
Orgalime Mechanical Engineering Branch Position Paper on the implementation of the EnginEurope report

Brussels, 4 April 2008

Executive summary

In its report issued in May 2007, EnginEurope, the working group set up by the European Commission, six member states, and the social partners in the mechanical engineering industry submitted some 65 recommendations which they considered as key points that need to be addressed by the Member States, the industry or the European Commission for Europe's mechanical engineering position to maintain its position as one of Europe's major sectors which contributes the highest value added of the EU's manufacturing output. Some of the recommendations have already been taken up; others still need to be so. The present position paper therefore highlights some of the issues which are most urgent and important for Orgalime's mechanical engineering branch at the level of industrial policy. The key issues dealt with in this paper are in brief:

Harmonisation of workers' protection

This issue addresses the different national requirements for equipment, which thereby undermines the functioning of the internal market.

Greening of industrial policy

As providers of the technologies and a large range of equipment needed to improve the environmental impact of manufacturing and consumers of durable goods, mechanical engineering has a key role to play in this area: we advocate avoiding regulatory measures as far as possible, limiting state intervention to where it is appropriate so as not to place the European industry at an international disadvantage.

Market surveillance

We advocate the continued need for a pragmatic approach to enforcement focusing on those who market goods rather than those who design and produce them.

Promotion of EU-standards around the globe

Having global standards is a cost effective facilitation of market access, hence promotion of EU-standards globally is the way to support this.

IPR

We strongly advocate a workable compromise on the Community Patent and IPR helpdesks in key markets.

Skills and Human Resources

A sustained supply of technical staff at all levels is key to the sustained functioning of our industry. We propose benchmarking so as to highlight areas of shortages and the introduction of national actions plans.

Research and Development

We encourage the EC to ensure make access to Community funding easier and propose to take stock of member states' best practices. We also welcome the concept of an innovation bank.

Orgalime, the European Engineering Industries Association, speaks for 35 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs some 10.6 million people in the EU and in 2006 accounted for some €1,779 billion 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.

INTRODUCTION

With the publication of the EnginEurope final report in summer 2007 the main EU-mechanical engineering policy initiative in recent time has ended. The substantial document is now containing 65 concrete proposals to different stakeholders, be it the Commission, Member States or our industry itself. Out of this list of recommendations, we have extracted the key issues which we will be outlining in this position paper. This will also provide the basis for our lobbying work in industrial policy in the mechanical engineering sectors for the next years. For improved relevance of the paper, we have limited ourselves to those issues which we aim at following up with the European Institutions´.

The paper is grouped into four chapters:

1. Internal markets
2. External markets
3. Skills shortage and
4. Research and development

Despite the need for improving existing framework conditions and regulation for our industry to continue flourishing, we however, acknowledge the concrete steps already taken by the European Commission in recent time: First and foremost this concerns the Commission's commitment of setting up of the legal basis necessary for establishing the European Private Company. We believe this is an important step in simplifying the live of our industries and in support of the EU's jobs and growth strategy. Moreover we welcome that the European Commission has intensified the fight against counterfeiting through several policy measures. We encourage the Commission to continue these efforts.

INTERNAL MARKET

Harmonization of workers' protection

In recent time companies have increasingly reported barriers to trade created by national workers protection legislation and other remaining national legislation. Problems are due to product-related requirements applicable in addition to those safety requirements to be observed under the terms of EU legislation, such as the Machinery Directive. Examples for these additional product-related requirements include

- Requirements for stairways used by workers to fill certain machines
- Requirements for mobile machinery with respect to road safety
- Noise emissions on machinery used outdoors
- Exposure of workers to electromagnetic fields and waves
- Exposure of workers to optical radiation

Due to the differing national or regional requirements companies can no longer produce one product for the entire internal market. Companies need to differentiate according to the destination of the product. Differing product-related requirements based on national workers protection legislation contradicts the purpose of the EU technical harmonization for machines and other mechanical engineering equipment and endangers the benefits of the internal market for the mechanical engineering industry.

The European Commission must quickly and efficiently tackle this problem in order to prevent detrimental effects for the competitiveness of the EU Mechanical Engineering Industry. In the spirit of better regulation, harmonisation of product-related workers protection requirements on the basis of the new "Common Framework For The Marketing Of Products" should be the way forward. EU

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legislation would then be limited to essential requirements whereas the details are being dealt with in standards developed by the parties concerned.

“Greening of industrial policy” (Sustainable Industrial Policy)

Sparked by the pressing challenge of climate change, the European Commission has announced the sustainable industrial policy initiative. In the Communication, it mentions the following of three basic principles which should guide the sustainable industrial policy, and on which basis, an action plan should be adopted at the beginning of 2008.

Already now mechanical engineering is significantly contributing to the continuous improvement of environmental protection. Given the challenges ahead, the mechanical engineering industry will also be in the future a major technology supplier for all relevant industries and therefore be the engine for environmental protection. Current studies stating that environmental technologies will outclass the „traditional industry sectors“ are in need of correction, because mechanical engineering is environmental technology and European manufacturers of environmental technologies are already now in many areas world market leaders.

We share the view of the European Commission that climate change is one of the key social, as well as economic, challenges of our time. In this respect, our industry also advocates policy measures, which aim to promote protection of the climate in an appropriate way.

However, it must be ensured that policy measures that are intended to reduce greenhouse gases and achieve greater energy efficiency are also economically efficient. Economic inefficiency always means wastage of resources that can, in principle, be used for ecological purposes. Against this backdrop, we argue in favour of avoiding regulatory measures as far as possible, concentrating instead on measures appropriate for a market economy. From the viewpoint of the engineering industry, state intervention can be advocated where:

- it is economically and ecologically clearly justified, i.e. in particular, that it must be economically and ecologically efficient (minimisation of prevention costs);
- it is limited in time, and reduces over time (encouragement of independence);
- it is subject to audit of its success;
- incentives and goals are compatible (appropriate and, as far as possible, with no unwanted side-effects);
- free-rider effects are avoided as far as possible (minimization of political costs);
- it avoids as far as possible impairing the competitiveness of European industry compared with companies outside the internal market.

Market surveillance

To avoid that the European market becomes a preferred market place for free riders, the mechanical engineering industry needs efficient market surveillance. In order to ensure this, we welcome the coming adoption of the marketing of goods package agreed by the European Parliament and the Council which establishes a better balance between economic operators for their respective obligations in placing only safe and otherwise compliant products on the Community market. Globalisation makes it difficult to determine how and by whom a product is manufactured and imports from third countries are growing faster than domestic production, while the effectiveness of controls at the borders of the EU and in the internal market have diminished, if only by the increased volume of transactions on an enlarged internal market. Under the upcoming “Regulation On Accreditation And Markets Surveillance” we hope that the Member States will take their responsibilities in enforcing adequately existing and future EU legislation. Market surveillance should be quick, homogeneous and effective so as to protect users from unsafe products, while

preserving the rights and enforcing the obligations not only of manufacturers but of all market operators.

We now believe that when the marketing of goods package enters into force in 2010, the European Commission should not be deterred by the subsidiarity principle from encouraging intelligent market surveillance by Member States authorities. The role of the Commission is to help facilitating co-operation between Member States and a dialogue with all stakeholders.

We invite the European Commission and Member States to take on board the recommendations included in the annex, which are mostly of pragmatic nature, in setting up their benchmark for assessing how efficient market surveillance tasks are performed.

In addition, we call on governments of the EU to allocate sufficient resources to their market surveillance authorities: it is essential to good regulation to ensure effective and credible enforcement measures. Otherwise, the efforts that have been put into creating an effective regulatory framework, namely through the recently adopted marketing of goods package will not lead to the desired result.

We furthermore propose to establish national market surveillance action plans (NAPs) to be able to monitor Member States progress in that direction.

EXTERNAL MARKETS

As our industry is seeing a major part of its growth prospects in **external markets** some issues need to be urgently addressed in this context.

Promotion of EU-standards around the globe:

The mechanical engineering industries believe that through the global promotion of EU-standards, market access can be facilitated hence costs for being compliant with different standards as per different export markets can be avoided. We therefore encourage the Commission to make sure, that the market creating aspect of exporting EU-standards continues to receiving sufficient attention in appropriate policy fora. Especially the European standardisation system with a strong industry driven non-legalistic "New Approach" could serve as a model for other export markets to follow.

With "globalisation" and the consequent rapid emergence and development of new professional and consumer markets, it is important that products and services be traded under an umbrella of international standards. Local and regional standards should be considered as such and developed in those specific areas only, where international standards cannot be achieved. The common denominator of international trade must be the drive towards achieving international standards, which favour competitive volumes and economies of scale. For new standards and in regions where there are voids to be filled, the preferred option must always be to seek the maximum acceptance and support, i.e. by opting for the global solution.

Orgalime strongly supports ISO/IEC standards system in the new markets in order to guarantee true international harmonisation and coherence of the standards. National and regional deviations from international standards should be gradually eliminated.

Free Trade Agreements

In the context of external markets and the opening of new markets, we specifically ask the Commission to include the machinery industry when negotiating Free Trade Agreements.

IPR

One of the key issues of concern to our industry in the context of export markets and trade is IPR and its infringements. The recent years have seen a constant rise of IPR infringements and outright copying of our industries' products, technologies or designs, including the falsification of products abusing the brand name of our member companies. As mentioned already above, our industry is still experiencing unnecessary drawbacks such as national discrepancies and high costs which hamper the implementation of new ideas.

A much simpler, cheaper and faster European patent system is needed for the industry, if it is to set world standards, develop new products and fully benefit from the economic advantages associated with being the market leader. In this context the mechanical engineering branch of Orgalime fully supports the Commission's new initiative to find a workable compromise on the Community Patent. In particular for the small and medium-sized companies of our industry a cost-efficient Community Patent would be a very important improvement of the framework conditions for innovation in Europe.

Moreover, we urge the Commission to urgently set up the IPR helpdesk in Russia, Taiwan, Japan and possibly other countries. We propose that in China, the main market of concern to our industry, this group should link up with other states to increase the leverage on the Chinese government and to provide a consistent unique message.

SKILLS AND HUMAN RESOURCES

In addition to the aspects of the internal and external markets, our industry is very much concerned about the issue of skill shortage be it entry level technicians or top level engineers able to provide the practical solutions to our innovation needs. As much of this work is our own homework in making engineering jobs more attractive and appealing to youth when taking their decisions on which educational pathway they want to follow, we however see a vital role for the Commission in coordinating international benchmarking (Member states, European Union, United States, Japan, China) on technical education and training of all relevant levels. This exercise should include both input and outcome indicators, summarize best practices in technical education and activities for the raising attractiveness of technical education in general. We suggest undertaking such a benchmarking once a year. This could be coupled with a request for NAPs (national actions plans), which would allow the Commission to cooperate closely with member states

As the skill shortage is constantly exacerbating we in any case welcomed the Commission's recent Blue Card initiative. Even though we think, that the Blue Card may provide some remedy for industry, we do think that even if it were adopted, it would only have a substantial effect on the tight staffing situation, once extended to include skilled workers also.

RESEARCH AND DEVELOPMENT

We share the European Commission's analysis of the poor uptake of research results in Europe and the conclusion that this competitive disadvantage needs to be addressed by European policymakers. We appreciate the different measures taken by the Commission as valuable steps in the right direction; we support further action in the field of knowledge transfer between universities or public research institutions and industry. We welcome the fact that cohesion policy is regarded as a means to foster innovation and support the implementation of tax incentives for R&D. The gap between the research community and the market-driven sector needs to be bridged in order to facilitate the uptake of R&D results by engineering industries which are characterised by a high

percentage of SMEs. Our experience shows that best-practice examples for stimulating academia-industry cooperation already exist in some Member States: the innovation vouchers issued by the Dutch Ministry for Economic Affairs; competitions for grant funding towards collaborative research run by the DTI in the UK; the general research premium being introduced in Germany in the framework of the high-tech initiative. We believe that these examples are well worth analysing and could even be considered for adoption at EU level.

We furthermore welcome the adoption of the FP7 in particular the following positive developments:

- EU spending priorities are more in line with the policy priorities following the renewed Lisbon Agenda,
- industry is more involved due to the establishment of European Technology Platforms (=ETP)
- higher funding quotas are available for RTD performers and SMEs
- efforts are being made to cut down on administrative burden.

We still feel that more efforts are however needed in the following areas:

- maintaining ETPs as advisory bodies that help to define Work Programmes of various RTD funds
- filling gaps and avoiding overlaps between the various funds
- enhancing networking between the ETPs
- improving communication on EU research policies
- putting mechanisms in place that help knowledge transfer and dissemination of RTD results stemming from European collaborative research projects.

It is furthermore proposed to ensure that new environmental goals are accompanied by and taken up in EU-R&D programmes particularly when aimed at increasing energy efficiency.

European funding programmes such as the R&D framework programmes, structural and cohesion funds, CIP and EIB facilities are clearly steps in the right direction, but do not always prove to be easily accessible and understandable for SMEs. For SMEs, tax incentives are expected to stimulate more quickly investment into research and innovation. We therefore support a stock-taking of best practice on this matter and welcome the Commission Communication on the more effective use of tax incentives, which we hope will give guidance for the design of incentives and encourage Member States to improve the use and coordination of their instruments. We see European Cohesion Policy as a key means of giving all regions the chance to participate in general technological development. However we regret that in the past less than 10% of the Cohesion fund was used for research and development and, in line with the Aho report, we strongly urge that for the next time frame of 2007-2013, during which €307 billion will be available for Cohesion Policy Instruments (6 times more than the money devoted to the Framework Programme 7), a much higher proportion will be reserved for research and innovative technologies.

With regard to the issue of gaining easier and greater access to funds, we believe that Europe should work together in order to overcome the fragmentation of its venture capital market. Due to this fragmentation, European industry is prevented from taking full advantage of the possibility to raise funds for creating innovative products.

In parallel, the political debate is ongoing about means to strengthen the financial base of enterprises for innovation. One of concepts currently under discussion, that is the setting up of an innovation bank in Europe is very much welcomed. We believe that with the right financial tools and appropriate funding thresholds offered by such a bank, industry, including mechanical engineering SMEs would be very responsive to such a financing facility.

Annex:

Recommendations for improving market surveillance:

1. Focus on the targets and concentrate on products and sales channels that have shown an above-average non-conformity rate in the past;
2. Adjust the speed of your surveillance to the speed of sales: it makes no sense to chase sold-out sales promotion products; Distributors should take up their responsibility to sell only CE marked products (where the CE marking is mandatory);
3. Make use of European industry platforms and other stakeholder forums to learn more about market and users problems;
4. Test products against the manufacturer's specifications as indicated in the EC Declaration of Conformity, especially when harmonised European standards are used: it will facilitate and speed up your work;
5. Participate in standardisation activities in order to bring in your expertise and develop an understanding for the results of standardisation;
6. Refrain from interpreting essential requirements when harmonised standards are available: individual stipulation/evaluation of essential requirements can create legal uncertainty;
7. Co-ordinate surveillance and harmonise enforcement practices with colleagues in other Member States in order to enhance mutual confidence, avoid double checks and a waste of scarce resources and eventually achieve a consistent enforcement of the legal framework. Make use of best practices in order to move faster towards an effective and consistent market surveillance system throughout the EU/EEA;
8. Co-ordinate surveillance with your national colleagues across ministries and regulation affecting the same products. For both companies and authorities, it is not very efficient if one authority proceeds with a safety check one day, while, the next, another authority comes to conduct a voltage control, check electromagnetic compatibility or waste management procedures. This places unnecessary additional burdens on enterprises and in some ways constitutes a misuse of available resources on the authorities' side;
9. Establish close and effective relations with customs authorities in order to avoid forum shopping for the weakest countries within the EU, where the risks for rogue operators are low. Provide training and adequate resources to them so that they are able to check products, not only in relation to taxes and excise duties, but also with regard to compliance to EU laws, as required in Council Regulation (EEC) No 339/93 of 8 February 1993 on "checks for conformity with the rules on product safety in the case of products imported from third countries";
10. Act as much as possible at the start of the supply chain. The earlier a noncompliant product is taken out of the market, the less damage it creates and the less effort is necessary for corrective action. Early action is not an invitation to introduce a pre-market access control;
11. Co-operate with colleagues of non European countries, in order to stimulate EU trade partner's authorities to take measures for the prevention of illegal exports to the EU of non compliant products;
12. Raise awareness of product users and especially the general public about your action, working methods and achievements, e.g. through an information campaign.