry have already questioned the need for revising the existing legislation at all barely two years after the Directives have been enacted in the last member state, industry finds that the proposals are even more ill conceived than the original directives.

In terms of WEEE, the Commission is encouraging member states to again open the debate on the financing system for WEEE, a move that the industry considers as just irresponsible.

Concerning RoHS, while the industry welcomes the attempt to harmonise the scope of the directive, Orgalime believes that including new substances under RoHS is a clear case of unnecessary duplication of regulation and therefore wasting taxpayers' money. Four substances added for assessment are already on the radar screen of REACH.

In its position papers of 16 February 2009, Orgalime expresses its acknowledgment of the identified WEEE problem areas. However, we challenge the proposed "solutions" as inappropriate to combat the identified problems. In particular:

- The proposed financing obligation of collection facilities by producers is neither practically nor legally appropriate to combat leakage.
- The proposed collection rate of 65% based on sales volumes is unrealistic and does not contribute to the environmental objectives of the Directive.
- The proposed better harmonisation of registration data formats and procedures is positive. However, we challenge the effectiveness of the proposal considering the lack of a fully harmonised WEEE scope.

Finally we request clear cut, enforceable requirements properly enforced by member states.

At the time of going to press, it seemed that the first reading of the WEEE/RoHS dossiers within the EP will not take place until after the European Parliament elections this

summer. In the Council, discussions started in March 2009 with a view to achieving a political agreement by the end of 2009.

## REACH

2008 has been a crucial year for REACH implementation: major chapters of REACH, such as registration, authorisation or downstream user obligations, applied as of 1 June 2008.

As a client industry, Orgalime's first priority was to secure a continuous supply of chemicals used in our day to day business. This included making sure that our suppliers would indeed pre-register substances before the given deadline of 1 December 2008. To help organise the dialogue in the supply chain, Orgalime provided companies with several model letters. While the first registration deadline is coming closer (30 November 2010), downstream users (clients) are now awaiting the finalisation of proper IT tools to allow proper and timely communication of their uses to their suppliers.

A further milestone of REACH implementation for our industry was the release of the first candidate list by the European Chemicals Agency (ECHA) in October 2008. This list identifies 15 substances of very high concern which may be subject to authorisation at a later stage. The publication of this list was all the more crucial for our industry, since it triggered immediate information requirements along the supply chain. To facilitate communication up and down the supply chain, Orgalime developed guidelines in the form of model letters and texts. Since there is no fixed timetable foreseen in REACH to update the candidate list, Orgalime called upon regulators in a position paper to strive for a realistic approach, namely an update not more than once every two years.

This year, Orgalime will further concentrate on the planned review of the ECHA guidance on so called substances in articles. It is of key importance that enforcement provisions related to substances in articles are harmonised throughout the EU and that their interpretation fully respect the REACH legal requirements.

Orgalime's successful REACH guide will be updated again and further completed in

2009 with work on implementation of this complex legislation remaining at the centre of our work.

Finally, Orgalime continues to actively participate in BusinessEurope's "REACH implementation network" to represent downstream users' views. Orgalime is also participating as an observer under the BusinessEurope umbrella to the REACH member state Competent Authority meetings.

In conclusion, for 2009 and 2010, Orgalime believes that, given the current economic circumstances, it is particularly relevant in the area of environment policy to push for regulatory stability and to minimise obligations on our industry to undertake non-productive investments. Providing answers and solutions to the energy and climate change challenges will equally remain in our focus and we hope that the institutions will particularly opt for improving the take up of energy efficient engineering products in the buildings market, (private, public and commercial) and for making customers more aware of their consumption through simple and concise information tools. The review of the WEEE and RoHS directives will by nature remain on the top of our activities for the period to come, and we will continue following the recast of the IPPC Directive.

# Trade

## Keeping our exports and imports flowing



Željko Pazin



Jackie André

### Multilateral Trade Negotiations

In July, Orgalime sent a position paper to the then EU Trade Commissioner, Peter Mandelson and to Enterprise & Industry Commissioner Günter Verheugen on WTO negotiations for industrial goods. In it, Orgalime demanded a far-reaching general tariff cutting formula for industrial goods with comprehensive tariff cuts, from which the engineering industry would hugely benefit. Orgalime also expressed its disappointment about the industrial market access negotiating text which allows for excessive exemptions to emerging countries like China, Brazil and India.

After the slowdown of negotiations in Geneva, Orgalime has focused more on ongoing bilateral trade negotiations.

### Bilateral Trade Negotiations

#### Orgalime and the EU/US Transatlantic Economic Council

In May, in conjunction with BusinessEurope and EICTA, Orgalime sent a joint letter on the promotion of the Supplier's Declaration of Conformity (SDoC) for electric and

electronic equipment to the Transatlantic Economic Council (TEC). It was sent to Commission Vice President, Mr. Verheugen and his US TEC counterpart, Mr. Price. The letter lists the advantages of the SDoC against the US approach of mandatory third party testing and calls upon the US to move to the SDoC approach for electric and electronic equipment. It is hoped that the new US administration will consider a change to their current rigid position on the matter. There is naturally some opposition in the US, where, as might be expected, both authorities and industry are content to go on with their existing system. Nevertheless in the long run we believe that we must aim for increasing regulatory convergence in the transatlantic markets.

#### Orgalime feeds into EU-China dialogues and meetings

Orgalime continued participating in several EU-China dialogues and regulatory cooperation activities. Orgalime provided the Commission with feedback on the setting up a new web-based EU-China information platform in relation to standards and technical regulations. The project is supported by DG Enterprise and Industry, the European Standards Organisations (CEN, CENELEC, ETSI), the Standardisation Administration of China (SAC), and EFTA and has as main objective to facilitate EU-China trade through the advancement of e-based information exchange on standards, conformity assess-

ment and related technical regulations.

Also work within the EU-China Regulatory Dialogue continued throughout 2008. For Orgalime and its members, the most relevant body is the Conformity Assessment group which focuses on the revision of the China Compulsory Certification System. Since the launch of these meetings some six years ago, the engineering industry has submitted comprehensive input for this platform.

#### FTA with South Korea

As progress has accelerated on the conclusion of a free trade agreement with Korea, so Orgalime has sought to promote a rapid conclusion to this deal which is important for our industry. At the same time we have to counter the somewhat protectionist approach of certain sectors of industry who are keen on protecting their markets in the EU.

### Anti-Counterfeiting

**Counterfeiting remains an issue at the top of our agenda in which we invested considerably during the year by participating in a number of activities:**

#### Conference and exhibition on Anti-Counterfeiting

Orgalime participated at a High Level Conference on Counterfeiting in May 2008. Alongside representatives of the European Commission and Members of the European Parliament, Orgalime set up a stand presenting examples of counterfeit goods within the engineering sector. Counterfeited products such as plugs, adaptors, sockets, fuses, switches, circuit breakers and even a copy of a chain saw (discovered at a bazaar in Moscow) were amongst the items on display.

The Conference was not a one-off event. On the contrary, it intended to be the starting point of a process towards a long lasting strategy mobilising both industry and public authorities to jointly combat counterfeiting and piracy.

#### European-wide anti-Counterfeiting and anti-piracy plan

In September, the Competitiveness Council adopted a resolution on a comprehensive European anti-counterfeiting and anti-piracy plan; the plan also provides for the creation of a European counterfeiting and piracy observatory. The resolution encourages the European Commission to raise awareness on counterfeiting and piracy and on their dangers for consumers' health. It also invites the Commission and member states to share information and develop

cross-border cooperation by submitting an anti-counterfeiting plan for the years 2009 to 2012, and by setting up a system of rapid exchange of information on counterfeit products.

#### Orgalime present at Parliamentary hearing

Orgalime maintained the momentum and delivered their viewpoints at the European Parliament in October at an ALDE (Alliance for Liberals and Democrats for Europe) hearing on counterfeiting. Orgalime reinforced

the point that in order to combat the threat and the subsequent costs of counterfeiting, member states have to allocate considerably more resources to market surveillance.

## Legal and General

### Setting the right framework

#### Orgalime's work over the last year covered a range of very different legal issues including:

#### Reform of EC Anti-trust rules: Orgalime against US style litigation culture in Europe

Orgalime contributed to the White Paper on damages action from DG Competition of the European Commission and expressed its worries about some elements of the White Paper that could lead to forms of collective redress inappropriate for the legal systems in the EU. The European engineering industries have always been in favour of developing and sustaining a competitive commercial environment in the EU and, in general, agree with the Commission on the recognition that the public and private enforcement of antitrust rules is fundamental for creating and sustaining such an environment. Orgalime especially welcomed that the Commission ruled out some elements which European businesses always disliked from the US litigation system, for example the opt-out collective actions. Orgalime nevertheless felt that the White Paper – in

the same way as the previous Green Paper from 2006 to which Orgalime also reacted – questions the existing system of enforcing Community rights and that it still entailed the risk of introducing certain US-style litigation elements in Europe.

#### Proposal of a Regulation for a European Private Company Statute tabled by the European Commission

As one of the main elements of the Small Business Act, the European Commission has presented in 2008 the long awaited proposal for a Statute on a European Private Company, for which we have been asking for some time. The proposed new Statute addresses the current burdensome obligations on SMEs operating across borders that wish to set up subsidiaries in several EU member states in which they want to do business. This Statute is expected to save entrepreneurs valuable time and money on legal advice, management and administration. Orgalime has sent in the past years several position papers to the Commission asking for the elimination of

problems related to the establishment of subsidiaries in other EU member states. We argue that there is an urgent need for such a private company statute that suits SMEs. We do not, however, believe that this Statute should be misused as an instrument to change the rules on worker participation or other national legislation.

#### European Contract Law

Orgalime's lawyers monitored the Commission's activities in the area of European Contract Law. Unlike in previous years, there were in 2008 no workshops or public consultations. At the end of the year, EU-funded researchers published the so-called "Frame of Reference". The Commission is currently analysing the researchers' work and will decide which parts of it are acceptable for the project of creating a tool box for legislation in the consumer area.

# Research and Development Production technologies at the heart of Europe's future competitiveness

## ManuFuture

**Orgalime and its members actively involved in ManuFutures work on the creation of a public-private partnership on production technology progressed:**

Orgalime has been involved over the last year in the discussion about the possibility of launching a Joint Technology Initiative (JTI), a public-private partnership with a considerable budget, in the area of enabling technologies. This was one of the proposed follow up actions to our work in the area of industrial policy for the mechanical engineering industry, included in the EnginEurope report which our members drafted with the Commission and a number of national government representatives in the previous year.

In November 2008, at the Orgalime General Assembly, members decided that Orgalime should be a co-founder of a new industrial R&D association. This new association would represent the private partner of the European Commission in the planned JTI. Eight of Orgalime's national association members throughout Europe have committed themselves to be co-founders of the new industrial R&D association. With Orgalime itself as a member, all of the other national associations that are members of Orgalime are indirectly co-founders of the new association (launched in April 2009).

Our industry welcomes this public private partnership aiming at implementing the European strategic research agendas and roadmaps on European Technology Platforms. The JTI has also been at the core of the discussion during the 6<sup>th</sup> annual ManuFuture Conference on 8-9 December 2008, organised in France with the support of Orgalime's member French mechanical engineering association FIM.

**EU devotes special initiative to manufacturing industries in its recovery package:**

The ManuFuture project received a boost

when it was taken on board in the European Commission's major response to the global financial crisis, the Economic Recovery Plan, which was adopted on 26 November 2008 and aims at providing a fiscal stimulus of 200 billion € (1,5% of EU GDP) by using Community, European Investment Banks' and national funding. The plan includes several proposals for partnerships between public authorities and the private sector, one of them being the "Factories of the Future" initiative. This initiative, which aims at developing new enabling technologies in the area of manufacturing technologies, should serve as the basis for the launch of the JTI. With a budget envelope of up to €1.2 billion, this initiative shows the clear commitment of the EU institutions to supporting the area of manufacturing technologies where Europe leads the world.

Orgalime industries will also stand to gain from the other initiatives included in the plan which focuses on the automotive industry and on energy efficient buildings.

# Orgalime Bridgehead Connecting with the sectors

Now in its twelfth year, the "Orgalime Bridgehead" targeted increased cooperation with the European Sector Associations in our industry. The aim is to allow certain sectors of our industry not wishing to dedicate full time resources in Brussels, to cooperate with the EU institutions and Orgalime whilst at the same time being offered "early warning services" on Brussels issues, specific projects and, if required, association management services. The Bridgehead provides these sectors of our industry with the advantages and benefits of the Orgalime network and service infrastructure, whilst receiving a tailor-made service allowing the association to develop its own brand and remain politically independent from Orgalime.



Guy van Doorslaer Janet Almond Stéphanie Uny Olivier Janin Cinzia Formica Klaus-Dieter Axt Francesca Furlan

Orgalime has again reinforced staff numbers (which now stands at 7) to deal with the ever increasing number of organisations to whom Orgalime provides a variety of services. The Orgalime Bridgehead now provides for 18 European Committees or Associations:

- **AREA** - Air conditioning and refrigeration contractors
- **CECAPI** - Low voltage equipment
- **CEIR** - Valves
- **CEO** - Hand tools
- **ECCS** - Constructional steelwork
- **EFCEM** - Catering equipment
- **EFSAC** - Safety & security equipment
- **EGMF** - Garden equipment
- **EIFI** - Fasteners
- **ESMIG** - Smart metering
- **ESTAL** - Surface treatment on aluminium
- **EUMABOIS** - Woodworking machinery

- **EUROMAP** - Plastics and rubber machinery
- **EUROPERF** - Perforators
- **EUROPUMP** - Pumps
- **FEM** - Material handling & storage
- **PNEUROP** - Compressors
- **T&D Europe** - Electricity transmission & distribution

The close contact of European Sector Committees with Orgalime and in related branches brings major advantages in terms of synergy, in particular in areas such as the EU's energy package and the implementation of the Eco design directive. Moreover, the results of Orgalime's work in areas such as technical Directives, trade policy and many environmental issues is reinforced by the strengthening cooperation among the different representatives of our industry in Brussels, many of whom today also provide direct input into our work at Orgalime.

# Orgalime Publications

## Facilitating contract negotiations and the interpretation of EU legislation

2008 saw Orgalime continue to attract readership to the 29 legal and technical publications now available (model forms, general conditions & guides). Statistics consistently indicate that in any 30 day period, publications continue to draw one quarter of visitors who actively download a document from this section of the Orgalime website.

Each of the publications provides expert practical guidance, allowing companies to use Orgalime standard General Conditions or draw up different types of contracts based on Orgalime templates, which are now commonly used in international trade. General Conditions and other forms of standard contracts simplify negotiations and rationalise the handling of contracts and contract relations. They have been designed to reflect normal contract practice in the industry. Well over one million copies of Orgalime's different sets of General Conditions have been supplied to engineering companies throughout the world.

In 2008, Orgalime published the "Models for a Non-disclosure agreement" in 9 languages and continued revising as well as translating its publications into more languages: the Original Equipment Manufacturer (OEM) Contract has been translated into German and French. Swedish versions of the M2000, R02 and SE01 were also published.

Beside the success of the paper copies, electronic versions of Orgalime publications continue to gain ground. Companies which have had positive experiences with the paper version often would like to attach an e-version of Orgalime's General Conditions when sending tenders and contracts by emails to their customers and suppliers. More than 1400 companies have registered for Orgalime General Conditions and 4000 licences have been purchased by over 375 companies since the launch of the website in the last five years.

Also, free downloadable Orgalime guides have been a particular hit among both companies and public authorities with many thousands being downloaded.

The REACH Task Force updated the "REACH Guide" in 2008 and the PED Task Force published the "Pressure Equipment Directive – Orgalime Guide", updated in April 2008 and the "Orgalime Guide – Assembly under PED".

### Model Forms

- Agency Contract - International agency contract on an exclusive basis – January 2002 (5)
- Exclusive agreement with distributors abroad – June 2006
- International technology licence agreement (Inside EU/EEA version) – January 2005
- International technology licence agreement (Outside EU/EEA version) – June 2006
- Original equipment manufacturer contract (OEM contract) – August 2007
- Consortium agreement – February 1995
- Non-Disclosure Agreement – January 2008 (9)

### Guides

- Pressure Equipment Directive – May 1999 – Updated April 2008
- Guide for drawing up an international development contract – September 1999 (2)
- Security for payment in credit sales – December 1999 (3)
- Guide on S 2000 – September 2000 (2)
- Understanding WEEE & RoHS Guide – April 2003 (3)
- WEEE & RoHS Scope Guide – January 2006 (3)
- REACH Guide – May 2007 – Updated May 2008 (3)
- Guide to contractual options for B2B equipment under WEEE – March 2006 (3)
- Guide to Defect Liability in Europe – April 2005 (3)

- European Competition Law in Practice – 30 key points – May 2004 (2)
- Co-operation Agreements: A short guide to the creation of a joint venture – June 2004 (3)
- Drawings and technical documents – Ownership and protection against improper use – June 1993 (3)

### Conditions of contract

- General conditions for the supply of mechanical, electrical and associated electronic products – S 2000 – August 2000 (8)
- Supplementary conditions for the supervision of erection of mechanical, electrical and electronic products – S 2000 S – August 2000 (7)
- General conditions for computer software – SW 01 – March 2001 (7)
- General conditions for maintenance – M 2000 – September 2000 (6)
- General conditions for the supply and erection of mechanical, electrical and electronic products – SE 01 – September 2001 (4)
- General conditions for the manufacture and supply of specially designed components – SC 06 – April 2006
- General conditions for series processing – SP99 – December 1999 (5)
- Conditions for the provision of technical personnel abroad – October 1995
- General conditions for the repair of machinery and equipment – R 02 – July 2002 (5)
- Turnkey Contract for Industrial Works – March 2003 (1)(5)

- (1) English & French only
- (2) English & German only
- (3) English only
- (4) Also in Spanish, Italian, Portuguese, Dutch & Russian
- (5) Also in Spanish
- (6) Also in Spanish & Portuguese
- (7) Also in Spanish, Italian & Portuguese
- (8) Also in Spanish, Italian, Portuguese, Russian & Chinese,
- (9) Also in Danish, Dutch, Finnish, Italian, & Swedish

All publications are available in English, French and German unless otherwise stated.

Details of these publications can be found on our website at [www.orgalime.org](http://www.orgalime.org)

Information on our licence agreements can be found on <http://licensing.orgalime.org>



[www.feel.at](http://www.feel.at)



[www.fmmi.at](http://www.fmmi.at)



[www.agoria.be](http://www.agoria.be)



[www.bcee-bg.org](http://www.bcee-bg.org)



[www.electroindustry.cz](http://www.electroindustry.cz)



Confederation of Danish Industry  
[www.di.dk](http://www.di.dk)



[www.teknologiateollisuus.fi](http://www.teknologiateollisuus.fi)

Alliance TiCS

[www.alliance-tics.com](http://www.alliance-tics.com)



[www.fieec.fr](http://www.fieec.fr)



[www.fim.net](http://www.fim.net)



[www.vdma.org](http://www.vdma.org)



Wirtschaftsverband Stahl-  
und Metallverarbeitung e.V.  
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[www.wsm-net.de](http://www.wsm-net.de)

ZVEI:

[www.zvei.de](http://www.zvei.de)



Irish engineering  
enterprises  
Association  
[www.ibec.ie/ieef](http://www.ibec.ie/ieef)



[www.anie.it](http://www.anie.it)



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dell'Industria Meccanica, Utile ed Affine  
[www.anima-it.com](http://www.anima-it.com)

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[www.federmacchine.it](http://www.federmacchine.it)



[www.masoc.lv](http://www.masoc.lv)



[www.linpra.lt](http://www.linpra.lt)



Industrie Luxembourgeoise  
de la Technologie du Métal  
[www.fedil.lu](http://www.fedil.lu)

FME CWM

[www.fme-cwm.nl](http://www.fme-cwm.nl)



[www.metaalunie.nl](http://www.metaalunie.nl)



Federation of Norwegian Industries  
[www.norskindustri.no](http://www.norskindustri.no)



[www.kig.pl/izba\\_gpe](http://www.kig.pl/izba_gpe)



[www.aimmap.pt](http://www.aimmap.pt)



Associação Nacional das  
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[www.anemm.pt](http://www.anemm.pt)



Gospodarska  
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and Industry of Slovenia  
[www.gzs.si](http://www.gzs.si)



[www.confemetal.es](http://www.confemetal.es)



[www.sercobe.es](http://www.sercobe.es)



Teknikforetager  
[www.teknikforetagen.se](http://www.teknikforetagen.se)



[www.swissmem.ch](http://www.swissmem.ch)



[www.beama.org.uk](http://www.beama.org.uk)



[www.eama.info](http://www.eama.info)



[www.gambica.org.uk](http://www.gambica.org.uk)



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