



The President

Tomas Hedenborg

EU Industry Day, 28 February 2017

“Digital transformation for the future of European industry”.

Ladies and gentlemen, dear colleagues, dear representatives of the EU institutions,

I am delighted to have the opportunity to speak to you here at the EU Industry Day and on the same platform as Mr Luc Triangle from industriAll. It has been wonderful to hear throughout the day such enthusiasm about the future of European manufacturing – and its vital role as the backbone of the European economy. To be frank, I was rather surprised when I became President of Orgalime that the Commission was not visibly focusing on industrial policy. For me it seemed an obvious thing for policymakers to be doing. I am not talking about old-style industrial policy that selected winning sectors and took little account of the spill over in the services area. No, I am talking about a coordinated blend of policies built upon the topic which you asked me to talk about today: ‘Digital transformation for the future of European industry’.

So I would like to begin by sharing with you a vision for the future of Europe. Fast forward ten years: what do you see? I see a Europe where industrial strength works in tandem with digital innovation – creating new and better jobs, new business models, new opportunities. A Europe where lead technologies generate sustainable growth. A Europe that draws investment from all over the world, and that trades openly with the rest of the world. I am convinced this vision can become a reality. First, however, we need to have a clear vision for manufacturing and manufacturing investment in Europe.

I believe manufacturing will be vital to Europe’s prosperity going forward. As President of Orgalime, the European Engineering Industries Association, I speak on behalf of a sector that directly employs almost 11 million people and had a turnover of €1,900 billion euro in 2015 – both figures that are on the rise. As CEO of a mid-sized family-owned company specialising in factory automation and digitisation, I see in my day-to-day work the transformation unfolding before my eyes. The changes I am seeing only strengthen my conviction that manufacturing will be the engine driving Europe’s competitiveness for many years to come.

Let’s look at policy: the EU has for many years been good for manufacturing. The success of our industry has been built on the Internal Market, which has allowed us to be more competitive. I can therefore safely say that our industry believes in Europe and supports it. And not unsurprisingly therefore we expect European policymakers to believe in our industry and support our companies and their staff. As an enabling industry supplying all other manufacturing sectors, we provide solutions to many of Europe’s societal challenges.

Digitisation will help amplify these achievements. But we believe we can do even better, if the right conditions are put in place to help our businesses innovate and grow.

Of course you don’t need me to tell you that manufacturing is changing fast. The digitisation of industry is a reality. I have witnessed first-hand how digitisation is boosting productivity, enhancing resource and energy efficiency, and creating exciting new business opportunities and most importantly new jobs. (Let me give you one example: At MTU Aero Engines for over 25 years it was believed that it’s not feasible to manufacture in Germany, Dachau, close to Munich, probably the most expensive area in Europe in terms of labour cost. With the help of an extreme approach of automating advanced blisk manufacturing, this was successfully challenged. Fastems supplied the sophisticated HW, but much more, the SW that changed the game. This created a competitive advantage that lets MTU supply the core of the Airbus 320 NEO jet engines. This resulted in 100+ new jobs, demanding, challenging and rewarding. A reference for digitalized manufacturing, Industry4.0 in real)

The European Engineering Industries Association

But we are only starting out on this journey. By 2020 it is expected that one billion people will be connected – but no less than 50 billion devices. Digitisation of industry is creating a whole new eco-system based on gathering and analysing the data generated by connected products and production systems. If we can unlock the power of this data, we can unlock valuable new service offerings and business models. But we do not yet know the many shapes these business models will take – so it is far too soon to consider regulating them. We are pleased to see policymakers showing a high degree of interest in these developments and being supportive of boosting Europe's innovation capacity in this field. But, we must not repeat the mistakes we have all too often made here in Europe, where regulation stemming from an over-cautious approach by politicians has driven investment in innovative new technologies offshore. (At Fastems we are proud that 100% of all systems that we have installed since 1985 in our customers' factories are connected to remote diagnostics. We solve 85% of incidents without a service engineer having to intervene. Great value, but, in the future we will use AI to prevent the incidents from occurring. You may easily grasp the hugely increased value of this. But also the challenge to find the new business model for the same.)

However, digitisation is only one piece of the puzzle. If Europe's Industrial Renaissance is to succeed, the vision needs to go beyond digitisation. What we need is an ambitious, coordinated EU industrial policy that joins the dots between all policies affecting manufacturing. The Joint Declaration we have signed with over 100 other European associations reinforces a call Orgalime has been making for many years. We know the awareness is there at the European level: the Council has called for industrial competitiveness to be mainstreamed across all policy areas. But we have yet to see this call for action really become action, focused action. Moving away from digitisation for a moment, let me just take a look at a few areas where joined-up policy thinking can help manufacturers create jobs and bring investment back to Europe.

First, energy and environment policy. The EU's rapid ratification of the Paris Agreement and the launch of the Commission's 'Clean Energy for all Europeans' package send important signals about Europe's commitment to sustainability. Now what we need is to see the good ideas put into action on the ground. Technologies 'made in Europe' are ready to drive the change. European firms are already world-leading – mostly outside Europe – in areas such as renewable energy, energy efficiency and smart grids. What we need now is the political commitment at EU and Member-State level to implement a framework to help them succeed at home. Delivering on ambitious energy policies can become that rarest of prizes in the political world: a win-win for all stakeholders – for our planet and our citizens, but also for European manufacturers. A second area where joined-up policy action is essential to make our vision for European manufacturing a reality is the Internal Market. It has been worrying to see how growing economic nationalism at Member-State level is threatening to weaken the Single Market. And the European institutions are - and we do not understand why - letting this happen and even facilitating this. The efforts being devoted to establishing the Digital Single Market are timely and necessary. But there is little sense in dismantling barriers in the digital world just to resurrect them in the physical world. Without a strong Internal Market, the EU is a far less attractive prospect as an investment location.

In trade policy, similarly, we have seen the European level nearly relinquish its leadership role and hand over competence to national and even regional parliaments. The result has been a politicisation of the debate that almost spelled the end for CETA – despite the undoubted benefits it will deliver to the entire economy. The promotion of free trade in Europe and globally has brought our continent unprecedented prosperity for 70 years. We must continue to defend and build on this achievement.

Until now, I have focused on policy measures. But the EU also spends money, and the way it does so should, and often does, support the competitiveness of the economy. For example, we are happy to see movement in the Commission's investment plans on infrastructure and particularly high-speed, secure network infrastructures. Without this foundation, it will be impossible to build a fully digitised Europe.

One core area where the Commission has really got it right has been Horizon 2020. The Commission has modernised the industry pillar of R&D and invested in innovative production technologies, big data and connected technologies. In particular, Public-Private Partnerships such as EFFRA and Spire have proven an effective instrument. In such programmes, public funding acts as a multiplier of the money that companies are keen to put into R&D. But there are worrying signs that the planning for FP9 is not going still further in this direction; in fact, we understand that the balance is shifting away from industrial research. This is difficult to understand, particularly from a Commission aiming to increase jobs and growth – both of which our industry is achieving. For us it would be a grave mistake, as European-level R&D investment in applied research is a real help to keeping pace with global competition. (An example from Finland, DIMECC, the first PPP co-creation platform in Europe combining mechanical engineering and ICT. The track record testifies a 20-fold return on the investments and show that participating businesses are largely over-performing their peers in financial terms, and, creating growth and jobs. The Finnish government has now recognized these facts and is reversing their job-destroying cuts in public innovation funding. Let's make sure we do not make the same mistake in FP9!)

And of course the core issue for my company and many others remains finding staff with the skills we need to grow. Training people is an issue which is largely national and regional, and one which is at the heart of our discussions as manufacturers with employee representatives. Skilled employees will continue to be our most valuable asset in manufacturing. We need to make sure Europeans are ready to fill the many exciting new jobs digitisation will create.

To conclude then, we often hear laments that European firms are not emulating the innovators of Silicon Valley start-ups. Well, to that I would respond: we have the manufacturing know-how, we have the skilled staff, we have technological leadership, we have the innovative drive. What we need is a framework that allows us to fully exploit these strengths.

There can be no doubt that we are living in turbulent times. It is no coincidence that the unrest expressed in the Brexit vote and populist movements has followed a severe economic downturn. If citizens do not believe that policies are delivering economic stability and employment, they will quickly lose faith in policymakers. This is why EU institutions, with the support of member states, must take the lead and create the conditions that will attract manufacturing investment back to the EU. Support for digitisation will be vital – but it must be embedded in an ambitious and coordinated industrial strategy. If regulators can help us to continue to create growth and jobs, it is Europe's citizens who will reap the rewards.

Equally importantly, industry, civil society representatives and policymakers must work together to change the conversation. We need to convince citizens that turning inwards is not the answer. We need to stand up for European solutions and defend the policies that have made the EU the peaceful and prosperous Union it is today. We need to communicate clearly and often the value of manufacturing to growth and employment, good employment, – and the value of EU policy to making this happen. And finally, we need to fight disillusionment – by presenting a vision for Europe that can inspire our citizens. The digital revolution is one important part of that. But to really make a difference, we need truly visionary policies for industry too – across all areas, brought together as a real modern EU industrial policy.

Let's hope that today is just the launch pad for this.

