



## **ORGALIME POSITION PAPER on**

# **EUROSTAT Proposal to remove Industrial Services positions in the PRODCOM list**

**Brussels, 31 August 2006**

Orgalime as the European Engineering Association speaks for 35 trade federations representing some 130,000 companies in the mechanical, electrical, electronics and metalworking industries of 24 European countries (NACE categories 28 to 33). The industry employs some 10 million people in the EU and in 2005 accounted for some 1,598 billion euro of annual output. The industry not only represents more than one quarter of the output of manufactured products but also a third of the manufactured exports of the European Union. The service content of the turnover of engineering companies ORGALIME represents is rising fast and it is estimated that it will continue to rise significantly in the coming years.

Orgalime has always been in favour of a simplified and consistent European legislation to avoid unnecessary administrative burden for companies. Orgalime however strongly objects the recent Eurostat proposal to PRODCOM Committee members to remove all the industrial service headings from the PRODCOM list and also questions the justification put forward by Eurostat:

- First, industrial services including installation and repair services account for an important part of the output of the engineering industries. Mechanical engineering for example, covered by NACE categories 29.1 to 29.5 has a yearly output worth about 400 billion euro. According to the Eurostat database industrial services provided by mechanical engineering companies amount to 22 billion euro in 2004. Given the fact that EU-25 aggregates do not exist for all industrial services due to confidentiality reasons and, given indications and analysis carried out by our members in some member states, Orgalime estimates industrial services for the NACE categories 29.1 to 29.5 at around 35 to 40 billion euro, which represents up to 10% of the total production value. According to Eurostat a similar picture can be drawn for the Electrical Engineering and Electronic sectors (NACE categories 29.7; 30 to 33) where industrial services accounted for 33 billion euro in 2004 which equals 8% of the total production. The proportion of services for metalworking (NACE category 28) is estimated to be somewhat lower.
- Secondly, although most of the industrial services are provided by manufacturers themselves it is becoming increasingly attractive for new companies to specialise in this growing market across the borders of the EU-25.

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With these facts in mind it seems obvious that a meaningful statistical representation of industrial services is indispensable for observing the Internal Market, for market research and business plans. Moreover with the increasing range of industrial services, such as the production of software, maintenance, project planning, training and design, which are also growing businesses for our industries, there may well be an increasing demand for more specific information on the different types of these services in the future.

- Thirdly, following the “operation 2007”, new NACE rev. 2 and CPA rev. 2 lists will be put into place from 1 January 2008 whereby the industrial services have been moved mainly to the new division 33 defined at an international level and including installation and repair services linked to manufacturing. For the reason of continuity it would seem appropriate to keep the industrial services headings in the PRODCOM list until 2008.
- Finally the argument whereby the proposal would lead to simplification and less administrative burden imposed on companies is not valid in Orgalime’s opinion. The data is available in most of the member states and companies as well as policymakers are interested in data on industrial services which are a growing and ever more profitable business even across borders. The fact that there is demand for information on industrial services is highlighted by EUROSTAT together with the European Central Bank planning to conduct a comprehensive survey on the international exchange of services to complete the European balance of payments statistics.

### **Conclusions**

Orgalime therefore hopes that the Commission will not see fit to proceed with a so-called simplification, which we believe will neither be to the benefit of our industry, nor help the Commission or national authorities in their task of monitoring and implementing an industrial policy at a time when the importance of services in manufacturing is rising and is set to continue to do so.