MANUFACTURING A STRONGER AND GREENER EUROPE

ORGALIME AND CEEMET POLICY MANIFESTO

CEEMET

Council of European Employers of the Metal, Engineering and Technology-based industries

ORGALIME

MANUFACTURING A STRONGER AND GREENER EUROPE

The manufacturing industry represented by CEEMET and ORGALIME very much welcomes the European Commission's recent clear message stressing that industry is vital to the economic recovery, industrial output must grow to reach 20% of GDP and that the policy focus has shifted towards reaching this target, growth and job creation. Our industry also endorses the objective of the EU to transform Europe into a more sustainable economy and is eager to participate in the debate on how to achieve both the 20% target and the transition towards a sustainable economy.

In its recently published Communication "A Stronger European Industry for Growth and Economic Recovery", the European Commission develops a vision on how to achieve this 20% target. It also seeks to outline its ideas on innovation leading to a cleaner/greener low carbon economy.

Both ORGALIME and CEEMET believe that their industry sector, which is the largest manufacturing sector in Europe, representing over 200,000 companies employing 13,000,000 people, is at the heart of this transition towards a stronger and greener economy through the technologies, equipment and systems which our companies provide to all other industrial and economic sectors, as well as to consumers.

We agree with the Communication stating that, in a fast-changing world, if the EU wants to maintain its position as one of the world's leading economic blocks, it must provide the right framework conditions capable of attracting companies to invest in Europe.

Whilst we welcome many of the Commission's proposals, we feel that additional elements will be necessary in order to achieve this new 20% target. In the present manifesto, therefore, CEEMET and ORGALIME aim to outline what we see as the right framework conditions and how Europe should seek to attain these.

We highlight hereafter a number of core issues for our industry, where we believe improvements will help to trace the path towards a stronger and greener manufacturing economy in Europe; we cover the areas of the internal market, the EU's policies on regulation and infrastructure, labour market reforms, energy, finance, skills and trade by suggesting concrete recommendations to the European decision-makers.

OUR INDUSTRY

- **2,600 billion € of annual turnover**
- **13,000,000 people employed**
- **200,000 companies, mostly SMEs**
- **Strong export orientation**

1

THE NEED FOR COHERENT, STABLE AND PREDICTABLE REGULATION

In these challenging economic and financial times, Europe needs to send out a clear message that it is open for business and make sure that additional burdens for companies are limited to those that are strictly necessary to strengthen European competitiveness, sustainable growth and employment.

Relevance, cost-efficiency, proportionality, subsidiarity and efficiency for business should be the guiding principles of any new EU regulation. Insofar as action at the EU level is deemed necessary and possible, careful consideration must be given to options such as soft law measures and contractual freedom.

We strongly support the EU's Small Business Act and Smart Regulation exercise as these aim to "simplify and generally improve the regulatory environment". We also welcome the appointment of the high-level group of independent experts (High Level Group on Administrative Burdens) that the European Commission has appointed to "advise it on reducing administrative burdens linked to its legislation".

To better align the Smart Regulation agenda with the overriding imperative of driving stronger economic growth, we therefore call on the European institutions to:

- Make a firm commitment to reduce the burden of regulation on European businesses, starting with an ambitious action plan with defined targets to succeed and build upon the administrative burdens reduction programme which ends in 2012.

- Ensure that this plan addresses the total cost of regulation, not only administrative burdens, and targets a reduction in the overall burden of regulation facing European businesses. This should include a commitment that the cost reduction delivered by the programme will outweigh the cost of new regulation introduced during the same period.

- Make sure that the Commission's 2013-2020 health and safety strategy focuses on effective, consistent and well-targeted application of existing legislation rather than production of new directives or the addition of new requirements to existing ones. We are concerned that the original, holistic approach to assessing and managing health and safety risk is being undermined by (a) hazard-specific directives, where the risk of harm is not justified by the available evidence, for example, Electro Magnetic Fields (EMF) and (b) proposals to introduce Directives where it would be more effective to promote H&S improvements through the use of non-statutory Commission guidance,for example Musculoskeletal Disorders (MSDs). Any new requirements should be based on scientific evidence and risk assessment.

- Commit to continually improve the quality of comprehensive, transparent and impartial impact assessments that support legislative proposals and the process that generates them. This must start with involving stakeholders at an earlier stage by consulting them on draft proposals and impact assessments. All impact assessments should specifically address the effect of new regulation on SMEs. In practice, consultations should be introduced in a well-planned and well-targeted way. This will allow businesses to respond adequately, based on evidence. Consultation responses must clearly address the points raised in submissions. Clear criteria for handling the variety of responses to consultations should also be set up.

- Thoroughly monitor implementation processes and carry out regular fitness checks on existing regulation.

- Continue to ensure timely publication of "roadmaps" regarding planned Commission initiatives in order to improve consultation with stakeholders, and allow for improved policy cohesion and long-term planning.

KEY RECOMMENDATIONS

- Effective and consistent legislation through assessing and improving existing rules, instead of creating new legislation.

- Reducing the costs of new legislation by making comprehensive impact assessments for new legislation, which include all additional costs – public and private.

- Continuous assessment of existing legislation and its implementation with a focus on reducing its burden, in particular for SMEs.

2 ENSURING THE EFFICIENT FUNCTIONING OF THE INTERNAL MARKET

A single market enjoying the free movement of goods, energy and services is essential for Europe's competitiveness. Today, competition is still distorted by non-harmonised legislation and national requirements. This drastically increases the costs for the development and market introduction of products.

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The world is facing enormous challenges to reconcile both growth and increasing needs with greater competition for raw materials and energy. Already today, European engineering companies are supplying emerging markets with resource-effective and sustainable products. An EU market with ambitious and appropriate standards, adapted to the global market, would help engineering companies to develop, produce and export their products more effectively.

The single market must be unleashed in the areas of services, energy and the digital sector, thereby aiming to complete the single market for goods and services. There is still room for the improvement of the single market for goods whilst in the area of services and electrical energy we are more at a starting point.

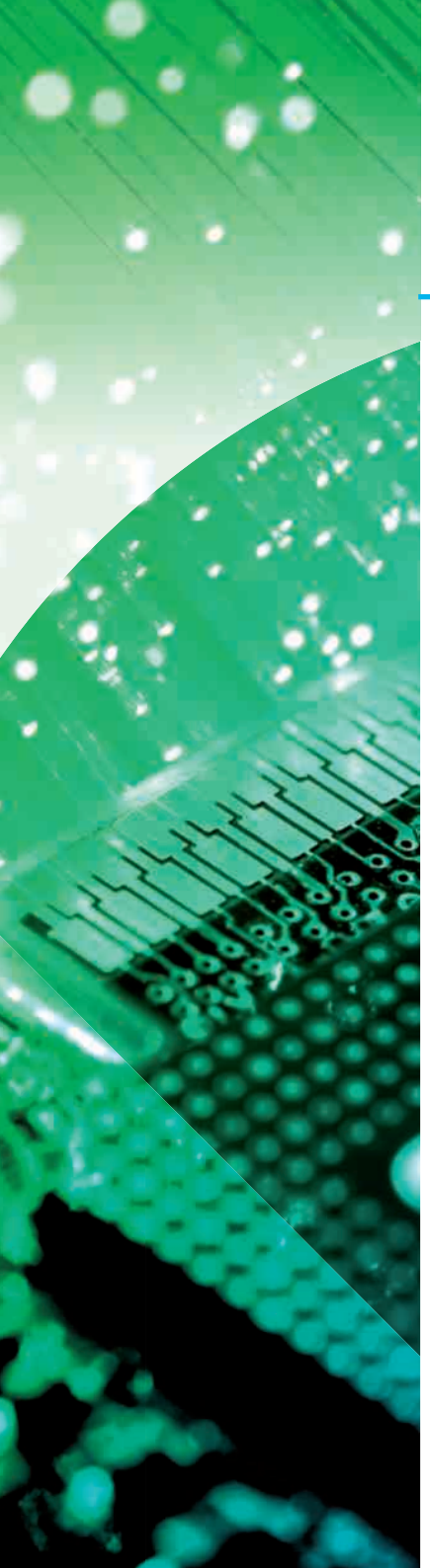
We therefore encourage member states and the Commission to remove obstacles, refrain from adding new national ones and improve market surveillance and custom controls in order to safeguard that the objectives of regulations are achieved and to foster a level playing field.

Achieving a true single market that is both effective and cost-efficient requires intense cooperation between Commission services and member states, supported by European business organisations. Guidelines must be developed jointly by the Commission and member states.

Member states should better coordinate their policy regarding market surveillance, risk assessment and the application of technical directives. If member states are not willing to or capable of building up their own costly competent bodies for these tasks, they should be given the opportunity, for certain products or product groups, to establish common competence centres which are subsequently declared the competent body for several member states.

KEY RECOMMENDATIONS

- Where new legislation is deemed necessary, regulations are preferable to directives. Both should leave as little room for interpretation as possible.
- The role of the Commission in the enforcement of legislation must be strengthened.
- Market surveillance must be strengthened to ensure full compliance with the legislation of all products on the EU market, whether imported or manufactured in EU, in order to avoid distortion of competition and risks for health and the environment. Common competent bodies should be permitted.
- Technical regulations should be applied in the same way throughout the EU. Gold-plated, specific national or regional requirements that are costly and hamper competition must be avoided.
- As part of the “think small” principle, an EU mechanism should be set up to detect “gold plating” in national transpositions of EU harmonised legislation, based on transparent criteria.



3

ENVIRONMENT LEGISLATION IN SUPPORT OF EU INDUSTRY'S COMPETITIVENESS AND INVESTMENT CYCLES

Our industry is the key driver of the green and low carbon economy through the products, systems and technologies we produce. We are the ones who will enable the "green" (r)evolution in Europe to happen by transforming manufacturing towards a low-carbon, resource-efficient and sustainable twenty-first century economy.

In order to be able to further invest in new environmentally friendly technologies we need a coherent and predictable environment, where continuously changing legislation, through changing the goal posts, does not undermine the ability of our companies to recover the investment they have made in innovative products, thereby also undermining their competitiveness on world markets. Therefore, when proposing new legislation, the European Commission should balance costs to manufacturers and their investment cycles against the environmental benefits to be gained. It is only in this way that our industry will be able to reconcile continuously improving the environmental performance of our processes and products with competing in a fast moving market.

Likewise, when the Commission makes proposals for recasts for existing legislation, these should take into account already made investments to fulfil existing legislation. Extending the scope must be subject to impact assessment and consider that "new" sectors need due time to adapt. This was not done in the case of with the "Restrictions of Hazardous

The European Commission has more recently placed "resource efficiency" including recycling at the heart of its 2020 strategy.

Substances" (RoHS) and "Waste Electrical and Electronic Equipment" (WEEE) Directives with their considerably extended scopes. These recasts have caused significant disruption, whereas they were aimed, at the outset, at improving the application of the directives. Similar issues have arisen with the revision of the "Eco-design Directive" and the "Integrated Pollution Prevention and Control Directive": the latter ultimately resulted in the Industrial Emissions Directive, which was in fact a new legislative project. Such recasts must also take into consideration the efforts already made to comply with recent legislation.

The European Commission has more recently placed "resource efficiency" including recycling at the heart of its 2020 strategy. The instrument of choice for regulating our industry is likely to be the Eco-design Directive, for which, to date, we are the only industry subject to implementing measures: 35 of these are adopted or on-going and more are planned. The Eco-design Directive, which is based on life cycle thinking, already allows for the regulation of all resource efficiency aspects of energy-related products (ErP), including energy, water and materials, as well as dealing with the waste phase. We are therefore particularly concerned about the potential negative impacts of amending the scope of the Eco-design Directive to extend it to non-energy-related products and place a greater focus on one area alone, that is the environmental parameters of "recycled content, durability and reusability of products". This would again lead to a major paradigm change to legislation to which a major part of our industry is subject and would undermine the holistic approach which is essential for manufacturers whether large or small.

KEY RECOMMENDATIONS

- Environment legislation should be predictable, consistent and should aim not to undermine the competitiveness of the European industry.
- New legislation should balance the additional costs against the environmental impact and economic benefits of each policy.
- The Eco-design Directive should continue to apply a holistic approach to the area of Eco-design rather than at any one moment focusing on any specific area. All criteria and procedural elements of the Eco-design Directive should be applied when considering the use of this Directive for legislating.

4 RESEARCH & DEVELOPMENT: A NEW INTEGRATED APPROACH COVERING THE ENTIRE INNOVATION CYCLE

The policies of innovation, research and technological development shall foster a better exploitation of the industrial potential of the EU, as states article 173 of the Treaty (TFEU). Our industry therefore appreciates that the upcoming Horizon 2020 programme of the European Commission will cover the full innovation cycle from strategic and applied research, demonstration, deployment and access to capital, to market take-up.

A more industry-driven agenda setting

We have witnessed a steady decline in industry participation in past EU Framework Programmes. The attractiveness of the EU's future funding programmes would improve if the industry was more involved in the agenda setting. Based on our positive experience with the "Factories of the Future" Public Private Partnerships (PPPs), we welcome the Commission's announcement that it will further strengthen PPPs. They represent a pragmatic shift from previous programmes, since the roadmaps are drafted by experts coming from both industry and Research and Technological Organisations (RTOs).

Only by closer cooperation between the public, RTOs and industry can we achieve the goal of having 3% of member states' GDP dedicated to research and innovation, of which 2% should be privately financed.

Regarding the Horizon 2020 structure, we welcome its specific "industrial pillar". However, we do not understand why this pillar should receive the smallest budget. Moreover, industry involvement should also increase in the other two pillars – societal challenges and excellent science – due to the fact that further manufacturing research is also necessary for creating future products and systems related to societal challenges.

In this context, we therefore confirm our interest in participating in the Task Force for Advanced Manufacturing Technologies for Clean Production which the European Commission intends to set up.

Simplification of rules and funding instruments

For years, the industry has asked for a more industry-friendly framework with simplified procedures. With Horizon 2020, all EU R&D and Innovation funding will be put under one common framework. We look forward to an agreement on common participation rules for all programmes and funding bodies and hope that flexibility in accounting and reporting will rebalance the current risk-averse culture which, through the increasing complexity in the participation rules, has led to a decrease in the number of companies participating in most EU funded R&D programmes.

"Smart Specialisation" of regions in research and innovation

We welcome the "Smart Specialisation" strategy which allows more structural funds to be invested in research and innovation and allows regions to better tackle the societal challenges they encounter. "Smart Specialisation" may also result in a closer alignment between European-level research programmes and regional ones. We are convinced that "Smart Specialisation" can promote industry involvement in research infrastructures, from both a user and supplier perspective. A region's strategy for research and innovation should be aligned with its roadmap for industrial development. Nevertheless, two points require special attention:

- Firstly, a clear distinction must be drawn between the ways in which funding can be allocated. Indeed, all financing under "Horizon 2020" should be allocated on the basis of the criteria of excellence in research. Research and Innovation in Cohesion policy should not undermine, but rather complement, the aims of Horizon 2020.

- Secondly, synergies between Horizon 2020 and structural funds must be improved. Interconnectivity of these funding tools according to simple and coherent procedures should be more attractive to companies, which often feel disoriented by the current fragmentation of rules among different EU Institutions and Commission DGs.

KEY RECOMMENDATIONS

- EU R&D and Innovation funding must be more targeted to industry needs with a focus on collaborative and pre-competitive research.
- The coordination of research institutes and industry needs must be improved and PPPs must be encouraged.
- Synergies between Horizon 2020 and structural funds must be improved, implementing "Smart Specialisation" in a coherent and determined manner.
- The excellence criteria must be maintained in Horizon 2020.
- Industry supports the plea of the European Parliament for a Horizon 2020 budget of 100 billion Euros.

5 MODERNISING INFRASTRUCTURES

Infrastructures are drivers of growth in Europe, "physically" supporting the four freedoms of the European Union Internal Market. They are of various natures: transportation and mobility, health infrastructures including e-Health, energy (electricity, gas, oil, hydrogen) and water production, transmission and distribution, safety, intelligent buildings and factories, digital infrastructures including telecommunication and broadcast research infrastructures.

In 2012, the modernisation of European infrastructures has become even more of a key objective for the EU. Since the 1993 "Delors White Paper" the European Commission has recognised that removing bottlenecks in key network infrastructures, especially in the enlarged EU, would boost our industrial competitiveness. Member states play a leading role here and should indeed speed up their actions.

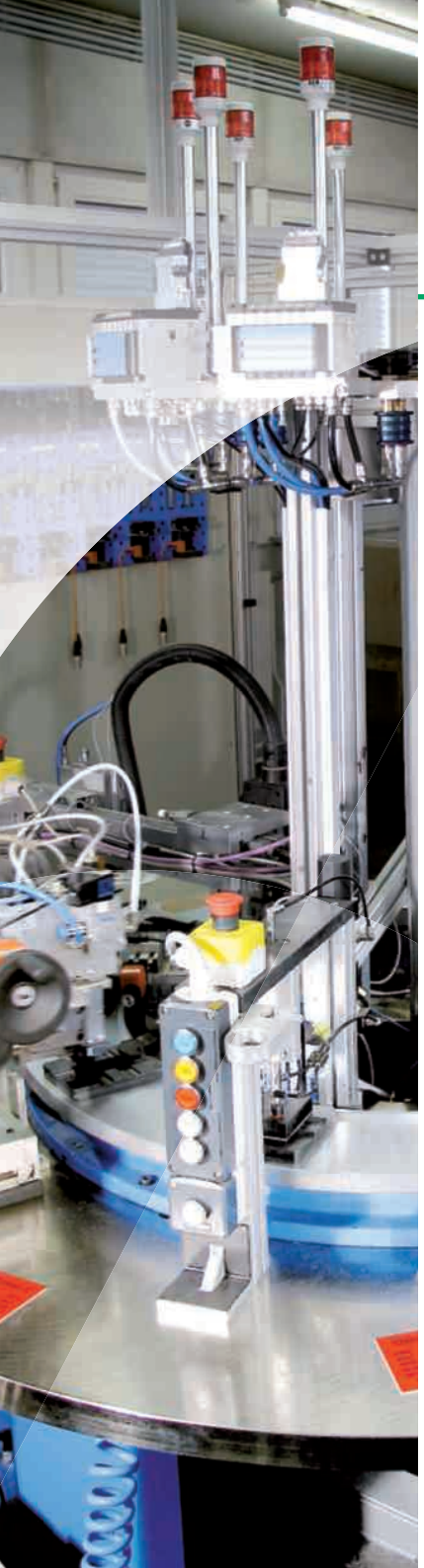
Specific actions regarding infrastructures have been detailed in the Europe 2020 flagship initiatives, notably focusing on interconnections between central and remote areas within the EU. The Commission has also proposed specific guidelines such as the "Energy 2020 Strategy", the "Energy Roadmap 2050", a Transport White Paper and the e-Health Action Plan.

Our industry can provide answers to many of these initiatives. We produce the technologies and systems needed for the modernisation of Europe. Our common aim, with European policy makers, is to develop future technologies and deploy them in Europe first, before subsequently showcasing and marketing our solutions to the rest of the world.

In the Electra II report "A Smart World", opportunities and challenges were identified, which apply to an EU policy for all infrastructures: opportunities can be found in making Europe smarter via energy and water, digital, transport, health and building infrastructures. There are obstacles to overcome, such as lengthy permitting procedures, scarce financing possibilities and lack of public acceptance, which the Commission has started addressing with its Infrastructure Package and "NER300", the joint financing instrument of the European Commission, European Investment Bank and member states for innovative low-carbon energy demonstration projects. Nevertheless, more needs to be done.

KEY RECOMMENDATIONS

- Energy infrastructures require a new "historical investment" to finance R&D, lighthouse projects and large projects such as complementing 400Kv lines with high voltage direct current networks.
- Electrical installations require both major modernisation to cope with many new connections to the electricity network and an improved application of conformity assessment to avoid counterfeiting.
- Safety and security infrastructures require new standards, a better synergy between civilian, defence-related security and security services, as well as a boost to R&D.
- E-Health must be considered as an investment and reimbursement of e-Health services must be developed, whilst an EU legal framework has to be deployed to support telemedicine.



6

FINANCING FOR MANUFACTURING NEEDS

The Commission's Communication on industrial policy focuses very largely on the steps required to reinforce the capital markets. We fully agree that the recovery and growth of European industry will, among other factors, depend on the availability of capital to carry out the investments that are needed to achieve growth.

Two particular areas are mentioned:

- Public sector support in the upcoming Multiannual Financial Framework for 2014-2020, notably through how the resources allocated to the Horizon 2020 and COSME programmes are allocated.

- Reinforcing access to the capital markets.

The shift of focus of funding towards more industry supportive funding programmes under the next Multiannual Financial Framework is highly welcomed. However, in the framework of the proposed Horizon 2020 Research, Development and Innovation framework programme, as mentioned previously, it is the planned industry pillar that will receive the smallest of the three budgets, with science and societal challenges taking the lion's share.

The increase in the EIB's lending capacity is also a significant step forward. We appreciate the reserved funds dedicated to Key Enabling Technologies (KETs) in so far as this funding is destined to cover all the KETs, including at a significant level, advanced manufacturing technologies. We would, however also have wished to see clearer budget indications that part of this funding will support the sixth

key objective, smart grids. Hi-tech infrastructure investment will play an essential role in ensuring the further integration of Europe and in improving framework conditions for the manufacturing industry, including at the level of introducing a more competitive market for energy.

While we understand the need to focus on the capital markets, in particular for larger companies, both in terms of equity and bond markets and, for a wider range of companies for venture capital, bank credit remains for most companies the core financing tool. Access to trade credit in the form of overdraft, working capital facilities or revolving credit lines is essential to pursue normal business including export orders. While there remain wide variations across companies and country traditions, in particular with regard to the level of debt to equity ratios, access to credit has for most companies became increasingly expensive and often more difficult, in spite of historically low ECB interest rates. Moreover, many companies, in particular family-owned companies, prefer to have access to bank credit due to the fact that recourse to capital markets practically inevitably leads to a loss of control of ownership. This often gives rise to problems as the objectives of the capital markets tend to be more short-term than those required in a sector such as ours, where long-term investment is essential to maintain a technological lead.

Despite this, it would be possible to generate cash flow if policy-makers ensured that payment delays were to be effectively brought down to an 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.

KEY RECOMMENDATIONS

- 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 funding for new enterprises, R&D and exports.
- Ensure a staged transposition of the Basel III requirements: there are countries 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.

7

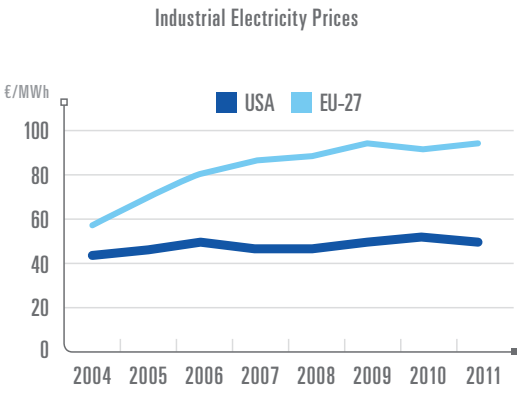
BALANCING THE EUROPEAN ENERGY POLICY

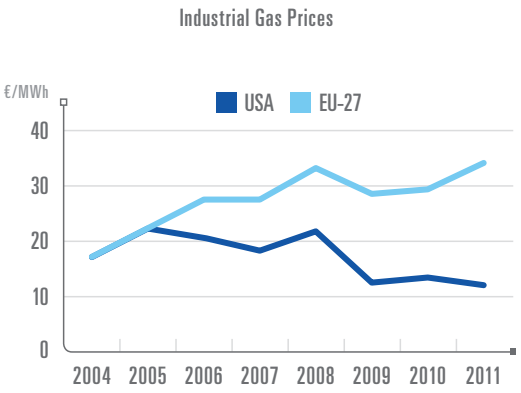
European energy policy needs to strike a balance between providing reliable access to affordable energy, which is critical to the competitiveness of many European manufacturers, and exploiting the business opportunities available through the development of the green energy technologies crucial to combating climate change. This should be an essential building block for an industrial strategy that encourages European manufacturers to invest, grow and compete in global markets. The technologies provided for by the engineering sector are key to reaching the ambitious goals with regard to cutting down CO_2 emissions, improving energy efficiency and increasing the share of renewables.

The EU should, however, pay particular attention not to damage European manufacturing by unnecessarily driving up energy prices for little or no environmental benefit. The energy and climate change policies need to be realigned with economic reality. To restore the balance, future policy must be guided by two key principles: affordable decarbonisation and effective international leadership.

Affordable Decarbonisation

For the best part of a decade, there has been a significant and growing gap between the energy prices paid by European manufacturers and their competitors. By 2011, for example, they were paying nearly twice as much for electricity and nearly three times as much for gas as their US counterparts, with the gap likely to have widened in 2012.





Source: Eurostat, Department for Energy and Climate Change, United Kingdom

The cost of green policies is a differentiating factor between energy prices in different parts of the world. For companies competing in international markets, policy-related costs are more difficult to pass on to customers than global factors like commodity prices.

For the past decade, EU policy has been dominated by a push for renewable energy. The centrepiece is a commitment to produce 20% of the EU's energy demand from renewable sources by 2020. There is a case for directly promoting renewable energy in order to develop a range of low-carbon power generation options for the future. In the long-run, however, a market-based approach to decarbonisation is essential to keeping European energy prices internationally competitive. Going forward, Europe must pursue a technology-neutral decarbonisation strategy where the market decides the most-cost effective mix of technologies needed to meet environmental objectives. Any future targets and policies should be based on cutting emissions from power generation rather than the promotion of a particular technology or types of technology.

Effective International Leadership

Global action is needed to address climate change. For the past two decades, the EU has been at the forefront of efforts to develop a coordinated international response to this pressing issue. And for this, it deserves much credit.

Unfortunately, our efforts to lead by example - adopting tough emission reduction targets in the hope that others will follow - have gone largely unheeded by the international community.

Whilst more countries have, or are exploring, emissions trading and carbon pricing there is still little or no evidence that comparable action is being taken on by the rest of the world.

As long as this situation persists, the competitiveness of key European manufacturers and their supply chain will be under threat and there is a very real risk that investment will shift to parts of the world with less stringent regulations, which would lead to more global emissions, not less. The time has therefore come to change tack.

Whilst a comprehensive global agreement must remain the ultimate objective, the immediate focus should be on what is achievable in the near term.

The EU should focus on meeting its existing carbon reduction targets as cost-effectively as possible rather than tacking on ever deeper, unilateral, targets. In parallel, the EU should pursue industry-specific international agreements to tackle emissions from energy-intensive sectors. Europe needs to build support amongst its international partners for sector agreements as stepping stones towards a global agreement.

KEY RECOMMENDATIONS

- European energy policy needs to strike a balance between providing reliable access to affordable energy and exploiting the business opportunities from developing the green energy technologies.
- Any future targets and policies should be based on cutting emissions from power generation rather than the promotion of a particular technology or types of technology.
- The EU should focus on meeting its existing carbon reduction targets as cost-effectively as possible rather than tacking on ever deeper, unilateral, targets.
- Europe needs to build support amongst its international partners for sector agreements as stepping stones towards a global agreement on reducing carbon emissions.


GALILEO BAHN
CRYSTAL CLEAR

8 ENSURING COMPETITIVE LABOUR MARKETS IN EUROPE

Manufacturing companies are more exposed to international competition than those in other sectors. Globalised markets are easily accessible to businesses operating in economies with much lower labour costs where the regulatory burden is far below that experienced in Europe. For European manufacturers to compete, they therefore need to make considerable investments in skills, technology and products and have to go through a permanent and evolutionary process of change.

To strengthen the international competitiveness of the European manufacturing sector, we must ensure that policies and regulations support dynamic, flexible and inclusive labour markets where people possess the right skills.

There is evidence that countries with flexible labour markets have better weathered the storms of the crisis and for this reason many less well performing countries have been or are currently introducing major labour market reforms. Reforming labour markets remains in the first instance a national responsibility. Those countries with high levels of unemployment and in particular unacceptably high levels of youth unemployment are now profoundly reforming their overregulated labour markets. This is

why it is important that the EU does not introduce new measures which impede the effects of many individual countries to make their labour markets more flexible and thus more internationally competitive.

European industry has to be able to respond to changing technologies and economic and societal demands. An environment that allows for swift adaptation, transformation and restructuring supports this. In line with this, article 173 TFEU provides for that the actions of the Union and the member states shall be aimed at "speeding up the adjustment of industry to structural changes". Indeed, facilitating growth and employment is a vital part of a well-functioning single market. Due to the current volatile economic circumstances, rapid technological developments, the intensified globalisation of markets, lean manufacturing and changing employee needs, more flexible forms of employment contracts have become a necessity. In addition to fulltime and permanent work which represents the vast majority of employment contracts in manufacturing, there is an increasing demand for a diversity of working arrangements, including part-time, fixed-term and temporary agency work, from both employers as well as individuals. Such employment contracts can also serve as stepping stones onto the labour market and contribute to reducing the ever-increasing structural unemployment. Furthermore, due to demographic developments, it will become increasingly important to try to retain the know-how of older workers in companies for as long as possible and, thus, address the issue of an ageing workforce appropriately. This can be achieved through the introduction of individual arrangements, based on part-time retirement or intelligent-job rotation models.

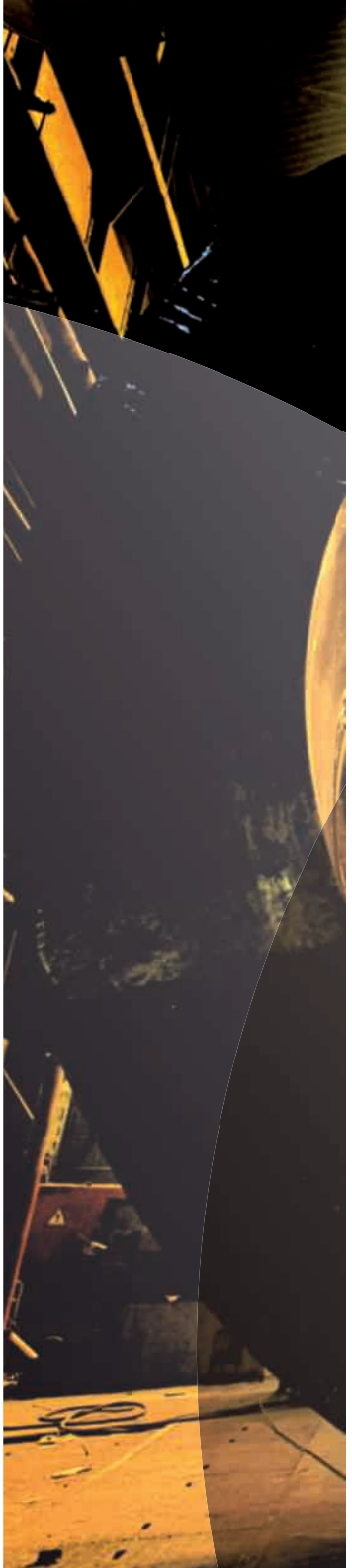
Alongside an increasingly consolidated European Single Market, a new context for industrial relations is emerging, having a considerable impact on our national and regional collective bargaining systems. Over the past years, the social partners of the metal, engineering and technology-based industries in many European countries have adapted their collective agreements by introducing innovative measures that offer more room for tailor-made solutions at company level. It is important that this development is fully recognised and respected at European level.

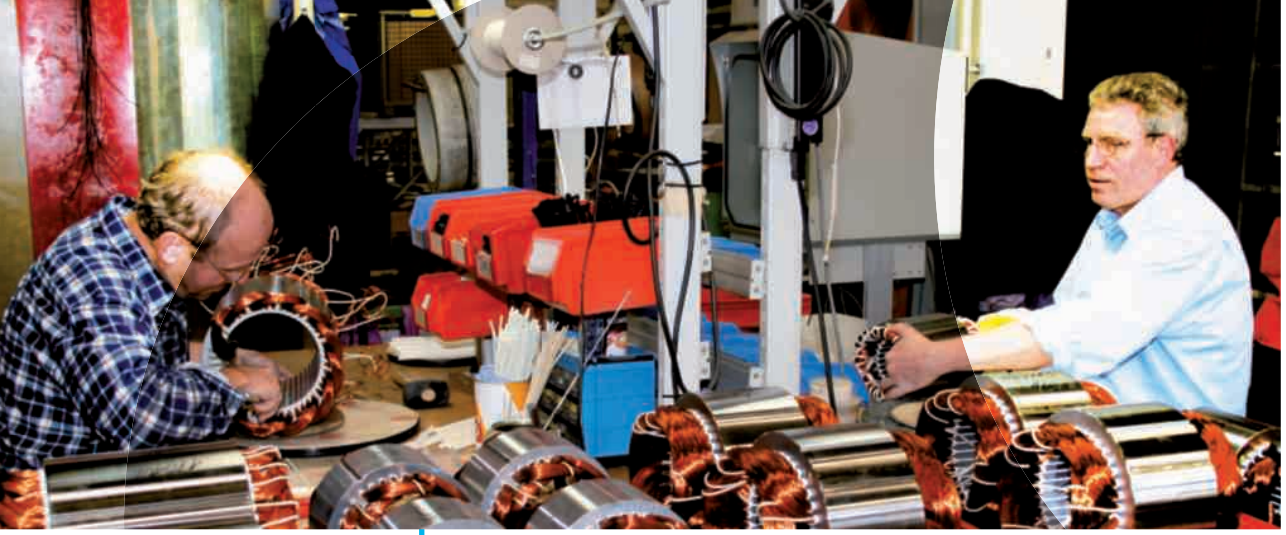
With regard to the current discussion of wage-setting at European level in the context of the new European Economic Governance, we agree with the conclusion of the Euro Plus Pact that wages have to be assessed vis-à-vis productivity in the long-term. However, we underline the need for the European institutions to fully respect the different responsibilities at national, regional and company level in the area of wage setting.

The introduction or promotion of minimum wages at European level would disregard the responsibility of social partners. In addition, it would further reduce existing flexibility that companies and economies are dependent on.

KEY RECOMMENDATIONS

- Commit to controlling additional labour costs (as mentioned in the Commission's 2012 Employment Package), so that people in Europe are not priced out of their jobs.
- Commit to see through different labour market reforms to create modern, effective and employment friendly social protection systems, which will establish an efficient link between rights and obligations.
- Apply at EU and in particular the national level the underlying idea of Flexicurity and change from the concept of job protection to employment protection.
- Take into account national efforts of reforming overregulated labour markets before introducing EU-level initiatives such as regulation on company restructuring or posting of workers. All stakeholders should heed the principle of article 173 TFEU stating that "the Union and the member states shall ensure that the conditions necessary for the competitiveness of the Union's industry exist", and contribute to facilitate swift processes of adjustment of industry to structural changes.





9 MAKING NATIONAL SOCIAL SECURITY SYSTEMS FUTURE PROOF TO MAINTAIN COMPETITIVENESS AND SOCIAL COHESION

The national social security systems need to be revised and made more sustainable to respond to the challenges of the ageing workforces, longevity and changing career patterns. In general, Europe today already has highly developed and expensive social protection systems in comparison with the rest of the world. As the World Bank states in its 2012 report "Golden Growth", "Europe spends more on social protection-pensions, unemployment insurance, and social welfare than the rest of the world combined (overview, p. 18). For many countries in Europe this has become unaffordable. Combined with demographic pressures and weakened work incentives (in addition to considerably lower effective working hours and early retirements) this fiscal burden is now a drag for growth. Europe has to make big changes in how it organises labour and government (overview, p. 21)."

We would like to underline the importance of the revision of the national social security systems. The allocation of monies in national social security systems, in particular in times of excessive deficits, has to be done in a more effective and targeted manner.

With regard to the pension systems in Europe, we share the European Commission´s view in the White Paper on Pensions that occupational pension schemes will be of increasing importance to secure adequate old-age provisions in all member states. However, we strongly call on the Commission not to apply Solvency II-like own-funds requirements to occupational pensions as is proposed in the revision of the IORP Directive as this would burden the concerned companies, hinder investment and innovation and reduce the pension claims of the affected employees.

KEY RECOMMENDATIONS

- Adapt national security systems to demographic changes and new working patterns.
- Reduce ancillary labour costs.
- Keep occupational pension schemes simple and affordable for companies.

10 ADDRESSING THE SKILLS SHORTAGE AND COMPETENCE DEFICITS OF THE EU MANUFACTURING INDUSTRY

Lifelong learning for competitiveness and employability

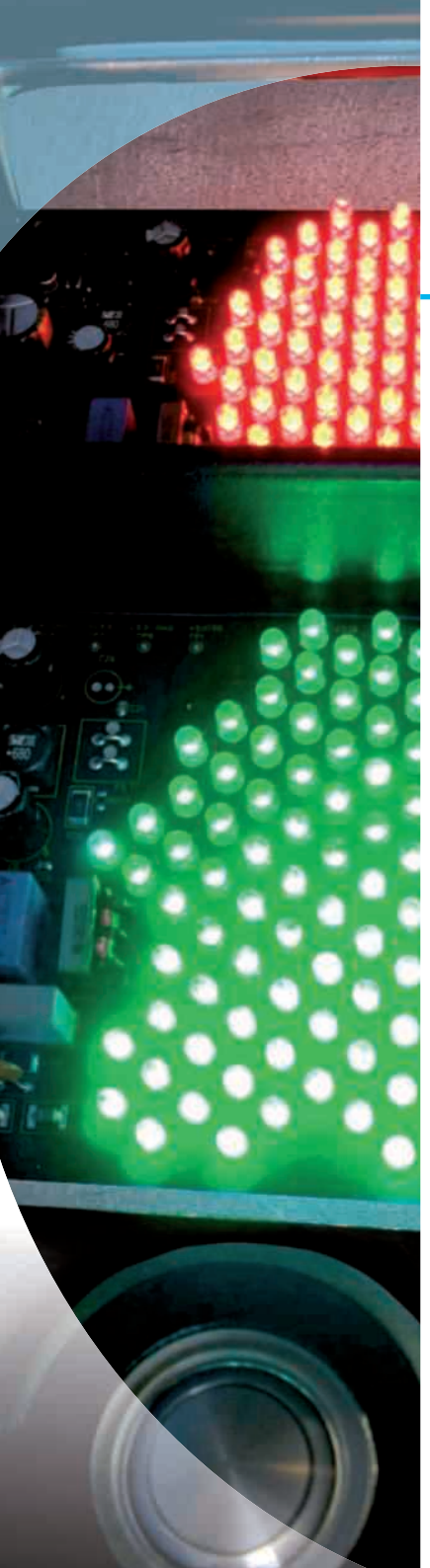
With constant developments in innovation and technology, changing consumer demands and global competition, companies in the manufacturing industry are experiencing rapidly changing competence needs, invariably requiring greater levels of individual achievement. Taken together with economic and demographic trends, as well as a current skills gap and insufficient commitment towards investment in science, technology, engineering and mathematics subjects, sourcing the right competence has become a pressing challenge for many companies in our industry.

The ability of companies and individuals to adapt to future competence needs, as well as the education and training systems' ability to provide services that match labour market needs will be central to European manufacturing companies' competitiveness and individual employability. We therefore need to ensure that the right framework conditions are in place for education and training providers to be able to deliver adequate skills, knowledge and competence (SKC) development measures and for individuals to be able to effectively engage in education and training from an early age on, throughout their professional careers.

Our industry welcomes the progress made so far by the European Institute of Innovation and Technology (EIT) and the planned activities outlined in the EIT Strategic Innovation Agenda. However, we disagree with a strict "first wave" and "second wave" approach. A Knowledge and Innovation Community (KIC) on Added Value Manufacturing has been proposed, but is not planned to be launched until 2018. We consider that this KIC would present a real chance to enhance innovation and educate a highly skilled workforce with a practical experience of industry and R&D. For this to be effective the KIC should be brought into operation as soon as possible and well before 2018. Below we have listed the main issues along with recommendations we believe a European industrial policy should support.

KEY RECOMMENDATIONS

- Better matching of skills and labour market needs: promote lifelong learning (as a shared responsibility) from primary school onwards and a culture of practical learning in primary and lower secondary education in order to introduce pupils to science, technological and manufacturing subjects and to their potential applications in different professions and vocational education and training (VET) early on.
- Focus on excellence in, and impact of, vocational and higher education: promote a shift in setting targets for education and training provision from purely quantitative towards focusing on quality, the relevance and impact of education, for example by sharing information of quality and impact-oriented funding models for education and training or facilitating strategic partnerships between industry and education.
- Facilitate the development of human resources strategies in SMEs: promote investment in strategic management planning and developing key features of human resources development strategies, specifically promoting the participation of an increased number of SMEs in the EU cooperation programmes in education, training and R&D&I.
- Give priority to the establishment of a Value Added Manufacturing Knowledge and Innovation Community (KIC) of the European Institute of Innovation and Technology (EIT).



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OPEN WORLD MARKETS FOR GOODS AND RAW MATERIALS

Multilateral and bilateral trade negotiations – better access to the world's leading and developing markets

We represent an industry that is a world leader in many areas of technology and manufacturing. Our companies are highly export oriented, and their success depends to a major degree on open international markets. We count on European policymakers to be the key drivers of international cooperation and to push for further international trade and economic agreements - multinational, bilateral or regional. This would result in greater access to the world's largest and most dynamic economies and consequently to further growth and employment opportunities in Europe.

For the future of the engineering industry it is crucial that companies can benefit from the opportunities arising in the emerging and developing markets, such as in China, India, Southeast Asia, Russia and Latin America. However, in the aftermath of the financial crisis, protectionist tendencies have increased in almost all parts of the world. Therefore, the EU needs a strong trade policy directed towards open global markets and further liberalisation, based on the following principles:

- Fight against protectionism including national government subsidies, and an increase in tariff and non-tariff barriers.
- Promote multilateral negotiations: a breakthrough in WTO negotiations is urgently required.
- Use bilateral trade agreements when multilateralism fails: focus on mutual removal of all industrial duties.

- Reduce non-tariff barriers worldwide: with the aim of achieving convergence of individual country standards and certification requirements.

- Address other policy domains that hinder companies: investment rules, labour mobility, access to public procurement markets, energy security.

- Promote the protection of intellectual property: implementation and effective enforcement of IPR legislation.

Raw materials

The European Union is currently facing a high degree of dependency on third countries for the supply of raw materials. Certain raw materials are vital for the development of technologically sophisticated products and are hard to substitute, which is why the security of their supply chain is critical to European industry. European engineering companies require many different raw materials and resources for manufacturing, including energy, chemicals, ferrous and non-ferrous metals, minerals and plastics. Furthermore, electrical and electronic engineering companies, as a high-technology sector, particularly depend on rare earths.

For the above-mentioned reasons, we support EU policies that tackle these challenges and lead to the trading of raw materials free of any WTO-incompatible restrictions, such as bans, quotas, duties and non-automatic export licences. In order to preserve continuous, competitive, free, secure and fair access to international raw material markets for European engineering companies, we urge the European institutions to:

- Address barriers to trade and unfair competition at EU and international levels and avoid that EU action in this field leads to additional increases in raw material prices.

- Use all bilateral negotiations on free trade agreements or WTO accessions to negotiate non-discriminatory access to raw material markets.

- Support industry-driven activities on resource efficiency and companies' own resource efficiency projects.

- Support research and innovation with clear framework conditions, better access to finance for companies, promote innovation partnerships and Public-Private Partnerships. Use R&D efforts for better recycling, promoting substitution processes for rare materials and investment in research and development of technologies for the recycling of raw materials as well as for the efficient and economic use of raw materials by SMEs.

- 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.

KEY RECOMMENDATIONS

- EU trade policy should focus on open global markets and access for EU industries to emerging and developing markets, such as in China, India, Southeast Asia, Russia and Latin America.

- We prefer a multilateral approach - bilateral approaches are second best.

- The EU must insist that raw materials trade is free from WTO-incompatible restrictions.

CONCLUSIONS

Over the last few months, Europe's focus has been on re-establishing budgetary orthodoxy, essentially through the introduction of austerity measures. Such an approach, while necessary, is clearly not sufficient. Indeed, for austerity to be acceptable to citizens, it needs to be accompanied by hopes of better times ahead, which only growth can provide. It was therefore time that the EU should focus once again on wealth creation. In this context, we very much welcome the Commission's recent industrial policy Communication which stresses that industry is vital to economic recovery and has a clear focus on manufacturing, growth and job creation.

As the industry driving the transition towards a clean and green economy, we support the policy aims outlined by the Commission and many of the actions proposed. Nevertheless, we feel it is essential to remember that the development of an industrial policy focusing only on the "green and clean economy" as a concept must be firmly anchored to the real world of industrial production, value chains and products: the green and clean economy is the natural evolution of the EU's economy which is being brought about by the products, technologies and systems manufactured by our industry and applied or used by our customers, whether they are businesses or consumers.

Finally we would like to stress that what will count in the end is how far the Commission and member states go beyond words and really apply a coherent policy which attracts companies.

Today the EU has a mix of industrial, internal market, research, social, energy, consumer and environmental policies which are often not coherent with one another and effectively have ended up discouraging investment in the EU.

Now the EU institutions, led by the European Commission must at last aim to achieve and apply a coherent policy which does attract industrial investment in practice: the success or failure of this policy will have a lasting impact on Europe and our position as Europeans in the world.

ABOUT CEEMET AND ORGALIME

CEEMET (Council of European Employers of the Metal, Engineering and Technology-Based Industries) is the European employers' organisation representing the interests of the metal, engineering and technology-based industries. Through its national member organisations it represents 200,000 companies across Europe. The vast majority of them are SMEs, providing over 13 million jobs of direct employment.

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 and CEEMET's industry plays a strategic role in the economy of Europe through the products, systems and technologies they manufacture and the integrated value chain the industry forms, starting from producers of ferrous and non-ferrous metals in the primary transformation and metals recycling industries, through the supply of components, equipment and systems, to the final supply of both consumer durables and capital goods and services to all sectors of the economy including:

- The primary transformation industries -foundry, steel and non-ferrous metals sectors.
- The transport industry including the automotive, aeronautics and rail sectors.
- The engineering industry itself.
- The energy sector production, transmission and distribution industries.
- Agro-industry, agriculture and the food industry in general.
- The major processing industries including the chemical, petrochemical and plastics industries.
- The housing and buildings sector.
- The medical sector.

This is also the industry that provides the technological solutions to the societal challenges facing Europe, whether at the level of climate change, sustainable consumption and production, demographic change, urbanisation or energy security.

Photos courtesy of: Airbus, Arlberger Bergbahnen and VDMA

MEMBERS

AUSTRALIA

AUSTRALIAN INDUSTRY

AUSTRIA

FEEI FMMI WKO

BELGIUM

AGORIA

BULGARIA

BASSEL BBCMB

CROATIA

HUP

DENMARK

DI

Organisation for erhvervslivet

FINLAND

THE FEDERATION OF FINNISH TECHNOLOGY INDUSTRIES

FRANCE

FIEEC FIM UIMM

GERMANY

GESAMTMETALL VDMA WSM ZVEI

GREAT BRITAIN

BEAMA EAMA

GREAT BRITAIN

EEF GAMBICA

HUNGARY

MAGEOSZ

IRELAND

IEEF

ITALY

ANIE ANIMA ASSOLOMBARDA FEDERMECCANICA

LATVIA

MASOC

LITHUANIA

LINPRA

LUXEMBOURG

ILTM

THE NETHERLANDS

FME-CWM METAALUNIE

NORWAY

NORSK INDUSTRI

POLAND

PIGE

PORTUGAL

AIMMAP ANEME

SLOVENIA

GZS-MPIA

Chamber of Commerce and Industry of Slovenia

SOUTH AFRICA

SEIFSA

SPAIN

CONFEMETAL SERCOBE

SWEDEN

TEKNIKFÖRETAGEN

Teknikföretagen

SWITZERLAND

SWISSMEM

TURKEY

MESS

EUROPEAN SECTOR ASSOCIATIONS

CEIR CELMA EFCEM EGMF EUROPUMP

ORGALIME

CEEMET

Council of European Employers of the Metal, Engineering and Technology-based industries