

**Opinion of the European Economic and Social Committee on the restructuring and evolution of the household appliance industry (white goods in Europe) and its impact on employment, climate change and consumers**

(2009/C 100/12)

On 17 January 2008, the European Economic and Social Committee, acting under Article 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*The restructuring and evolution of the household appliance industry (white goods in Europe) and its impact on employment, climate change and consumers.*

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 September 2008. The rapporteur was Ms DARMANIN and the co-rapporteur was Mr GIBELLIERI.

At its 448th plenary session, held on 22 and 23 October 2008 (meeting of 22 October), the European Economic and Social Committee adopted the following opinion by 86 votes with 2 abstentions.

**1. Conclusions and recommendations**

1.1. The EESC believes that the strength of the European household appliances<sup>(1)</sup> industry lies in its ability to make high-quality and sustainable products; this strength has to be underpinned and expanded by an adequate European policy based on continuous effort and improvement in technology innovation and continuous training activity to increase the skill of the employees. Such policy should foster the development of energy-efficient household appliances, with enhanced recycling capacity. The overall environmental impact, based on lifecycle analysis, should be minimalised.

1.2. The EESC firmly believes that the European Union legislation could have a direct influence on the competitiveness of the sector, mainly through the proposal for the extension of the Ecodesign Directive and the proposal for the revision of the Ecolabel Regulation, resulting in increased energy efficiency and reduced CO<sub>2</sub> emissions. So as to reduce the threat and trend of relocation of industry outside Europe, the loss of jobs and the risk of curbing consumers' interest.

1.3. Market surveillance is of paramount importance so as to safeguard the European industry, the workers in this industry, the consumers' interest and the environment. Market surveillance should be implemented through the use of the following measures:

— devolving of more resources by the Member States and the EU<sup>(2)</sup> for a stricter verification of product compliance with

<sup>(1)</sup> Household appliances refer to refrigerators, washing machines, dish-washers, boilers, heaters, and all electronic devices used in the house.

<sup>(2)</sup> The New Legislative Framework (NLF), also known as 'Ayrat Package', is the last package of the 'Better Regulation package' dealing with market surveillance, marking of products and homologation; and has been adopted by the European Parliament and the Council on 23 June 2008. [http://ec.europa.eu/enterprise/regulation/internal\\_market\\_package/index\\_en.htm](http://ec.europa.eu/enterprise/regulation/internal_market_package/index_en.htm)

European single market standards and legislation, particularly on imported products,

— eradicating unfair competition and dumping. Anti-dumping measures should be carefully studied so as not to be counterproductive to the European industry encouraging the relocation of the industry outside Europe or the increase of imports; they should be raised not only on the whole appliance but also on the components,

— revising the labelling system so as to reflect the advances in the innovation of the technology without giving false perceptions of value changes,

— tighter control so as to reduce the counterfeiting and pass off, slavish/copies phenomena,

— controls that labels, particularly those on imported goods, are truly what they claim to be and not misleading.

1.4. The EESC believes that the adjustments to the labelling system are of utmost importance. The label should always be updated when more technically-efficient appliances raise the standard. The system should be a dynamic one whereby new products on the market with better specifications would fall under a new label rather than lower the ranking of previously graded appliances. This revision should be linked to technology innovation but should be pegged to a deadline of 5 years as stated in Energy Efficiency Action Plan. It is crucial that the stakeholders are all involved in this revision process. Furthermore the Commission should promote enforcement of legislation turning the label into a more compelling tool for manufacturers, importers and retailers.

1.4.1. It would be beneficial in terms of sustainability for the EU to also influence other countries in adopting the high standards that the EU itself is undertaking to adopt for the internal market, since this would result in potential global energy saving.

1.5. The European household industry could be tremendously boosted with the introduction of incentive schemes within the Member States to encourage the substitution of appliances to more modern and energy efficient ones, which the industry already produces but which have not yet been sufficiently popular in the market. This support should be thought out in a way to facilitate the lesser rich people with the appropriate financial instruments and not be discriminatory. Lessons should be learnt from success stories in Europe and outside Europe.

1.6. It is also sensible to reinforce the assistance to consumers in terms of maintenance and spare parts of household appliances; ensuring that there is continuous upgrading and updating of the workers' skills so as to provide an efficient and reliable service. This could result in increased and/or retained employment.

1.7. The EESC believes that EU policy should facilitate the transition of industry to more innovative products and related services, which are strategically relevant due to their impact on the CO<sub>2</sub> emissions and energy consumption, such as solar panels, photovoltaic units, heat pumps, hydrogen cells, micro-generation units and high performance air conditioning devices. This would be conducive to employment creation and greater choice for the consumer.

1.8. The EESC reaffirms that the success in achieving the recommendations being made to effectively restructure the household industry in Europe, so as to become more sustainable, can be achieved and maximised only when there is thorough and effective sectorial social dialogue at a European level.

## 2. Background

2.1. The migration of the household appliances industry not only to Central and Eastern European countries, but also to Russia, Turkey and China is the most pressing problem of the sector at this time. Relocation is therefore taking place not only within EU Member States, but entire segments of household appliances are moving almost entirely from Europe to China.

2.2. Companies are now discovering Russia, where new washing machine and refrigerator plants are being created and existing companies from the white goods sector have been

taken over. Between fifteen and twenty white goods plants are now being built on Russian territory. This is essential for guaranteeing the penetration of European manufacturers in this new high potential market. However attention should be paid that in the future, these plants may not just service their national market but also export their production to Europe, if we fail to address the key issues of the European market.

2.2.1. There is also potential for exportation for European manufacturers in regions such as Asia, Northern Africa and the Middle East whereby there is already a growing trend of EU exports for household appliances. European manufacturers can exploit the current conditions, such as the increase of the middle class in these regions, good reputation of the European product, etc. to further penetrate these potential markets.

2.3. The increasing penetration of cheap and doubtful products is worsening the crisis in the European white goods industry. Scanty quality adds on to different tax systems, labour-cost advantages and the relatively low transports costs to attack established manufacturers in Europe.

2.4. It is obvious that Europe cannot compete with the monthly wages paid in e.g. China. A fridge or freezer produced in China is unbeatably cheap, and the same applies for simple components such as motors or compressors. Competitive advantages cannot be attained if European products are sold only on the price and not on a qualitative advantage. The strength of the European household appliances industry lies in its ability to make high-quality products. Other competitive advantages regard the design, product guarantees, service, compatibility of spare parts and repairs. This strength can be underpinned and expanded by an articulated European policy.

2.5. European factories produce refrigerators and freezers that fall into the A++, A+, A and B energy classes. The majority of goods currently produced fall into the A+ and A classes. A++ goods represent less than 4 %.

2.6. The uptake of energy-efficient refrigerators among consumers remains low. According to the CECED (*European Domestic Equipment Manufacturers Committee*), there are still approximately 188 million refrigerators and freezers that are over 10 years old in European households. Old appliances (from 1990) consume approximately 600 kWh/year, A+ appliances approximately 255 kWh/year and A++ appliances approximately 182 kWh/year. At current prices and current conditions<sup>(1)</sup>, an A++ appliance must run for approximately 12 years for the purchase to pay off for consumers.

<sup>(1)</sup> Including energy price and fuel costs.

2.7. In addition to older appliances, European manufacturers are even more concerned about potentially unsafe, energy inefficient and unreliable imports. This concern applies particularly to spot imports that are quickly sold out through the EU market.

2.7.1. As a consequence, household energy needs account for 25 % of the total energy demand in the EU with consumption for energy using products in households showing the sharpest increase in recent years, due to the introduction of new applications and products.

2.8. The use of better quality material for the magnetic core, together with an optimisation of the design on the new material characteristics, could increase the efficiency (up to 15 %) of electric motors in household appliances giving a significant contribution to the saving of electric energy domestic consumption.

2.9. Another development to be supported by the EC is that of developing household appliances suitable for maintenance and recycling. It must be pointed out that European manufacturers have made a major effort on this front and have sharply reduced the power and water consumption of large appliances. However, an increasing range of raw materials has since then become critical in terms not only of the environment but also of costs. This applies to steel, plastic, nickel, chromium, copper, etc. The prices for these raw materials and for oil by-products are going up. Those who can reduce the materials content in a product gain a major competitive edge. The possibilities offered to the household appliances industry by nanotechnology and by Life Cycle Analysis (LCA) methodologies to improve and evaluate the correct choice of materials are being far from sufficiently explored to obtain such an edge.

2.9.1. A current concern is the fact that not all material for recycling, under the current WEEE regulations, are effectively being returned to the manufacturers consequently having manufacturers pay for the cost of recycling but not actually receive the goods.

2.10. Promoting such research, pushing ahead with the miniaturisation of components such as motors, radiators, compressors, etc. should be the aim of a Commission-funded research policy. From this perspective, developing household appliances involving minimum use of materials means developing appliances more suitable for recycling. The eco-design, the EU Framework Directive of May 2005, with its

requirement for the ecological design of energy-driven appliances is an important starting point here. The European Commission does not need to reinvent its policy instruments, but rather must hone the ones that are currently available. This applies also for the existing energy and consumption label. Against the background of a worsening energy crisis and the cutting back of raw materials, the Commission should complement this label with a compulsory regulation for placing products on the market. Only those who make high level quality products should be allowed to sell household appliances on the European internal market in future: that would be the rationale of legislation requiring companies to make high-quality and durable household appliances.

2.11. It is also sensible to require manufacturers and retailers, by directive, to produce and sell repairable household appliances keeping spare parts ready for repairs and to offer a customer service. European consumers expect such a service and, by providing it, European manufacturers and retailers can set themselves apart from low-cost manufacturers whose products cannot be repaired but are merely thrown away and replaced by new ones. This cannot be in line with a sustainable development strategy.

2.11.1. In this respect the EESC is looking forward to further discussion on the implementation of the Commission's 'Action Plan <sup>(1)</sup> for sustainable consumption, production and industry'.

2.12. The household appliances sector in Europe still employs around 200 000 workers. The sector has been in decline for many years. Around 57 000 jobs have disappeared in Western Europe over the past two decades. The household appliance industry collapsed in Central and Eastern Europe following the end of the old political system and only around 20 000 new jobs have been created since then.

2.13. The household appliances sectors hardest hit by relocations to countries outside Europe (Russia, China, Turkey) are the air conditioners and small appliances sectors. European refrigerator/freezer factories still employ around 23 000 people.

2.14. Restructuring in the European household appliance sector will continue in the coming years. Its scope will not only depend on market and technological developments but also on political decisions and legislative measures.

### 3. Specific comments

3.1. *European policy must find an answer to four problems:*

<sup>(1)</sup> COM(2008) 397 final (16 July 2008).

3.1.1. How to ensure that industry is not lost to countries outside the European Union. The trend is clear that the industry is shifting location hence we should counter the envisaged and real treat of losing this industry to non-EU countries.

3.1.2. How to shape the structural change in Europe to ensure that Western European countries will not lose their scientific and technical production, know-how and the jobs that go with it whilst enabling Central and Eastern European countries to stabilise their emerging household appliances industry for the future.

3.1.3. How to find an economically sensible answer to the onslaught of Asian imports that is lower in value to its European equivalent and lower in quality or not compliant to internal market standards.

3.1.4. How to ensure that the achievements in having sustainable appliances reap such fruit within the internal market increasing the demand for such goods and keep investing in research and development of appliances which have lesser impact on climate change and sustainability.

### 3.2. *The case for industry*

3.2.1. This sector is an advanced industrial sector in terms of the accomplishments in the energy efficiency research and development. The voluntary agreements have been effective and have been honoured by the industry.

3.2.2. Unfortunately the disheartening factor is that industry necessitates European policy to be tightened so as to ensure that the efforts made in the industry actually bear the fruit. Last year the industry decided not to renew the voluntary agreements which in the past have been so successful.

3.2.3. Market surveillance at this point in time is of paramount importance. Tighter controls should be thought of in order to ensure that whatever is on the market is truly of the level and quality that it is promising specifically in terms of its effect on climate change.

3.2.4. More support from Member States is required in order to ensure that super efficient products being made available on the market are truly being taken up by consumers. The A++ is still seen as a product which is too expensive and which the

return on investment is not viable, this leave us with a market which primarily still opts for the A+ appliances. Incentives may vary and there are already some cases in Member States and outside Europe which can be identified as good practices <sup>(1)</sup>.

3.2.5. The support from the Member States and fair competition should be in tandem with the speed of technological innovation within this sector at a Member State level and also at a European Union level.

3.2.6. As important link in the supply chain is the retailer. The European retailer needs to be more aware of the various implications of the importation of the products that are being imported and sold in the internal market. Furthermore the scope and efforts of industry would be futile if the retailing sector will keep on importing products and selling products which are substandard, unsafe and not sustainable. In this respect the EESC believes that there still is a lot of scope in the education of the retail sector towards the sensitisation of the issues related to the household appliances industry in the internal market and the sustainable issues of such appliances.

### 3.3. *The social aspect*

3.3.1. The reality is that jobs are being lost as the industry reallocates. Hence this leaves a number of people with skills which cannot be used unless the worker relocates too. The restructuring of the industry is paramount for ensuring that jobs are not lost and that this industry still remains an attractive industry for top workers.

3.3.2. A sector which should be given due consideration is servicing with particular attention is the repair sector of appliances. The repair sector needs to be kept thriving by ensuring that appliances of high quality are truly repairable and also that the availability of parts is a reality making repair feasible.

3.3.3. In the same time, a joint European and Member States policy should foster the transition of the sector to the production of innovative products creating new opportunity for employment. This process ought to be supported by a well structured social dialogue between social partners at European, national and company level. Industrial relation of European quality must be ensured also in the new production sites located in the new EU Member States.

<sup>(1)</sup> **Italy:** 20 % A+ and A++ class refrigerators/freezers cost, with a ceiling of EUR 200, is deducted from the personal income tax.

**Spain:** Rebate scheme — In 2008, customers who buy energy efficient products will be eligible for EUR 50-125 subsidies depending on the appliance type purchased.

**Brazil:** Brazil's federal planned to launch a programme to subsidise purchases of 10 million refrigerators for low-income citizens. Consumers have to give their old fridge, which usually consumes more energy, to get the credits to purchase a new and more economical one.

3.3.4. An effective and continue sectoral social dialogue at European level together with the market surveillance and enforcement of standards across Europe are one of the keys to ensuring that lesser jobs are lost.

#### 3.4. *The case for the consumer*

3.4.1. The consumer needs to be assured of good quality performance products which are also energy efficient and hence qualitative information needs to be made available to the consumer in a simple, truthful and effective manner.

3.4.2. The labelling scheme needs to be a more dynamic scheme with a system that evolves and is updated with the innovation within the sector. Furthermore labels should report accurately the standards for the appliances and hence testing should be stricter and more accurate.

3.4.3. Market surveillance is very important across the Member States so as to ensure that the appliances truly deliver what they promise and that consumers get the deal for what they would have bargained for.

3.4.4. Worth noting is the possible negative effect the purchasing of new household appliances can have on the environment if consumers retain the old appliances in parallel with the new ones thus creating the 'rebound effect'.

3.4.5. Independent Consumer's Tests are the best promotion of efficient and effective household appliances. Such tests would ensure the all round quality and standard of an appliance, fulfilling the basic function of the product appropriately.

#### 3.5. *The case for the Environment*

3.5.1. The EESC recognises that also this sector can give particular contribution to the preservation of the environment, reduction of CO<sub>2</sub> emissions and reduction of climate change. In this respect the EESC reiterates its position taken in the Own Initiative Opinion Eco Friendly<sup>(1)</sup> production, whereby it emphasises that there is an opportunity for the growth of a green market in the internal market and also the specificities related to labelling and product life cycle amongst others.

3.5.2. A deadline of around 5 years should be applied to all goods that fall below the 'good standard' in order to reach the standard desired. Refrigerators, for example, that do not reach a specific threshold after this deadline should, in our opinion, no longer appear on the European market. This is in line with the action plan presented by the European Commission for energy efficiency on 24 October 2006 ('Products that do not meet the agreed minimum requirements may not be put on the market'). These proposals are also in line with the Ecodesign Directive and the Ecolabel Regulation.

3.5.3. Furthermore, it is important that Eco-Design legislation is applied as soon as possible to all relevant large appliances and that the Energy Label legislation is reviewed allowing to speedily develop super-efficient products: that would be the legislative scenario requiring companies to make high-quality and durable household appliances.

3.5.4. With regard to the existing EU energy policy, and taking into account that the labelling mechanism is not sufficient in itself to fulfil the energy objectives set by the EU, the EESC encourages the Commission to consider new legal instruments in order to attain these objectives.

Brussels, 22 October 2008.

The President  
of the European Economic and Social Committee  
Mario SEPI

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<sup>(1)</sup> Opinion EESC (O) C 224, 30.8.2008, p. 1) rapporteur Ms DARMANIN.