

Brussels, 1 August 2012

Orgalime position paper on the Consultation on the EU2020 flagship on Industrial Policy

Mid-term review of the Europe2020 flagship initiative on Industrial Policy

INTRODUCTION

The present position is formatted to correspond in its numbering to the European Commission's questions in the Consultation with Orgalime's position included after each question. We would also like to highlight our conclusions given under the answer to question 2.16 where we provide our comments on what we expect at a wider level from the EU's industrial policy.

1. GENERAL INFORMATION

1.1. Please enter your name, address, and e-mail address.

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1.2.1 Please specify:

1.2. Who do you represent?

Business organisation

1.2.1. Please specify:

Orgalime, the European Engineering Industries Association, speaks for 37 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 22 European countries. The industry employs some 10.2 million people in the EU and in 2011 accounted for some €1,666 billion of annual output. The industry not only represents some 28% of the output of manufactured products but also a third of the manufactured exports of the European Union.

Orgalime, the European Engineering Industries Association, speaks for 37 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 22 European countries. The industry employs some 10.2 million people in the EU and in 2011 accounted for some €1,666 billion of annual output. The industry not only represents some 28% of the output of manufactured products but also a third of the manufactured exports of the European Union.

www.orgalime.org

1.3. In which sector(s) do you operate?

Manufacturing

1.3.1. Please specify:

- See 1.2.1
- NACE (Rev 2) codes: 25 to 28 as well as repair and installation services under NACE 33.



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2. POLICY PRIORITIES FACING EUROPEAN INDUSTRY

2.1. In your experience, which of the following policy-related factors are most important for the competitiveness of European business? Please select a maximum of three factors:

Comment: The European Commission has selected 14 factors of importance for the competitiveness of European business.

Basically the competitiveness of European business is based on the possibility to provide relevant goods and services to potential customers at the required conditions of price and quality. This requires a permanent adaptation to customer needs, including at international level.

At a policy level, since its inception, the EU has at its disposal three areas of instruments which continue to be fully relevant:

- The four freedoms: free circulation of people, goods, capital and services, based on intelligent legislation (completed by standards) which only purpose should be to establish a single market guaranteeing fundamental aspects (quality, health, environment, safety, consumer protection) of goods and services and submitted to a properly enforced market surveillance; such legislation should be user-friendly for all businesses (SMEs as well as large companies)
- The so-called flanking policies, completing this legislative framework by other policy instruments in the areas of skills (including the dimension of entrepreneurship), infrastructures for transport, telecommunication and energy, access to finance, R&D&I
- The international dimension, which should aim at allowing the best possible access to international markets and securing the provision of energy and raw materials as required to develop EU businesses, using both the WTO and bilateral trade instruments.

Since all fourteen factors listed by the Commission can be ranged under these three areas, all of them should be considered in a consistent and holistic manner. However, if priorities have to be given, Orgalime would propose the following:

- SME-friendly business environment and entrepreneurship
- Better and more consistent regulation
- International market access and global competition.

We do, however, comment on most questions of the consultation hereafter.

2.1.1. SME-friendly business environment and entrepreneurship: please explain the importance of the issue, giving examples and evidence.

- With the development of the internal market - a major EU success story - came a considerable body of European product legislation. A few core directives, such as the Low Voltage and Machinery Directives, and occupational safety directives have both regulated the health and safety aspects of engineering products and their free circulation in an ever larger internal market.
- In recent years, however, the EU has enacted a substantial body of legislation in areas such as the environment, employment and social affairs, consumer legislation, etc... while at the same time continuing to develop or review internal market legislation.
- Frequent policy changes, the tendency at a national level to gold plate EU legislation and at EU level to review legislation often on a 5 year basis (generally leading to a revision) mean we now have in the EU a highly complex and unpredictable body of regulation which has become too unwieldy for companies and, in particular, SMEs (which account for over 90% of the companies represented by Orgalime) with their limited resources and their focus on their core business to manage, in particular when the investment horizon and also often the product life cycle for manufacturers in the capital goods industry is 10 years or more. The revision of existing legislation after short periods of time and the adoption of additional and sometimes even incoherent legislation is an avoidable burden for SMEs which undermines their global competitiveness. Example recent review of the RoHS directive.

2.1.2. SME-friendly business environment and entrepreneurship: how can businesses themselves better respond to these issues?

- By working at both European and national level to limit additional requirements on business which lead to administrative burdens.
- By working with their national and European associations to resolve practical issues on the regulatory front as they arise.
- By simplifying the conduct of business: for example by making use of general conditions and model contracts developed by Orgalime. These conditions and contracts are widely used and help companies to sell their products internationally without having to draft individual contracts for each transaction. This reduces companies' transaction costs.
- By diversifying the location of their investments as a function of their markets and the total cost of doing business in and from different regions.

2.1.3. SME-friendly business environment and entrepreneurship: what can policymakers do to address the issues at Member state, local or regional level?

- Avoid gold plating legislation at a national and regional level, given the regionalisation of many areas of policy in member states.
- Support moves to provide much greater regulatory stability, coherence and predictability both at EU level, but also in national and regional policies.

- Cut red tape and go for both simplification and stability in the administrative burdens placed on companies at all levels of the administration.
- Provide better market surveillance to ensure full compliance with our legislation of all products on the EU market, whether imported or manufactured in EU market. Coordinate actions with colleagues in other member states and from customs to the market.
- Encourage the take up of energy efficiency solutions, with central government and the regions showing the example.
- Support the finalisation of an internal market for energy.
- Make use of the Commission's impact assessment and competitiveness proofing report during the adoption phase of Commission regulatory proposals in Council.
- Take more into account, at a policy and regulatory level, the essential contribution that manufacturing plays in the local economy in terms of employment and social cohesion, with a view to providing an attractive investment framework for companies and their staff.

2.1.4. SME-friendly business environment and entrepreneurship: what can policymakers do to address the issues at EU level?

- Continue to consider the reduction of bureaucratic burden for companies and in particular SMEs, a top political priority. The tools for identifying bureaucratic burden of new legislation, such as the competitiveness test and the impact assessment, are available and must be applied comprehensively by all the EU institutions.
- Unleash the Single Market in areas where it has not been completed yet (services, energy and digital sector).
- Provide a supportive framework facilitating the introduction of new technologies in Europe.
- At an EU level: provide much greater regulatory stability, coherence and predictability.
- Where new legislation is deemed necessary:
 - use the instrument of regulation rather than directive
 - aim to render the administration of legislation as simple as possible, including ensuring that overlaps between different pieces of legislation are avoided, thereby reducing the possibility of introducing conflicting provisions and obligations deriving from new regulations (with regard to existing one) for the same product
 - aim to regulate products rather than processes: regulating processes often puts EU manufacturers at a competitive disadvantage, thereby promoting "leakage" of production.
- Promote cost effective infrastructure investment in energy, transport and digital networks.
- In Horizon2020 ensure that programmes such as the Factories of the Future PPP effectively continue to attract SMEs by providing administrative simplification and sufficient funding: the present proposals at the level of funding are not supportive enough given the increasing success of this PPP in attracting SME participation.
- Provide better market surveillance to ensure full compliance with our legislation of all products on the EU market, whether imported or manufactured in the EU.
- Really take into account at a policy and regulatory level the essential contribution that manufacturing plays in the European economy with a view to providing an attractive investment framework for companies.

2.2.1. Access to finance and risk capital: please explain the importance of the issue, giving examples and evidence.

- For most companies access to trade credit in the form of overdraft, working capital facilities or revolving credit lines is essential both to pursue normal business, but also to finance their expansion. While there are wide variations across companies and also countries according to traditions, in particular at the level of debt:equity ratios, which affects the capacity of companies to have recourse to internal funding for their daily operations, access to credit is in many cases more difficult, in particular for smaller or newer companies; and also for all more expensive, in spite of historically low ECB interest rates. The importance of this issue is clear as lack of finance is a constraint both on responding to immediate market demands and on growth.
- There is little sign that the situation has improved from the time of surveys, such as that carried out by DG Enterprise and Industry on “SMEs’ access to finance survey 2011”.
- For energy and other infrastructure financing, see the Electra [“Smart World”](#) report which provides extensive comments and suggestions.

2.2.2. Access to finance and risk capital: how can businesses themselves better respond to these issues?

- Businesses have to adapt their growth strategy to their financial capacity in order to avoid the danger of insolvency. But in competitive dynamic global markets it is necessary to invest even in times where internal funds are not available. To encourage positive loan decisions by banks and investors, transparency is of utmost importance.
- Therefore sound financial communication with regard to
 - one’s business and its outlook
 - on the attractiveness of products to customers
 - the efficiency of production processes in terms of cost and quality and successful research, development and design processes
 should be high on the agenda of the top management.
- For establishing new companies, communication on the product and the commitment of the management team are decisive.
- SMEs may use clustering as a business model for shared risk investment in specific production equipment/ facilities which are then used by them as joint production infrastructures: here appropriate financing of such jointly owned facilities should be supported and used.

2.2.3. Access to finance and risk capital: what can policymakers do to address the issues at Member state local or regional level?

- First and foremost, establish the right framework conditions: a reliable legal system, adequate tax levels and a low level of bureaucracy. In the area of corporate finance, manufacturers need an effective and efficient banking system with competitive banks,

stock and trade exchanges with strict rules concerning execution and collaterals, public schemes to support and support funding for new enterprises, R&D and exports.

- Ensure that payment delays are effectively brought down to agreed level over time (30 days) both by governments and private business. The tendency for many larger organisations (including governments and administrations) to pay with excessive delay makes the situation all the more difficult at the level of suppliers, the vast majority of which are SMEs.
- Ensure a staged transposition of the Basel III requirements: there are countries which are introducing Basel III requirements more quickly than required which inevitably means that banks are facing liquidity issues as they seek to reinforce their capital base. This leaves even less money available for trade credit and working capital.
- Ensure that banks operating in the EU are not required to move faster on Basel III than those in competing manufacturing economies.
- Take the necessary steps to promote easier access to trade credit, as traditionally used by companies, rather than what we see as the continuing shift towards capital market instruments which dilute the equity positions of entrepreneurs and therefore their ownership of companies. Consider separating retail banking from investment banking in order to facilitate this move.

2.2.4. Access to finance and risk capital: what can policymakers do to address the issues at EU level?

- See 2.2.3 above
- At an EU level, there should be a common regulation of the financial sector in Member States to achieve a stable and efficient banking system under a European banking regulation authority.
- Banking regulations should always take into account collateral damage to production companies as the latter add only to a small extent to systemic risks. Therefore the EU should carefully observe consequences and impact of all current regulation projects as EMIR, MiFID/ MiFIR, CRD IV/ CDD, as well as Solvency II with regard to business of the companies of the manufacturing sector.



2.3.1. Technologies, standards, design and innovation: please explain the importance of the issue, giving examples and evidence.

It is clear that, for our industry manufacturing in the EU, we are unable to compete on most input costs: labour costs, energy and indirectly taxation are among the highest in the world. Therefore, if we are to maintain our capacity as a successful industry producing in the EU, the engineering industry, which is a capital goods and consumer durables sector, producing equipment and systems for all other economic sectors and in answer to the requirements of societal challenges, on a worldwide basis, must focus on:

- Technological excellence and innovation so that we can keep up our total market share both in the internal market and on export markets.
- Productivity: as one of the main clients of the engineering industry is the industry itself, technology is at the core of increased productivity. This allows us to compensate partially for the cost disadvantage we face. Our industry is particularly strong in the area of advanced manufacturing and production technologies, automation, etc.
- Developing new markets based on fast-evolving technologies, such as in the area of smart grids, smart cities, etc., as described in more detail in the Electra [“Smart World”](#) report.

While our industry appreciates the New Approach and therefore the New Legislative Framework where harmonised standards provide presumption of conformity, we see standards first and foremost as a market tool for companies: with nearly 80% of standards unrelated to legislative or conformity assessment activities, when companies invest in standards and promote international standardisation, it is with a view to facilitate market access and gain market share in an increasingly aggressive globalised market. We are therefore overall pleased to see the direction being taken by the proposal for a Regulation on Standardisation, now under ordinary legislative procedure, where many of our suggestions are finding support. For further comments see our most recent positions on the issue of standardisation: [5/04/12](#), [2/02/12](#), [16/09/11](#), [13/07/11](#), [18/02/11](#).

2.3.2. Technologies, standards, design and innovation: how can businesses themselves better respond to these issues?

- See above +
- R&D&I policies: industry can contribute to improve the innovation performance of Europe by providing public funding bodies with insight into the main R&D&I priorities which are genuinely relevant for the economy and industry and by anchoring public research programmes to real-world needs. Industry can facilitate this by engaging in Public Private Partnerships and Innovation Platforms/Partnerships. The research-PPPs, such as “Factories of the Future”, are steps in the right direction and should be continued and better supported.
- Standardisation: our industry is investing heavily in standardisation, since some 95% of the financing of standardisation costs in Europe is provided by industry according to

CEN-Cenelec's estimation. Moreover our industry invests heavily in international standardisation which plays a crucial market access role.

2.3.3. Technologies, standards, design and innovation: what can policymakers do to address the issues at Member state, local or regional level?

- Innovation: ensure that the framework conditions are supportive of innovation at a national level, including through supportive R&D&I conditions (taxation, investment tax credits, research infrastructures....), encouraging clusters of excellence to stimulate cooperation among larger and smaller companies with academia and research facilities and para-statal bodies, minimise the red tape for start-ups and provide the right conditions for companies to grow. Such framework conditions are required at a national level, but also at local level, where, for example, multilingual schooling facilities present an attraction in the framework of development of clusters.
- In general, publicly supported R&D&I activities should be better coordinated in order to avoid fragmentation and overlaps. For example, should funding be provided for innovation from Horizon 2020 and Structural Funds, processes and rules should be aligned. Vertical structures such as EIPs might help to make innovation policy more coherent, but business should have a place in these structures.
- Standardisation: ensure that the role of standardisation is both known and that dissemination of information about standards is supported. National standardisation bodies (NSB) must be able / in a position to support national industry experts in international standardisation processes (specifically those coming from SMEs), with NSB being considered as a part of strategic national innovation infrastructure: this is a financing issue.

2.3.4. Technologies, standards, design and innovation: what can policymakers do to address the issues at EU level?

- R&D&I policies:
 - It is essential to fully understand that the continued success of engineering in the EU depends on framework conditions and a sufficient client base to continue as a successful manufacturing sector in the EU: for example, we have the strongest machine tool and automobile automation sector in the world because of the demands of a European automotive industry where Europe leads in many areas of technology.
 - Public intervention should focus on innovation-friendly framework conditions.
 - Access to programmes should be facilitated by reducing administration and reaction times.
 - Special schemes for SMEs could be rendered more useful, if the current SME definition were amended: R&D-intensive companies have often more than 250 employees but cannot benefit although they have a typical SME structure.
- Technologies:

- the greening of the economy must be a business-supported evolution of Europe's innovative industry rather than a replacement of "old" by "new" technologies.
- Our industry offers many energy efficient technologies, both at the level of consumer goods and of professional goods: however investment in innovative products needs to be recovered through a sufficient client base and regulatory predictability and stability: changing the goal posts every few years means that the investment made in efficient products cannot be recovered before more changes are introduced.
- For capital goods, it is essential to remember that the competitiveness of manufacturers depends on designing ever more productive equipment and systems. (See the Mechanical engineering review published on DG ENTR web site).



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2.4.1. Skills, restructuring and structural change: please explain the importance of the issue, giving examples and evidence.

- The engineering industry is strongly knowledge-based and in global competition European technologies often are leaders in world markets. This success is based on the high level of performance and qualification of employees.
- As equipment and systems become ever more sophisticated, so companies need to employ the skilled personnel to develop, manufacture and maintain these.
- There is a perennial lack (qualitative and quantitative) of skilled personnel, both at the level of school leavers and also of the working population which needs to update its knowledge regularly.
- There are many studies on the lack of skilled staff both at national and European level (DG Employment's sector studies on skills needs and CEDEFOP). More recently there has been the "Study on the competitiveness of the EU Mechanical Engineering Industry" published in 2012 by DG ENTR which highlights (Cap 5.3.5) the need for ever more skilful personnel, the increasingly tight market and the increasing competition for skilled staff. See also the "[Smart World](#)" report Chapter 8.2, issued by Orgalime in April 2012 and the "Shaping Talents, new business prospects, competitiveness and improved employability through lifelong learning" report by CEEMET, in June 2012.

2.4.2. Skills, restructuring and structural change: how can businesses themselves better respond to these issues?

- First by making more efforts to interest young people from very early on (i.e. at primary school) in the engineering environment, so as to attract them to the right studies.
- Then by having closer relations with teachers and students throughout secondary education.
- By taking on apprentices and training them or retraining them from other professions, so as to partially compensate for the lack of skilled staff.
- By ensuring the regular updating of skills in companies on the basis of a shared responsibility between employers, employees and the state.
- By SMEs adopting more strategic and future oriented approach to human resource development based on their business development and innovation strategies.
- By using more effectively the possibilities enabled by ICT or automation technologies, e.g. in manufacturing, e-commerce, networking for innovation and HRD activities, etc.
- By participating actively, where possible in the governing boards of educational institutions.

2.4.3. Skills, restructuring and structural change: what can policymakers do to address the issues at Member state, local or regional level?

- No education is much more expensive than education. Investment in education over the whole range from kindergarten to retirement must be increased. Therefore:

- Focus the on quality and impact of education and training and increase the weight of quality and impact indicators in the funding models of education and training in all sectors of education and training. Promote qualifications and degrees that lead to a high value added jobs.
- Ensure that education and training systems allow for active employer involvement in curriculum development and the assessment of learning outcomes, as well as enabling or improving the participation of employers on education and training institutes' and university governing boards.
- Modernise and update where necessary vocational and educational training systems, including those which ensure continuous education of workers. Ensure flexible learning pathways, including improved permeability between vocational education and training (VET) and higher education (HE). Bring closer together academic and professional HE institutions, VET institutions and industry and optimise HE institutions' responsiveness to society needs, including business needs.
- Promote a culture of practical learning in primary and secondary education and invest in improved co-operation between industry and education and training institutions in primary, secondary and tertiary education.
- Strengthen the co-operation between practice oriented HE institutions and SMEs and facilitate co-operation and networking among experts from industry, students, teachers and researchers, including interdisciplinary co-operation.
- Raise the profile of teaching and teachers in maths, science and technology, including at the level of differentiating remuneration.
- Make industry co-operation an integral part of the teacher education thereby strengthening the primary and secondary school teachers' interest and ability to connect their teaching with the latest developments in the work life.
- Establish systems for "early childhood motivation" for practical skills / awareness building among children on the importance of the creation of new value in engineering products in the home environment.
- Support effective use of ICT in teaching and learning and invest in e-competences of young people as well as the adults.

2.4.4. Skills, restructuring and structural change: what can policymakers do to address the issues at EU level?

- The principle of subsidiarity must be observed.
- Continue benchmarking the needs in skills and the progress made in member states: modern education systems require modern quality and impact assessments. Current quality and ranking systems should be complemented with labour market related criteria.
- Continue to encourage the mobility of students.
- Promote engineering skills and competences as a key personal investment for long term employment.
- Promote the participation of increased number of SMEs in the EU co-operation programmes in education, training and R&D&I.

2.5.1. Improving the Single Market: please explain the importance of the issue, giving examples and evidence.

- The internal market for products, supposedly completed (but not really) in 1992 is one of the outstanding successes of the EU. For the engineering industry, this has meant over the years a significant growth in competitiveness both in the EU and on international markets.
- There is a need for further development of the internal market, notably in the areas of services, energy and the digital sector.
- There are still areas of the internal market for products which need to be improved, such as for non-road mobile machinery.
- More efforts need also to be made at the level of the adoption of the European Private Company and the improvement of market surveillance.
- Single Market policies must take better into account their international dimension.

2.5.2. Improving the Single Market: how can businesses themselves better respond to these issues?

- By ensuring that internal market legislation is properly applied and by reporting on those areas where it is not.
- By cooperating with authorities in the area of market surveillance through provision of information facilitating conformity testing and the work of customs and market surveillance authorities..

2.5.3. Improving the Single Market: what can policymakers do to address the issues at Member state, local or regional level?

- Avoid gold plating.
- Avoid the temptation towards protectionism in the internal market which is on the rise.
- Perform their market surveillance obligations, both at the borders of the EU and in member states. Since 1993, Member States have had the obligation - at points of entry into the EU - to check at the Customs the conformity of products to EU legislation (also reaffirmed by Regulation 765/2008). Notwithstanding this:
 - Market surveillance is mostly active only when there are accidents, but rarely to check conformity to other EU legislation (e.g. environmental).
 - There are few customs checks: in the machinery sector, for example, less than 0.2% of containers are physically checked at Rotterdam, the first port of entry into the EU.
 - The manufacturer's declaration of conformity, the first document used by market surveillance authorities, is not used by customs.

To arrive at a solution that is both effective and cost efficient will require a real cooperation between different Commission services with and between Member States and with the support of European trade organisations.

Market surveillance is essential to achieve a level playing field on the internal market, thereby preserving the economic interests and competitiveness of manufacturers in Europe.

2.5.4. Improving the Single Market: what can policymakers do to address the issues at EU level?

- See 2.5.1
- When revising product legislation, choose the instrument of Regulation rather than Directive.
- Focus on developing legislation under Article 114 TFEU
- Focus on legislation which impacts products rather than processes: all products on our market should respect our legislation; imposing more severe or costly regulation which affects manufacturing processes in the EU, favours offshoring / leakage.
- Develop an effective coordination mechanism and support network to improve the functioning of market surveillance.



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2.6.1. ICT and internet access and cross-border sales: please explain the importance of the issue, giving examples and evidence.

- Productivity depends a lot on information and communication technology especially in Western Countries. Its contribution to labour productivity growth can be several percent points per year. Continuing productivity growth is important at personal, business, Member state and EU level. ICT plays a key role in this and therefore in the competitiveness of European manufacturing.
- The world's largest piece of infrastructure, the Internet, is only in its teens. We believe that the Internet and ICT solutions in general will continue to be one of the main, if not the main, engine of global economic growth for at least the next 20 years.
- More and more functions at all levels of the economy and society will go digital. It is extremely important that European companies should have access to the most advanced technologies when collaborating among themselves and with partners and customers outside Europe, and when moving towards service business models. We therefore welcome the moves to support KETs as an integrated chain.

2.6.2. ICT and internet access and cross-border sales: how can businesses themselves better respond to these issues?

- Utilise ICT technologies in all their functions.
- Invest in R&D.
- Focus on their core businesses.
- Think global and network globally.
- Continue to develop their customer base internationally.

2.6.3. ICT and internet access and cross-border sales: what can policymakers do to address the issues at Member state, local or regional level?

- Minimise national regulation when operating cross border.
- Ensure that the public ICT infrastructure and services are globally competent.
- Simplify and move the national regulation to the digital age (e.g. national copyright laws).

2.6.4. ICT and internet access and cross-border sales: what can policymakers do to address the issues at EU level?

- If we understand the need to render cross-border sales more attractive to consumers and therefore the interest of the European Commission to propose a Common European Sales Law, we strongly believe that a clear distinction needs to be made between consumer law and B-2-B sales.

- Interfering in the fundamental principle of freedom of contract – a fundamental basis of contract law in national legal systems should not be considered, even as an option. The Commission's moves in this direction will inevitably be perceived once again as business unfriendly which is not helpful at a time when manufacturing industry should be seen as one of the principle vectors of Europe's economic recovery, in particular since governments are short of funds and consumers are lacking confidence.



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2.7.1. Better and more consistent regulation: please explain the importance of the issue, giving examples and evidence.

- Despite a commitment to better regulation and regulatory stability, there is a tendency of regulators to frequently review regulation which inevitably seems to lead to revisions of the law or recasts where new requirements are introduced. Concrete examples of areas of concern today include the future revision of the Pressure Equipment Directive and the ongoing discussions on extending the scope of the WEEE and RoHS directive to a large range of capital goods.
- There needs to be more consistency in the texts of legislation: for example application of the RoHS directive is, in particular, an issue due to poor drafting of texts: the term “made available” in Article 2.2 of Directive 2011/65/EU should be replaced by “the first making available of the EEE on the Union market”, hence, its “placing on the market”.
- In the Eco design directive, the increasing use of the instrument for capital goods is also an area of concern, as the competitiveness of European capital goods manufacturers is strongly linked to their productivity as a whole.

2.7.2. Better and more consistent regulation: how can businesses themselves better respond to these issues?

- By highlighting areas where there are issues.

2.7.3. Better and more consistent regulation: what can policymakers do to address the issues at Member state, local or regional level?

- As EU legislation is inevitably the result of a compromise, apply regulation on the basis of the texts and of a common understanding without trying to reinterpret EU legislation to suit their own views. Examples: the 0.1% substance threshold under the REACH regulation and the scope of the RoHS directive.

2.7.4. Better and more consistent regulation: what can policymakers do to address the issues at EU level?

By ensuring that:

- Proposals have been thoroughly assessed for their impact on competitiveness and jobs prior to adoption, and thereafter at regular intervals, to ensure that they are cost effective for business and to avoid the tendency to go automatically from review to revision.
- Are stable, predictable and coherent, with clear and demonstrated benefits for sustainability and competitiveness, thus creating a clear investment environment over time.
- Provide legal certainty and cut red tape for all operators.
- Enable introduction of new technologies in Europe.

- Recognise the value of the EU industrial fabric and of the multiple and mutually beneficial interactions between industry sectors and the services industry, and maintain the full industry value chain, from its sourcing of raw materials to the delivery of products to consumers.
- For already adopted policies and legislation, that these have been subject to ex-post evaluation.



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2.8.1. Energy infrastructure and prices: please explain the importance of the issue, giving examples and evidence.

- Competitive energy infrastructures are part of the basic framework conditions needed for a successful EU economy.
- A competitive energy market is essential for ensuring that companies which all depend on energy for their production can have access to energy at competitive market conditions: energy is for many industries a significant input factor and cost. We are therefore concerned by the proposals to potentially allow energy prices to rise until 2030, in particular as, in some industries, energy cost may be crucial e.g. in ferrous chrome production electricity represents over 30 % of production costs; in zinc production the electricity cost is over 40 %: this has both a direct effect on producers of these products, but also a knock on effect down the whole engineering supply chain.
- Security of supply and reliability is of the utmost importance for many industries; blackouts lead to extremely high losses for the whole society; investments in new power production capacity and transmission grids must therefore be realised in time in order to preserve grid stability at all times.

2.8.2. Energy infrastructure and prices: how can businesses themselves better respond to these issues?

- By progressively optimising energy consumption, including most often upon renewal of their equipment and systems. It should be noted that the incentive to move quickly in such a direction depends on a number of factors:
 - How important energy costs are as a total of all input costs
 - Whether there are investment incentives which would influence the allocation of funding: regulating the energy efficiency of products is only part of the solution, in particular in the context of capital goods.
- Manufacturers should and are adopting management systems in energy efficiency, where energy represents a significant input cost factor; these systems include regular internal energy audits and reporting to top management.
- Smart metering will bring new possibilities to enhance energy efficiency by real time monitoring and reporting of actual energy consumption; smart metering may reveal energy saving possibilities that were previously undetected.

2.8.3. Energy infrastructure and prices: what can policymakers do to address the issues at Member state, local or regional level?

- In order to allow integration of networks, facilitate permitting procedures for new transmission and distribution grids and work on public acceptance of such projects.
- Provide stable and predictable framework conditions for utilities, transmission and distribution companies, with incentives (e.g. accelerated depreciation or investment tax credits) to modernise and render more energy efficient their production, transmission and

distribution systems and, in particular with regards to electricity, to adapt them to new requirements for a decentralised and intelligent system (smart grids).

- Promote rational policies at the level of renewables taking into account economic efficiency according to geographical locations and which do not end up causing major price distortions in the market or over- or under-investment through changing incentive systems: subsidy schemes, where they are introduced, should be stable for the period they are designed for and not subject to abrupt changes; they should however be temporary and designed so that when technologies reach their commercial maturity, such subsidies are abolished.
- Invest in R&D in new energy technologies and storage technologies in close cooperation with technology companies; funds should be allocated to promising new technologies and a mix of R&D, tax incentives, direct research funding and joint industrial research and demonstration projects would have the best effects.

2.8.4. Energy infrastructure and prices: what can policymakers do to address the issues at EU level?

- It is very important to establish a single internal energy market in Europe as this the full opening of the electricity market will provide a level playing field for all operators and enhance competition to the benefit of all energy consumers in the EU: industries, services, public sector as well as households.
- Bottlenecks between EU Member states in energy transmission should be abolished; furthermore, isolated areas should be connected to the European grid as soon as technically feasible (e.g. the Baltic countries and the Baltic ring)
- [See Orgalime's position on the Energy Roadmap 2050](#) – highlights:
 - A competitive, secure & environmentally sustainable future energy system is feasible: now is the time to act
 - each Euro invested in energy infrastructures creates growth, jobs & welfare in Europe
 - a common understanding & framework Smart grids is a must
 - Enabling a framework for R&D&I and investment is a “no regrets option”
 - We recommend establishing a comprehensive, integrated and holistic EU framework including the common denominators for support schemes, for avoiding carbon leakage and for driving R&D&I,
 - Improve energy efficiency where it is most cost efficient & leads to lowest electricity prices
 - Security and reliability of supply also require (at least in the medium term) “Gasification”
 - Technology neutrality is key – let market forces play
 - Investments are needed throughout the market segments: solving the financial crises & developing competitive, new financial products is urgent
 - Consumer empowerment programmes are needed for the “Prosumers” of the future
 - Common challenges require common answers, at EU and global level and across the different stakeholder groups.

2.9.1. Environmental regulations: please explain the importance of the issue, giving examples and evidence.

- Environmental regulations are part of the basic framework conditions under which companies operate in the EU and should not, therefore, be differentiated from other regulation.
- A true sustainability approach which takes into account environmental, social and economic conditions is essential.
- Regulation must also be holistic, as can be achieved by the Eco design Directive.
- Regulation should focus more on products than on processes.
- It should be proportionate by ensuring that:
 - proposals have been thoroughly assessed for their impact on the environment, on competitiveness and jobs prior to adoption, and thereafter at regular intervals, to ensure that they are truly sustainable
 - Are stable, predictable and coherent, with clear and demonstrated benefits for sustainability and competitiveness: for example the Exhaust Emissions Directive 97/68/EC and Noise Emissions Directive 2000/14/EC create difficulties for manufacturers because their varied and interdependent requirements are not taken into account
 - Provide legal certainty and cut red tape
 - Are technology neutral
 - For already adopted policies and legislation, are subject to ex-post evaluation.

2.9.2. Environmental regulations: how can businesses themselves better respond to these issues?

- By being proactive.
- In extreme cases, where the constraints are such as to make production in the EU uncompetitive (this is particularly true when production / manufacturing processes rather than products are affected), by offshoring production. This is not desirable but can become inevitable.

2.9.3. Environmental regulations: what can policymakers do to address the issues at Member state, local or regional level?

- Avoid gold plating and in particular do not attempt to reinterpret legislative provisions which have been agreed upon at European level: for example the 0.1% substance threshold in REACH or definitions under the RoHS directive.
- Apply the legislation by performing their market surveillance obligations, both at the borders of the EU and in member states. Since 1993, Member States have had the obligation - at points of entry into the EU - to check at the Customs the conformity of products to EU legislation (also reaffirmed by Regulation 765/2008):
 - Market surveillance rarely checks conformity to EU environmental legislation, in particular on products

- There are few customs checks and the manufacturer's declaration of conformity, the first document used by market surveillance authorities, is not used by customs.

To arrive at a solution that is both effective and cost efficient will require a real cooperation between different Commission services with and between Member States and with the support of European trade organisations.

2.9.4. Environmental regulations: what can policymakers do to address the issues at EU level?

- See 2.9.1+
- At EU level: provide much greater regulatory stability, coherence and predictability. Frequent policy changes, the tendency at a national level to gold plate EU legislation, and to review legislation often on a 5 year basis (generally leading to a revision) mean we now have in the EU a highly complex and unpredictable body of regulation which has become too unwieldy for companies and in particular SMEs to manage. As a result we are faced with legislation, such as the revised WEEE and RoHS directives which have failed in the aim that was fixed when the decision to revise them was taken.
- Make proper use of competitiveness proofing which must be seen as essential and not as a mechanistic exercise.
- Proper impact assessments prior to the adoption of legislation are vital to perform an impact assessment after a proposal has been adopted (e.g. the revision of the RoHS Directive with a significant widening of the scope) is not acceptable.
- Legislation on products should be in accordance with the provisions of the New Legislative Framework.
- Encourage better market surveillance to ensure full compliance with our legislation of all products on the EU market: application of existing legislation is essential.
- Begin to really take into account at a policy and regulatory level the essential contribution that manufacturing plays in the European economy towards achieving real sustainability.



2.10.1. Resource efficiency including recycling: please explain the importance of the issue, giving examples and evidence.

- “Creating more with less” immediately reduces production costs, increases profitability and competitiveness, as almost 50% of costs across the engineering industry relate to material and resource consumption. Resource efficiency is therefore an indispensable economic necessity.
- In this context, energy efficiency represents a priority. The Eco Design Directive and its ongoing implementation on some 42 different product groups of our industries, particularly on energy or water consumption in the use phase, is therefore a milestone in contributing to resource efficiency.
- Companies are constantly improving their own processes and products as evidenced by the Commission’s own studies.
- Our industries provide ever more energy efficient products to (private and professional) consumers, but at times we find the markets are not receptive due to cost factors.
- At the end of life stage the products of our industry are collected, treated and recycled. For example in the context of the WEEE Directive, some 10 million tons of WEEE were managed in the EU in 2010.
- Sourcing of raw materials is a challenge as Europe is highly import dependent in certain areas.

2.10.2. Resource efficiency including recycling: how can businesses themselves better respond to these issues?

- Through research on materials and on product design with a view to continuously reducing resource consumption for the production of their products.
- By developing ever more resource efficient and productive products.

2.10.3. Resource efficiency including recycling: what can policymakers do to address the issues at Member state, local or regional level?

- Stop illegal exports of valuable waste fractions outside Europe through stricter enforcement of EU waste (shipment) legislation.
- Promote market driven innovation into new recycling technologies.
- Promote market response for sustainable products and technologies to realise resource efficiency gains throughout society.
- Promote R&D&I in resource efficiency.
- Support industry driven activities on resource efficiency and companies’ own resource efficiency projects.

2.10.4. Resource efficiency including recycling: what can policymakers do to address the issues at EU level?

- Ensure easy, continuous and affordable access to international raw material markets for European (engineering) industries, especially through the removal of trade barriers and the promotion of free trade at an international level.
- Improve the framework conditions for a European secondary raw materials market.
- Stop illegal exports of valuable waste fractions outside Europe through stricter enforcement of EU waste (shipment) legislation.
- Promote market driven innovation into new recycling technologies rather than regulation.
- Promote market response for sustainable products and technologies.
- Promote R&D&I in resource efficiency.
- Support industry driven activities on resource efficiency and companies' own resource efficiency projects.
- Fully apply all criteria and procedural elements of the Eco Design Directive when considering the use of this Directive for legislating on resource efficiency parameters other than energy efficiency.
- Avoid legislation beyond this (See also 2.9.1 & 2.9.4), including the Environmental Technology Verification (ETV) schemes which is not a solution as ETV gives rise to unacceptably high costs for SMEs (estimate 20.000€ per complex engineering product).



2.11.1. Energy and climate policies: please explain the importance of the issue, giving examples and evidence.

- The 20:20:20 objectives have been set and therefore industry should be able to rely on stable targets and a stable policy framework to facilitate the reaching of these objectives.
- The 20% renewables target is welcome and should be reached: however the transport and storage of the energy so generated now needs to be dealt with seriously before going further. Investing in renewables without investing in the smart grid needed to handle the increasing flow of energy from renewables does not make economic or environmental sense.
- The 20% energy efficiency objectives are unlikely to be met, essentially because of the resistance of member states to commit themselves to investing fully and progressively into the renovation of buildings owned by central, regional or local government.
- Going beyond these objectives and aiming for higher targets in Europe alone are a cause of concern, because being in the lead in Europe is unsustainable if other competing economies do not follow: in the Durban conference it was decided that an international and legally binding climate agreement should be achieved in 2015; hence the EU should not even consider making any further unilateral commitments before such an agreement is reached and effective.
- The continuous discussion around modifying objectives, set-aside of emission allowances and targets is a disincentive to investment in Europe because of the unpredictability of the investment framework for companies.

2.11.2. Energy and climate policies: how can businesses themselves better respond to these issues?

- Businesses are in a key position to develop and invest in low-carbon technologies; actually many technologies already exist that give solutions to reducing greenhouse gas emissions: they need to be taken up more widely. They can help by being proactive in their own products and processes and by rendering consumers sensitive to these issues.
- In addition to technology options, there is the need for modern system planning in order to optimise energy infrastructures and transport, including smart grids, infrastructure for electric mobility, coproduction of heating, cooling and electricity, green ICT and intelligent urban planning.
- In extreme cases, where the constraints are such as to make production in the EU uncompetitive (this is particularly true when production / manufacturing processes rather than products are affected), there is a temptation to resort to offshoring production. This is not desirable but seems to be on the rise.

2.11.3. Energy and climate policies: what can policymakers do to address the issues at Member state, local or regional level?

- Focus on the integration of renewables into the energy transmission and distribution system.

- Focus on energy efficiency:
 - Strengthen requirements on both, private and public, building renovation, including inside equipment, in going beyond the proposed 3% target on central government buildings under the Energy Efficiency Directive.
 - Harmonise energy efficiency product criteria for public procurement to take into account economic feasibility, technical suitability and fair competition for all products.
 - Strengthen consumer information and awareness on energy consumption with ambitious provisions on smart metering and informative billing, providing direct feedback to consumers on actual energy consumption (including possibly through in-home displays).
 - Encourage the use of energy performance contracting and Energy Service Companies that would accelerate the speed of building renovations.
 - Foster the market uptake of existing best available products and technologies.
 - Accompany energy efficiency measures with proportionate and time-limited technical and financial support.
 - Promote research and development into low carbon technologies in close cooperation with industry.
 - Exploit the potential of local renewable energy sources and design national programmes and investment/ subsidy schemes that are cost-efficient and do not distort competition (e.g. overcompensation for biomass in electricity production in some Member states has led to problems in other Member states to get raw material for forest industries and saw mills; this kind of problem should be avoided).

2.11.4. Energy and climate policies: what can policymakers do to address the issues at EU level?

- Ensure coherence and consistency in reaching the 20:20:20 objectives: a more coherent and integrated policy approach to Europe's energy and climate challenge is needed, as is a clearer prioritisation among policy instruments. Policy objectives such as greater energy efficiency, renewable generation and decarbonisation should not be integrated into contradictory policies but in one overarching framework. This will pave the way for stable, long-term conditions that will reduce costs and uncertainty and encourage investment in Europe's low-carbon economy.
- In the absence of globally binding commitment to reduce greenhouse gas emissions, the EU must make sure that unilateral climate policy does not lead to carbon leakage before the agreement is achieved by 2015. We should therefore avoid going beyond the 2020 objectives and aiming for higher targets, because being in the lead in Europe is unsustainable if other competing economies do not follow. Moreover the continuous discussion around modifying objectives and targets is a disincentive to investment in Europe.

2.12.1. International market access and global competition: please explain the importance of the issue, giving examples and evidence.

Orgalime's industries are the lead export industries of the EU. You will find hereafter the estimates for 2011 and the figures in (2010)

- Output €1,666 billion (€1,545 billion)
- Employment 10.2 million (9.7 million)
- Exports €519 billion (€462 billion)

Therefore as an industry which represents about 1/3 of the EU's manufactured exports market, access and global competition and competitiveness are central. In 2011, extra-trade for our industry rose by an estimated 12.5% while intra-trade rose by an estimated 5.1%.

2.12.2. International market access and global competition: how can businesses themselves better respond to these issues?

- By directly prospecting international markets.
- By working as subcontractors to OEMs in international markets.
- By investing in these markets so as to be closer to their clients.

2.12.3. International market access and global competition: what can policymakers do to address the issues at Member state, local or regional level?

- Be supportive of export activities through their trade representatives abroad and through support in areas such as IPR protection.

2.12.4. International market access and global competition: what can policymakers do to address the issues at EU level?

- In the absence of tangible progress at WTO level continue working on FTA agreements: these need to effectively aim to concentrate on trade issues and in particular in tariff and non-tariff barriers.
- FTAs should also aim to minimise exclusions, in particular so as not to develop "models" which will weaken the EU's long term negotiation capacity.
- Particular efforts need to be made at the level of public procurement at both national/federal level and regional level.
- FTAs should first concentrate on those countries where effective gains can be achieved.

2.13.1. Access to raw materials and raw materials prices: please explain the importance of the issue, giving examples and evidence.

- European engineering companies require many different resources and raw materials for manufacturing in Europe, including energy, chemicals, ferrous and non-ferrous metals, minerals or plastics. As a high tech sector, electrical and electronic engineering particularly depends on rare earths¹. Almost all elements enter engineering products: while during the 1990s, the semiconductor industry used, for example, some 16 chemical elements, up to 60 elements are used in the manufacturing process today.
- At the same time, supply of rare earths is often highly concentrated (95% are provided by China). So are many other raw materials, e.g.: China holds 35% of worldwide aluminium production, Chile the largest market share (34%) of copper and 60% of Lithium, and Russia produces around a fifth of nickel besides 45% of worldwide palladium.
- This situation often results in ever higher raw material prices and related speculation on price and amounts of raw materials being made available on the international raw materials market.
- Since European engineering industries are often at the end of value chains, their dependence on the availability of resources is a particularly sensitive issue. A lack of resources –even in case of low quantity- has the ability to stop entire production processes. Therefore, secure – and affordable - availability of resources is crucial for our industries.

2.13.2. Access to raw materials and raw materials prices: how can businesses themselves better respond to these issues.

- Manufacturers constantly improve their own designs and production processes and thereby materials consumption.
- Companies invest in R&D&I to “do more with less” or even substitute rare earths and other scarce resources wherever possible.
- Companies try to diversify to the extent possible their supply chain and maintain certain strategic stocks.
- Companies negotiate long term supply contracts, can move production closer to the raw material supply or pursue vertical integration.
- Substitute rare earths where possible.
- Manage end of life appliances (collection, treatment, recycling, recovery). For example today’s WEEE recycling technology allows for the recovery of up to 95% of the base materials.
- Raising awareness on the matter and exchanging best practices: Orgalime’s national association members organise particular seminars, workshops and information events or release publications to their member companies on resource efficiency and related topics.

¹ Rare earths include : scandium, yttrium, lanthanum and 14 lanthanoides

2.13.3. Access to raw materials and raw materials prices: what can policymakers do to address the issues at Member state, local or regional level?

- Ensure a harmonised and sound implementation of the Waste Shipment Regulation, as well as ensuring effective enforcement and control of shipments in order to combat illegal exports. Implementation of the regulation should primarily focus on waste shipments with high economic significance in respect of recyclable material content, as well as those giving rise to high environmental concerns.
- In cooperation with industry, design R&D and other programmes supporting the development of technologies and production processes using less or alternative raw materials.

2.13.4. Access to raw materials and raw materials prices: what can policymakers do to address the issues at EU level?

Main recommendations for EU policymakers:

- Focus on improving continuous and competitive access to international raw materials markets for European engineering companies, address barriers to trade and unfair competition at EU and international levels, and avoid that EU action in that field leads to additional increases in raw material prices.
- Support industry driven activities on resource efficiency and companies' own resource efficiency projects.
- Conduct thorough and representative impact assessments prior to any legislative measure.
- Provide an integrated policy approach that would strive for maximum coherence with other EU legislation or policy initiatives.
- Address the issue from a full life cycle perspective, in particular in the area of resource efficiency of products, and take into account all pillars of sustainability, as is the case in the Eco Design Directive.
- Ensure a harmonised and sound implementation of the Waste Shipment Regulation across Member States, as well as ensuring effective enforcement and control of shipments in order to combat illegal exports. Implementation of the regulation should primarily focus on waste shipments with high economic significance in respect of recyclable material content as well as those giving rise to high environmental concerns.
- In cooperation with industry, design R&D and other programmes supporting the development of technologies and production processes using less or alternative raw materials.

2.14.1. Internal transport market: please explain the importance of the issue, giving examples and evidence.

- The transport and logistics sector are vital for the competitiveness of all industries, for example because of the costs implied for consumers and for the complete goods supply chain. The key challenges are here:
 - To ensure the competitiveness of industry and sustainable transport
 - To overcome political barriers, in particular in cross-border transport or infrastructures
 - To foster the diffusion of technologies.
- Road infrastructures, in particular, are usually a public good; therefore all users benefit from investments made, but, on the other hand, public budgetary constraints and “return on investment” hamper the deployment of technologies.
- In rail transport, in particular for freight transport, no efficient cross-border system has been established to date.
- If much of the effort needs to be made on creating a true internal market in the area of transport, there are areas where existing technologies can bring better efficiency, in particular in terms of energy efficiency and, in some cases, air quality.
 - Road transport: piezo direct injection for cars, LED traffic lights, road telematics, efficient street and road lighting systems and traffic congestion avoidance by traffic control systems
 - Rail transport: rail energy storage or automatic train supervision
 - Maritime transport: eco-friendly port-berthed power, waste heat recovery systems and thermo-efficient systems in vessels.

2.14.2. The internal transport market is well developed, however not to the same extent for all modes. Where do you see from an industry perspective priority areas of action?

- Improved rail transport systems.
- Improved maritime transport systems in harbour: eco-friendly port-berthed power, waste heat recovery systems and thermo-efficient systems in vessels.
- For electric vehicles – encouraging the development of charging infrastructures, in particular in private homes, offices and commercial buildings: the efficient management of the charging of electric vehicles, in particular with a view to using renewable resources and off-peak electricity will require the introduction of smart grid networks and smart metering.

2.14.3. There is a need for a more efficient use of the existing transport infrastructure, e.g. by improving interoperability, deploying intelligent transport systems and developing clean and energy efficient vehicles infrastructure. Where do you see from an industry perspective priority areas of action?

- See 2.14.2.

2.15.1. - If you chose "Other", please specify and please explain the importance of the issue, giving examples and evidence.

-

2.16. If you have further comments on this consultation or suggestions please write them in the box below.

- The most important thing that this industrial policy Communication should bring is the realisation that European industry is one of the pillars of EU economic strength, which has proven its resilience during the economic crisis since 2008.
- Supporting industry triggers a major multiplier effect throughout the economy and creates the growth and jobs which the European economy so urgently needs at this moment. Indeed, it is estimated that, whereas manufacturing industry contributed some 18.7% to EU GDP in 2010, industry in the wider sense, as well as the services which depend upon manufacturing, account for close to half of EU GDP. Moreover, the manufacturing industry accounts for 80% of all R&D expenditure and 75% of EU exports.
- We believe that much more needs to be done to make Europe as attractive as it needs to be for industrial investors, so as to ensure a recovery of the real economy.
- We are concerned that the European Commission is currently not sufficiently living up to its commitment to create the right conditions for industrial investment and innovation in Europe.
- In particular, we wish to emphasise that Europe's industries have been part of the successful EU economic fabric and can remain so, but only if the EU regulatory environment is both internationally competitive and provides a balanced approach across the economy as companies move towards an ever more environmentally conscious production. The development of an industrial policy focusing only on the green economy as a concept without anchoring it to real world of industrial production and products is artificial: the green economy is the natural evolution of the EU's economy which is being brought about by the products, technologies and systems manufactured by the engineering industries and applied by their clients. This is the reality and this is where we believe the EU must focus its support.

2.17. Do you want to upload a longer written response or background documents?

- Yes, the present position.

3. PUBLICATION OF CONTRIBUTIONS

3.1. Please indicate here if you wish your contribution to be anonymous. Unless you specify

Please publish this contribution under the name given.

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