



PAPERS PRESENTED AT THE  
EUROPEAN FORUM FOR MANUFACTURING  
WITH CECIMO IN THE  
EUROPEAN PARLIAMENT ON  
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‘MATCHING THE EU ENVIRONMENTAL AGENDA & TRADE STRATEGY’

‘PERSPECTIVE OF THE MACHINE TOOL IDUSTRY’



## Danuta Huebner, MEP – Introduction

Good morning Ladies and Gentlemen. As Chair of the European Forum for Manufacturing I would like to welcome you all very warmly to this breakfast event.

I am very much aware that the European Machines Tools Industry is where manufacturing begins.

I was particularly impressed to learn that CECIMO covers more than 97% of the total machine tool production in Europe and almost two-fifth of the global output. I am also impressed by the fact that so many of the successful companies in this field are SMEs.

All of us here know how a strong manufacturing industry is key to a prosperous EU. Today in the Union, manufacturing provides jobs for over 34 million people. It also accounts for three quarters of EU exports and provides over 80% of EU private sector R&D expenditure. There is however a lot of untapped potential in European manufacturing and certainly more can be done moving forward.

Just last week, President Juncker presented his investment scheme, an impressive undertaking, which will certainly also benefit European manufacturing.

While the plan does not single out manufacturing directly, it will boost the industry indirectly. This will happen via the setting up of a new European Fund for Strategic Investments (EFSI), via a centralised project investment pipeline at EU level and support for project development through new technical assistance programme. Finally, the plan will also leverage the potential of the single market, with an emphasis on its energy, digital, transport and Capital Markets Union dimensions. We also know that the fund will emphasise strategic projects in infrastructure (including broadband, energy and transport), education, research and innovation and renewable energy and energy efficiency.

Let me mention some of the highlights of the fund. The latter aims to leverage 15 times €21bn provided by Commission budget (€16bn) and EIB (€5bn) in guarantees with the aim of enabling EIB investment in projects which in turn crowd-in private investment to generate €315bn investment capacity. The fund will guarantee EIB investment in equity and mezzanine tranches of projects to incentivize private investors to invest in senior tranches. It will thus seek to reconcile EIB conservative risk-appetite, while protecting the AAA rating along with the need of the EIB to invest in higher risk projects.

The Commission will incentivise national promotional bank capital contributions to the fund by excluding contributions from national budgetary deficit calculations (more specifically from the excessive deficit procedure). The aim is to have national promotional banks contribute to boost the Fund's firepower either at the level of the Fund (through guarantees) or by co-financing various projects (alongside the EIB).

The plan also intends the set-up of a joint Commission-EIB-Member State Task Force to provide a project pipeline based on EU-added value. Projects with high socio-economic returns, those with reasonable expectation for capital expenditure in the 2015-2017 period and the potential for leveraging private sources of funding will be prioritized.

But it is not only the Juncker plan that promises to bring growth to Europe. We must remember that we also find ourselves in the midst of a unique trade negotiation with the US for the TTIP.

The US and the EU have been discussing free trade for more than two decades now, with no significant progress in the discussions. The timing is better today for a number of reasons. Firstly, both the US and the EU are still affected by the crisis episode and need growth. Secondly, trade negotiations at the global level are facing difficulties. The famous Doha round of the World Trade Organisation has delivered limited success. An EU-US trade deal could give a boost to global trade negotiations and provide a blueprint for future deals. Thirdly, globalisation is transforming the world we live in and global power is moving from the West to the East. The TTIP would offer the EU and US a chance to reassert their leadership in the world economy.

TTIP negotiations began in June 2013. We have had seven rounds of negotiations thus far; the last one took place in September. We have made progress over the last years but still bottlenecks remain across a range of sectors, from financial services to data privacy and GMOs. We have also witnessed a change in negotiating strategy, and we see that the parties are slowly moving from a discussion of all themes in every negotiating round to focusing on a selection.

Unfortunately, we are also facing a lack of public support of the TTIP, particularly in Europe. We need to change this. If we are to achieve this aim however, we will also need to push for a different rhetoric on the TTIP. All the time we hear that concrete gains of up to 0.5% of GDP are expected in Europe and 0.4% in the US by 2027. This is certainly important but if we want to legitimize the deal, we will have to make it concrete and show how consumers and SMEs will benefit from it. Also, while dealing with the intricacies of the deal we must not forget about its strategic importance. Europe cannot afford to waste the momentous opportunities offered by the TTIP.

Before I hand over to our speakers this morning, allow me to conclude with a few words on the European Forum for Manufacturing. The Forum was founded following a speech by former Vice President Verheugen in this Parliament in 2009. It is led by MEPs from the main political parties and I am very pleased to have taken over as Chair from Malcolm Harbour, former Chair of the Internal Market Committee.

The purpose of the European Forum for Manufacturing is to help ensure that Europe remains a manufacturing leader and benefits fully through enhanced global competitiveness, social progress and environmental responsibility.

I would now like to hand over to Clare Moody, a fellow of MEP from the S&D Group who will take over as Chair and brief you on.



## **Martin Kapp, Vice President CECIMO, Managing partner of Kapp Group**

Good morning ladies and gentleman.

My name is Martin Kapp. I am Vice-President of CECIMO and the managing director of the KAPP Group, headquartered in Koburg, Germany. The KAPP Group encompasses six locations world-wide with about 850 employees. My company produces grinding machines and tools which are sold to the automobile, aerospace, manufacturing and compressor industries.

Let me put it clearly from the beginning: “machine tools is a global business”. Today 52% of European machine tool production is exported to non-EU countries. Europe is the world’s largest production base generating 39% of the global machine tool output and more than 50% of exports. We are a world leader in this sector. Our sector runs a trade surplus with the rest of the world (around 10 billion euro). The United States of America is the second most important market for European machine tool industry accounting for 16% of CECIMO exports. Therefore, CECIMO supports the removal of trade barriers through TTIP.

While US tariffs ranging from 2.2% to 4.4% do not create serious obstacles for our exports, we see the abolishment of tariffs still beneficial for the sector. At a time of troubled domestic demand, some European countries have become heavily dependent on exports.

The biggest benefit that TTIP can create for our industry is the removal of non-tariff barriers. Divergences between EU and US regulations create different technical requirements, specifications, standards, conformity assessment procedures and licensing procedures. As a result, machine tool companies are often obliged to undergo testing and authorisation processes twice. This entails additional costs that can be avoided without jeopardising the level of protection, safety or performance of the machines.

TTIP should aim at regulatory alignment based on international consensus-based standards and mutual recognition. The agreement should also provide a platform for notification and consultations between parties for the planning of new legislation or the review of existing ones.

For other key priorities of our sector, such as simplification of trade procedures and labour mobility, I recommend you to have a look at the CECIMO position paper provided in your welcome packs.

Now, I would like to say a few words with reference to the title of our meeting.

The EU's Ecodesign legislation aims at setting minimum requirements for the environmental performance of specific products and eliminating the low performing ones. Energy and resource-efficiency is a strategic objective for our sector and the market is evolving in this direction in line with customer needs. However, due to the complexity, variety and versatility of our machines, it has been proven that a "one-size-fits all" approach cannot be applicable for machine tools. It may even jeopardize innovation. Therefore, we are proposing to the European Commission a self-regulation based on the principle of manufacturer's self-assessment.

Implementation of the Ecodesign legislation poses significant challenges to the international performance of our sector. This legislation is made for the EU Internal Market whereas half of European machine tool production is exported outside the EU. Therefore, the impact of an extra layer of regulation on our international competitive position may be counterproductive. Especially, when it does not correspond to customer requirements in markets outside Europe. Furthermore, due to our weak market surveillance on the borders, dishonest suppliers importing to the EU can easily neglect EU rules and gain unfair competitive advantage vis-à-vis our companies in our domestic markets.

I would like to conclude my speech with the following statement:

The EU cannot set the rules of the ecodesign in isolation from the global market reality. We need international standards and, when possible, regulatory alignment with the EU's major trade partners to create a level playing field. The TTIP can be a good platform to promote international standards in ecodesign which will then be a benchmark for the rest of the world.

This is an ambitious goal and will take time. In the meanwhile, the European machine tool Industry is ready and willing to start implementing ecodesign rules through self-regulation.

Thank you for your attention.



## **Luigi Galdabini, Vice President CECIMO, Managing Director of Cesare Galdabini SpA**

Good morning Ladies and Gentlemen.

My name is Luigi Galdabini and I am CECIMO vice-president and also Managing Director of GALDABINI S.p.A. My company is a family owned business founded in 1890. We produce straightening machines, material testing machines and hydraulic presses that we sell to the following industries: oil and gas, steel, automotive, aerospace, electromechanical, general mechanics and to labs dealing with quality testing. Our main production site is in Italy and the Centre for Research and Development - in Switzerland. Moreover, we have a sales and service branch office in Beijing.

Last summer the European Commission presented a Circular Economy Package which will be subject to many discussions but we have to bear in mind that no matter how good the concept is on paper it has to be accepted by the market that will evaluate it from two angles: economy and competitiveness. The circular economy must be beneficial to the EU industry which in the case of the machine tool sector has a strong global dimension.

The EU Industrial Policy agenda has confirmed the need for keeping Europe as a strong manufacturing base. European machine tool industry offers one of the finest production and export bases in the EU. We have to maintain the lead but we also have to remember that our sector is a special case because it is SME dominated and it makes highly customised B2B products. Because of this, I would like to address only a few selected aspects from the topic at hand.

Let me start from the beginning, namely research, development and innovation. The Commission's communication on Circular Economy speaks about the role of EU funded research in the design of materials and processes, design of products and resource management. I have to say that we couldn't agree more because the cooperation within and between value chains and market application of innovative solutions are what our industry is looking for.

Coming to the environmental angle of minimising the impact on the environment during machine tool production, I will start by giving an example from my own company. Galdabini S.p.A already operates using 100% eco compatible power generation by means of solar cells, thus becoming totally self-

sufficient in terms of energy consumptions. Environmental awareness and ecodesign of products are kept with the highest considerations and specific procedures to ensure compliance with this philosophy are in place and strictly observed in all our operations.

I also know that other European machine tools manufacturers implement various solutions that fit in to the circular economy. Let me mention just a few:

- product design based on minimized material weight of moving components,
- optimization of process cycles to shorten machining time and to save coolant and lubricant use, minimise amount of waste chips and energy consumption,
- re-use of material.

The circular economy also calls for resource efficiency requirements in product policy and in consequence requirements for material efficiency are planned to be developed. We have learned however that recently the Technical Board of CEN and CENELEC have rejected the standardization request on material efficiency of products presented by the European Commission and concluded that its content has to be refined.

This brings me to the conclusion that the Circular Economy can be a powerful measure. As industry, we agree that in order to remain competitive Europe has to develop along the lines of efficient use of resources and waste management through sustainable consumption and production. Nonetheless, the proposed package establishes a connection with many other legislative issues and as an industry we would like to be sure that it is not in conflict with existing legislation. When setting resource-efficiency criteria for industry, we invite the Commission and members of the European Parliament to consider carefully market acceptance, technology readiness of the supply side, the existence of industry standards and the aspect of global competitiveness. The main issue for our sector is to ensure the right conditions to maintain our leadership in machine tool production.

Thank you for your attention.



## **Elisabeth Hamdouch, Deputy Head of Unit, DG Enterprise & Industry Unit B1**

Good morning, Honourable Members of the European Parliament, Ladies and Gentlemen,

It is a great pleasure for me to address you at this timely and auspicious moment, still in the early days of the new Juncker Commission, and at a time when achieving enhanced economic growth, hand in hand with environmental sustainability and social cohesion in Europe could not be more important. I would like to outline to you how the Ecodesign and Energy Labelling Directives are contributing to these three objectives, as well as to give you some pointers towards 2020 and beyond, via the following four considerations:

1. Ecodesign and Energy Labelling Review
2. Ecodesign Working Plan 2015-17
3. Ecodesign of Machine Tools and Related Machinery
4. Impact Accounting stock-taking exercise of achievements of all Ecodesign Regulations

Winter 2014 through to Spring 2015 marks the culmination of substantial stakeholder consultations and inputs, and inter-DG work here in the European Commission, regarding two key overall areas for Ecodesign and Energy Labelling: firstly, the Review process for both directives, which is a legal obligation on the Commission, and secondly, the preparation of the Ecodesign Working Plan for the period 2015-17. As discussions are still ongoing for both of the above, it would be inappropriate to comment in detail at the moment. However, the following pointers may be given:

- Both the Ecodesign and Energy Labelling Directives are very much still “fit for purpose”, and allow further inclusion of “Circular Economy” ideas – about which we just heard - without the need for any modification of the Directives, in particular repairability concepts. A wide range of impacts and design parameters is already catered for in the text and Annexes of both directives.
- Re-scaling of the current “A+++ to G” scale is likely, for those products where Energy Labelling is already in place. How this should be done is still being debated, but it is desirable in order to avoid “label inflation”, and customer confusion. Some examples of re-scaling

performed by countries outside Europe were discussed at the highly successful February 2014 International Product Policy Conference here in Brussels, which some people here may have attended.

- The introduction of compulsory Product Registration is being examined, to enable an EU-wide product database to be established, in which products' key performance parameters would have to be declared. This would represent a big step forwards for national Market Surveillance Authorities, for the electronic checking part of their work, and could potentially enable interoperability and facilitate data exchange between Member States. This idea again comes from practical inspiration from outside the EU, where such systems are already in place, e.g., Brazil and Australia.
- A shortlist of some 15 product groups has been drawn up and discussed with stakeholders for consideration within the 2015-2017 Ecodesign Working Plan. The final list will be ready in Spring 2015. Again, the approach of addressing feasible “low-hanging fruit” has been taken, that is, examining in more detail those product groups which have a *significant environmental/energy impact*, and about which *something significant may be done* to reduce such impacts. As today, any design requirements stipulated must be at least cost-neutral over the lifetime of the product, and must not affect product functionality.

With regard to CECIMO's Self-Regulatory Measures (SRM) for the Ecodesign of Machine Tools, the European Commission appreciates that this is a “moving target” exercise which represents a new degree of complexity in Business-to-Business Ecodesign, breaking new ground, and involving “dynamic learning” processes at modular/ component level, between both the machine tool manufacturers themselves, their client companies, and the European Commission itself. DG Enterprise strongly encourages CECIMO, its national member associations and companies to strongly support and expedite the work being done by the relevant CECIMO Working Group, and to resolve this process as soon as possible in 2015, in order that the measures proposed may be sufficiently robust to progress reliably towards receiving Commission approval.

I mentioned earlier the Ecodesign stock-taking exercise, which is an ongoing study, also due to be finalised in 2015, performed by external contractors, in which the energy, environmental, economic and social impacts of the present c. 30 Ecodesign and 12 Energy Labelling Regulations are being evaluated. In the year 2020 alone (i.e., in one year, not via a cumulative assessment), the effects of Ecodesign and Energy Labelling for all the present Regulations are estimated to be:

- The saving of around 2000 TerraWatt-hours of primary energy per year (approximately the annual consumption of Italy), which also represents half of ALL the EU's “2020 Targets” for energy saving;
- Over 300 Megatonnes of carbon dioxide equivalent emissions per year (representing one-third of the EU's 2020 targets);
- Over 100 billion Euros per year savings for consumers and businesses on their energy bills;

- And an additional 800 000 direct jobs per year created in relevant industrial sectors, many of which will be in SMEs (for example, in specialised components for supply chains, spare parts manufacture, heating and cooling installers, etc);
- And a related estimated 50 billion Euros revenue per year for manufacturers and retailers.

From 2020 towards 2030, the above effects will further increase, as Ecodesign measures achieve further market penetration and transformation, and as the environmental and energy efficiency “screw” is further tightened on allowable minimum standards, and energy labels.

Intelligent, clean, green and high-tech growth must be the bywords for the economic revival proposed by this new Commission for Europe’s citizens. We need to carry on the good work done by previous Commissions regarding ecodesign, which is only now starting to fully flower, and reach its true potential.

DG Enterprise will be renamed DG Growth from January 2015, and some of its key priorities will be boosting the Single Market, increasing public procurement and supporting SMEs. It must be emphasised that these priorities have to go coherently hand in hand with cleaner, smarter growth, and you in the manufacturing sector are literally at the cutting edge of this industrial revival. Let us support one another mutually in this mission!

Thank you kindly for your attention!



## **Jean Camille Uring, Vice President CECIMO, Member of the Executive Board of Fives**

Distinguished guests, my name is Jean-Camille Uring and it is my pleasure to stand in front of you in my role as CECIMO President and also a member of the Executive Board of my company Fives Cinetic. This moment in time is very important for our industry because we are facing a big challenge called ecodesign.

Machine tools are complex systems dedicated for industrial use in manufacturing and assembly plants. They produce parts and equipment used in other industries like automotive, aerospace, capital goods or medical to name just a few. In most cases, our products are not only end products but also key elements in consumer goods. If you look around in this room, you will see many items that were produced using machine tools. That's why our motto is '*Machine tools - where manufacturing begins*'.

Our machines are highly customised products, tailored to customers' needs. In order to remain competitive, they become more complex and offer more functionalities. The machine tool manufacturers have to keep up with their customers' requirements for productivity, accuracy and reliability but they also have to meet increasing energy efficiency demands.

Since 2009, this aspect has officially been recognised by the European regulator and machine tools have become part of the European Commission's working programme to enforce the Ecodesign Directive.

Let me be clear at this point that our industry sees ecodesign as a strategic issue which affects its long-term sustainability and global competitiveness. However, we have to remember that B2B context makes machine tools very specific in various aspects and makes them hardly comparable to other products covered so far by the Ecodesign Directive.

A one-size-fits-all approach to ecodesign requirements might not be effective enough and in some cases counter-productive. That's why the European machine tool industry, represented by CECIMO, put forward an initiative to introduce a self-regulatory measure, in short SRM. In our view, the SRM is a tailor-made way for the industry that knows best how to accomplish the objectives of the Directive.

The CECIMO SRM features a framework structure consisting of two major elements: the self-assessment of the machine tools energy efficiency by the participating signatories, and data collection, documentation and management by the 'SRM Administration'. The CECIMO SRM is open to all machine tool manufacturers that create products for the EU-28 market and importers of all types of

metalworking machine tools. It provides the signatories with a suitable solution to maintain their competitiveness, offers entrepreneurial freedom and guarantees compliance with the EU environmental objectives.

However, there are a few obstacles that have to be solved to secure a good functioning of this voluntary agreement. I will start from the standards which will help to foster the uptake of the ecodesign measures. As you know our industry operates on an international arena and also in that context we set developments of standards. Earlier this year a first part of the ISO standard on environmental performance of machine tools was published and the other parts are being developed. However, even though the standardisation process is advancing as fast as possible, it will not keep the pace of the Ecodesign legislative developments on machine tools.

Lastly, I would like to draw your attention to a couple more obstacles that should be addressed immediately, as without them the best intentions and efforts of our industry will be seriously jeopardised. These include:

- lack of incentives for the uptake of energy efficient machine tools,
- free riders, who will not be willing to join the scheme, *and*
- lack of market surveillance.

Those three issues are the biggest threats to the SRM. In our view possible remedies could be: more effective market surveillance and support from national authorities to implement incentives stimulating both demand and supply side. That together could trigger a pressure coming from the market forces combined with clear demand from customers for energy efficiency.

Thank you very much for your attention.