

Opinion of the European Economic and Social Committee on ‘Opportunities and challenges for a more competitive European woodworking and furniture sector’ (own-initiative opinion)

(2012/C 24/04)

Rapporteur: **Mr ZBOŘIL**

Co-rapporteur: **Mr PESCI**

On 20 January 2011, 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

Opportunities and challenges for a more competitive European woodworking and furniture sector

(own-initiative opinion).

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 27 September 2011. The rapporteur was Mr ZBOŘIL and the co-rapporteur was Mr PESCI.

At its 475th plenary session, held on 26 and 27 October 2011 (meeting of 26 October), the European Economic and Social Committee adopted the following opinion by 120 votes to 1 with 2 abstentions.

1. Conclusions and recommendations

1.1 The European woodworking and furniture sector (as well as the pulp and paper industry) mainly uses a natural renewable raw material, wood, and plays an essential role in the development of a green economy. The EESC has noticed that unfortunately there are currently some key inconsistencies between certain parts of some EU policies and initiatives which are having a serious impact on the forest-based industries' competitiveness and profitability.

1.2 The sector is facing growing competition for wood from the renewable energy sector, due to subsidies and other measures promoting the use of biomass (wood is one of the main fuels used to produce biomass energy). There are also difficulties regarding investments, research, training, attracting young workers, and administrative restrictions relating to public procurement. Furthermore, the furniture sector is facing a dramatic rise in the price of raw materials such as leather, plastics, natural fibres and petroleum derivatives.

1.3 The EESC calls for the EU and Member States' institutions to make a serious commitment to adjusting and developing a legislative framework that can boost competitiveness and help improve access to a supply of this raw material for the woodworking and furniture sector and pulp and paper industry. The EESC would recall the need for a detailed study on the problems relating to the supply of woody raw materials for forest-based industries and for the renewable energy sector (biomass).

1.3.1 The EESC encourages the Commission to cooperate with the forest/timber industry in order to put forward appropriate and specific measures to address these problems. To facilitate cooperation the Committee suggests setting up an informal, neutral, inter-institutional expert group – also

linking with relevant stakeholders – on 'wood as a sustainable raw material'. Naturally, the CCMI is interested in making part of this body.

1.4 The European study 'EUwood'⁽¹⁾ shows that wood consumption for energy generation is expected to grow from 346 million solid cubic meters in 2010 (3,1 EJ) to 573 million cubic meters (5 EJ) in 2020 and could reach 752 million cubic meters in 2030 (6,6 EJ). These results are based on the assumption that the share of wood in energy from renewable sources will decrease - from 50 % in 2008 to 40 % in 2020. A deficit of 200 million m³ of wood is expected by 2025 and 300 million m³ by 2030.

1.5 The EESC pleads for the inclusion of wood, as a key raw material, in the European Innovation Partnership on raw materials, in line with the recommendations of the EC Communication on raw materials. In this context the opportunities for reuse and recycling could be explored in particular.

1.6 EU forest-related policies should support active forest management; in particular the EESC suggests that the European Commission should promote the cultivation of 'short-rotation energy wood'. Measures should also be explored to ensure that wood which is suitable for industrial uses is not used for renewable energy production.

⁽¹⁾ Source European study 'Real potential for changes in growth and use of EU forests. EUwood'. Page 45 Chapter 3.5 Future demand for wood energy '... Wood consumption for energy generation is expected to grow from 346 million m³ in 2010 (3.1 EJ) to 573 million m³ (5 EJ) in 2020 and might reach 752 million m³ in 2030 (6,6 EJ). These results are based on the assumption that wood energy decreases its share in energy from renewable sources from 50 % in 2008 to 40 % in 2020.'

1.7 The EESC underlines the need to actively promote green buildings that use environmentally-friendly and resource-efficient structures and processes throughout their life cycle. To this end, an annual event – such as a workshop – to showcase sustainable building and design could be usefully supported by the EESC, with links to relevant Commission services.

1.8 The EESC welcomes the proposal from the Vice-President of the European Commission, Antonio Tajani, to introduce a ‘competitiveness test’ before a commercial partnership agreement between the EU and other third countries is signed. It also agrees that it would be necessary to assess the effects on industrial competitiveness of all other policy initiatives (such as energy, trade, environmental, social and consumer-protection policies) prior to their implementation.

1.9 In order to increase productivity and stay ahead of the competition, the sector needs workers who are trained in the latest skills and technologies. The EESC welcomes the pro-active approach from the industry on protecting workers from exposure to harmful agents in the workplace and welcomes the sector’s commitment to ensuring career and employment security, maintaining the health and well-being of workers, developing skills and competencies, and achieving a work-life balance.

1.10 Success in getting woodworking and furniture research and innovation projects accepted at EU level has been noticeably modest so far. In order to provide stronger R&D support for the European woodworking and furniture industries, future programmes will have to take special account of the specific difficulties and needs of SMEs.

1.11 The EESC would recall the importance of strong cooperation between the industry and EU/national government institutions in combating counterfeiting. The EESC therefore supports the creation of the European standard patent and calls for a ‘product sheet’ to be set up for furniture products. Developing technologies to facilitate authentication should also help substantially. The EESC recommends that the EU should take action to strengthen the capacity of national customs, and that a ‘European/National Anti-Counterfeiting Day’ should be organised.

2. The woodworking and furniture industries in the European Union ⁽²⁾

2.1 The woodworking and furniture industries are a vital, sustainable, innovative and eco-compatible sector, with a turnover in 2008 of around EUR 221 billion and an employment rate of 2.4 million people in more than 365 000 companies, the vast majority of which are SMEs. The furniture industry accounts for nearly half of this turnover, followed by the production of construction elements (19,3 %), sawmilling (13,9 %) and panel production (9,2 %). The

general financial and economic crisis has had a major impact on the entire sector: turnover decreased by more than 20 % between 2008 and 2009. The pulp and paper industry in Europe makes up the other part of the forest-based industries: it has an annual turnover of EUR 71 billion and produces 36 million tonnes of pulp and 89 million tonnes of paper.

2.2 In terms of employment, the furniture industry accounts for 51 % of employment in the sector. Italy employs the highest number of people, with 363 000 jobs in the sector, followed by Poland, Germany, Spain and the United Kingdom. In the new EU Member States, particularly large numbers of people are employed in the sector: out of people in employment overall, 34 % work in the woodworking industries. Jobs in the wood-working and furniture sector are often located in remote or less industrialised or developed areas, and therefore make an important contribution to the rural economy. The pulp and paper industry provides 235 000 direct jobs and 1 million indirect jobs. 60 % of all jobs are in rural areas.

2.3 As the sector mainly uses a natural renewable raw material, wood, and has a proven track record in the field of sustainability, the sector is a forerunner in the development of a green economy, which is one of the EU’s key goals for the future. The pulp and paper industry also has outstanding environmental credentials. As regards raw materials, half of the fibres used in making paper are recycled. The other half demonstrates a good use of resources: 20–30 % of these fibres originate as residues from other industries, thinnings from silviculture make up 40–60 %, and only 20–30 % comes from final fellings.

2.4 Unfortunately, there are currently some inconsistencies between certain parts of some EU policies and initiatives which have a serious impact on the sector’s competitiveness and profitability. The European woodworking and furniture sector is facing growing competition for wood from the renewable energy sector due to subsidies and other measures promoting the use of biomass (wood is one of the main fuels used to produce biomass energy). There are also difficulties regarding investments, research, training and education and attracting young workers. Administrative restrictions relating to public procurement put additional pressure on the sector.

2.5 The sector faces growing competition from low-cost, emerging economies and a growing number of technical trade barriers. Furthermore, the furniture sector is not only facing difficulties in accessing wood as a raw material, but also a dramatic rise in the price of materials such as leather, plastics natural fibres and petroleum derivatives.

2.6 If the EU institutions do not commit to developing a legislative framework that can boost competitiveness and do not guarantee a supply of raw materials for the woodworking and furniture sector, the future of the entire sector will remain in doubt.

⁽²⁾ Source data: European Panel Federation (EPF) Annual Report 2009-2010.

3. Effects of European renewable energy legislation on the demand for wood

3.1 The EESC is seriously concerned about the impact that the Commission's Climate Change and Energy Package will have on the development of renewable energy sources and on the overall availability of wood, the industry's raw material. The EESC is disappointed that the use of inappropriate subsidy schemes for renewable energy production, which were set up to achieve the climate commitments, has made it more profitable to burn wood directly than to use it for products. This has had a serious impact on the supply of wood to wood-working companies and on these companies' overall competitiveness and profitability.

3.2 The EESC urges the European Commission to carry out a detailed study on problems relating to the supply of woody raw material for forest-based industries and for the renewable energy sector (biomass). The EESC encourages the Commission to cooperate with the forest/timber industry in order to put forward appropriate and specific measures to address these problems. To facilitate cooperation the Committee suggests setting up an informal, neutral, inter-institutional expert group – also linking with relevant stakeholders – on 'wood as a sustainable raw material'. Naturally, the CCMI is interested in making part of this body.

3.3 The EESC supports the call of the wood and paper industries for a balanced approach to the use of wood biomass energy in order to avoid market distortions regarding the availability and price of forest-based raw materials for the manufacturing industries. It should be also taken into account that many panel companies have been forced to reduce capacity between June 2009 and June 2011 – not for financial or technological reasons but rather due to the lack of raw materials available.

3.4 Although wood biomass has, by far the highest (biomass) power density (energy flow in watts per square meter), it should be noted that this power density is still very low (0,6 W/m²) and, for instance, a wood-fired power plant with installed capacity of 1 GW, a capacity factor of 70 % and conversion efficiency of 35 % would require an annual harvest of about 330 000 ha of plantation growth - which equates to a square of land nearly 58 × 58 km⁽³⁾. Meeting the European renewable targets with the expected share of biomass would require 340-420 million solid cubic metres (s.cu.m) of wood biomass.

3.5 With regard to the promotion of renewable energy sources (RES) and biomass, the EESC considers that the following principles are essential:

- Member States should evaluate in their RES action plans the amount of wood biomass in the country or region that is

clearly available for energy use and the volumes the wood-working industry already uses as raw material before implementing measures to promote the use of RES;

- In order to restore a natural balance between the material use of wood and the energy use of biomass, subsidies for the direct burning of wood have to be avoided;
- Adequate methods should be implemented to ensure an optimum degree of recovery and recycling of waste wood and production residues;
- The promotion of the cascaded use principle (manufacturing of products, reuse, repair and recycling, valorisation of energy content);
- Measures for increased wood mobilisation from forests and other sources are to be promoted⁽⁴⁾ by European and national institutions and support given to short rotation forestry for energy biomass production.

3.6 From an economic point of view, the added value in the wood products industry is calculated to be EUR 1 044 per tonne of dry wood and EUR 118 per tonne for wood used as bio-energy. In terms of employment, the wood products industry generates 54 man-hours per tonne of dry wood, compared to only two man-hours in the bio-energy sector⁽⁵⁾. With respect to the carbon cycle, the wood-based product industry thus provides far greater benefits in terms of employment and added value than the direct burning of wood.

3.7 The woodworking sector has been contributing to sustainable energy use and natural resources for many decades, carrying out pioneering work in the field of generating renewable energy. This is another vital contribution to mitigating climate change.

3.8 Furthermore, important energy savings have been achieved by investing in modern equipment and processes, generating most of the energy required for industrial wood-working processes from wood biomass which is unsuitable for recycling. Indeed, up to 75 % of the energy used for manufacturing wood products is produced from wood residues and recovered wood. The sector also continually improves the recycling rates of wood through considerable investments in innovative technologies.

⁽³⁾ Vaclav Smil: Power Density Primer – Understanding the Spatial Dimension of the Unfolding Transformation to Renewable Electricity Generation, May, 2010.

⁽⁴⁾ 'Mobilisation and efficient use of wood and wood residues for energy generation'. Report to the Standing Forestry Committee by the Standing Forestry Committee ad hoc Working Group II on mobilisation and efficient use of wood and wood residues for energy generation.

⁽⁵⁾ Tackle Climate Change: Use Wood. CEI-Bois publication, November 2006.

3.9 Wood is a limited resource and the woodworking industry is committed to using it in the most efficient way. In the last two decades, the sector has developed logistical networks for collecting and recovering recycled wood. However, the EESC recognises that in several Member States, valuable wood resources are sent to landfill in contrast with the objectives of the European Landfill Directive (1999/31/EC). The EESC calls on the European Commission to ensure that the European Landfill Directive is implemented correctly to ensure that wood sources suitable for industrial or renewable energy uses are not wasted.

4. Wood as an excellent multi-purpose solution for saving energy in buildings

4.1 Energy efficiency is one of the main elements of the EU's Europe 2020 Strategy for smart, sustainable and inclusive growth. Energy efficiency is 'one of the most cost effective ways to enhance security of energy supply and to reduce emissions of greenhouse gases and other pollutants' ⁽⁶⁾.

4.2 Buildings are responsible for 40 % of energy consumption and 36 % of EU CO₂ emissions. The energy performance of buildings is key to achieving EU climate and energy objectives in the short and long term.

4.3 Wood as a construction material can provide a solution to improving the energy performance of buildings cost-effectively; numerous international scientific studies have found that wood-framed buildings involve lower GHG emissions than their steel and concrete-framed counterparts (26 % and 31 % respectively). Furthermore, in the residential sector, steel and concrete-framed homes consumed 17 % and 16 % more embodied energy and released 14 % and 23 % more air pollutants than a wood-framed home. The sector can thus play a major role in supporting the EC's Roadmap 2050 goals to achieve an 80 % reduction in GHG emissions by 2050.

4.4 The EESC underlines the need to promote green buildings that use environmentally compatible and resource-efficient structures and processes throughout their life cycle: throughout the design, construction, operation, maintenance, renovation, and demolition phases. The use of a Life Cycle Assessment (LCA) approach should be promoted: this approach involves identifying the material with the least impact on global warming.

4.5 The EESC is disappointed about the fact that there are still legislative barriers or obstacles as regards perception which are hampering an enhanced use of wood and wood-based products in residential buildings in the EU. Ad hoc initiatives should be undertaken at national level to enhance local and regional authorities' knowledge of wood as construction material. Moreover, the lack of appropriate education, training and skills, not only in the wood-based industries, but also in key related occupations (construction engineers, architects, etc.) is one of the most significant barriers which are preventing the increased use of wood for construction.

4.6 Unfortunately, the positive role of wood in housing is not always fully recognised in the green building rating schemes which are currently in operation. Some of these schemes have in fact worked against the use of wood. The EESC therefore calls for generally-accepted LCA methodologies to be used that recognise all the advantages and disadvantages of the building material, including carbon storage.

4.7 Encouraging the use of wood products is the greenest choice: by using the full potential of wood (sink and substitution effects) in buildings, Europe could reduce emissions of CO₂ by 300 million tonnes (between 15 and 20 %) ⁽⁷⁾. The EESC recognises that by using green building materials it is possible to achieve effective energy savings in buildings.

4.8 More generally, with regard to the ongoing climate change debate, and in particular the discussion on land use, land use change and forestry (LULUCF), the EESC calls on the authorities to:

- Recognise wood products as carbon stores ⁽⁸⁾.
- Promote the use of materials which act as carbon stores and have lower carbon and other resource 'footprints'.

5. Global Economy: challenges and opportunities for the woodworking and furniture industries

5.1 Nowadays, geographical distance no longer provides protection against competition.

5.2 Globalisation has affected the European woodworking and furniture industries in many areas:

- Import pressure from low-cost countries - in particular Asia - not only for consumer products like furniture or wood flooring (parquet and laminates), but also for plywood, where an antidumping duty has already been introduced. Plywood and furniture prices are under severe pressure due to competition, in particular from China.
- The export of logs (beech, oak, poplar) to China returning to Europe as (semi-)finished products. According to China Customs, total log imports amounted to 11 million m³ in the first four months of 2010, 24 % more than the same period in 2009. In 2009, the value of the imported wood-working products in the strict sense of the word amounted to EUR 7 billion. For many years, China has been the largest foreign furniture supplier to the EU. Since 2008, more than 50 % of total imports into Europe have been from China. European furniture imports from China are now 46.9 % higher than in 2005, yet total furniture imports are now only 12.6 % higher in value terms, which underlines the preponderance of China.

⁽⁷⁾ CEI-Bois: www.cei-bois.org.

⁽⁸⁾ Dušan Vácha, TSU Internship, Harvested Wood Products, approaches, methodology, application, IPCC/NGGIP/IGES, Kanagawa, Japan, May 2011.

⁽⁶⁾ Energy Efficiency Plan 2011 - COM(2011) 109 final.

5.3 The European institutions should guarantee a level playing field with the same market rules for both European producers and their competitors. The EESC welcomes the proposal by the Vice-President of the European Commission, Antonio Tajani, to introduce a 'competitiveness test' before commercial partnership agreements are signed between the EU and third countries. In the future, commercial and investment agreements should be agreed between EU and non-EU countries on the basis of an impact assessment completed prior to the start of negotiations. Furthermore, the EESC agrees that it would be necessary to assess the effects on industrial competitiveness of all other policy initiatives (such as energy, trade, environmental, social and consumer-protection policies) prior to their implementation.

5.4 Since many effects of globalisation cannot be slowed down or prevented, the European woodworking and furniture industries will have to make further progress into new and innovative segments. The sector has already focused on developing competitive advantages such as:

- flexible production that allows products to be customised;
- high quality specifications and advanced technology;
- superior design;
- development of values other than price-based value (e.g. branding, buying experience);
- integration of pre- and after-sales services;
- quick distribution with minimal stock keeping.

5.5 The European industry is thus focused on a 'never-ending' innovation process in terms of technology, functionality and aesthetics. Highly innovative and original niche products are essential in order to compete with the Chinese industry, which can now produce all kinds of goods at much lower prices than Europe.

6. Social aspects

6.1 The woodworking and furniture sector is under tremendous pressure as a result of multiple external stress factors, including marketplace globalisation, an accelerated pace of technological change and the recent global financial crisis. It is imperative to re-focus market strategies in order to stay competitive and remain an important part of the European economy. In particular, challenges include retirement plans, the

fact that the workforce has lower than average levels of education, and the ability to attract and maintain young workers and change skill requirements. The demographic development of the workforce in the sector should be closely monitored and remedial actions taken in advance, so as not to make it difficult for the sector to flourish in the future.

6.2 The availability of trained and skilled labour is a key aspect. The specific skills required in the production cycle of furniture or wood products can determine the success of the product itself. Workers' training must be based not only on traditional models but also on new market needs and technological development.

6.3 Currently, a specific concern for the sector is the ageing workforce in most industry sub-sectors, and its lack of appeal to young workers. The sector needs workers who are trained in the latest skills and technologies.

6.4 The industry is working with its sectoral organisations and trade unions⁽⁹⁾ to help solve these problems by focusing on the lack of vocational skills and the need to attract young workers. One key factor in reasserting the competitiveness of the sector is to ensure that a sufficient number of skilled workers are available to meet demand in the sector. Training college programmes should be responsive to workforce needs.

6.5 The industry has also been working to protect workers from exposure to harmful agents in the workplace through best practice projects on health and safety supported by the European Commission. The REF-Wood and Less Dust projects are the best examples of the woodworking industry's commitment to creating a healthy working environment for its employees. These European social partners initiatives have aimed to improve employment through providing better working conditions and should lead to an impact assessment and defining further steps allowing to reach the goals set by the social partners. The woodworking and furniture sectors consider that it is essential to ensure career and employment security, maintain the health and well-being of workers, develop skills and competencies, and achieve a work-life balance. The EESC welcomes and supports the fact that social charters exist on the rights and obligations of workers and employers at company level.

6.6 It is important to underline that these industries have great potential for developing local green jobs, due to the European woodworking and furniture industries' renewable raw materials and low-energy consumption, and the fact that the industries' plants are often located in rural areas.

⁽⁹⁾ See for example the Pfeleiderer AG Social Charta (PASOC), which was signed in Frankfurt am Main, Germany, on 30 November 2010. http://www.pasoc.innopas.eu/fileadmin/docs/documents/sozialcharta/EN_IFA-PAG.pdf.

7. Research and innovation

7.1 In order to secure access to European R&D programmes, the European woodworking sector has formed the Forest-based Sector Technology Platform (FTP), together with its partners from the pulp and paper industry and forest-owners. Whilst this has definitely opened up opportunities for EU-level R&D activities, success in getting woodworking and furniture projects accepted at the EU level has been noticeably modest so far, given that only a few SMEs have the resources required to participate.

7.2 EU cooperation programmes such as the ERA-NETs have proven to be better tailored to the needs of SMEs, and they have also opened up specific opportunities for companies from the sector.

7.3 Thus, in order for the woodworking and furniture industries in Europe to be able to benefit from stronger R&D support, future EU R&D programmes will have to take special account of the specific needs of SMEs, so as to facilitate access to programmes and fit in with the day-to-day needs of companies.

7.4 The EESC therefore calls on the European Commission and the Member States to give due consideration to these observations, and to consider them in light of the ongoing public consultation on the Green Paper on a Common Strategic Framework for future EU Research and Innovation Funding. Furthermore, the EESC encourages the European institutions to explore initiatives in order to boost the development of non-technological innovation.

7.5 Innovation develops organically; it is not something that can be delivered on demand. National and European authorities can, however, support the innovation process by providing framework conditions that make it worthwhile for companies to invest time and money in their future.

7.6 The European raw materials policy has been focusing on critical materials, rather than on other raw materials such as wood or recycled paper. In order to overcome this apparent gap in EC policy, the EESC pleads for the inclusion of wood, as a key raw material, in the European Innovation Partnership on raw materials, in line with the recommendations of the EC Communication on raw materials.

8. Intellectual property rights and product counterfeiting

8.1 Protecting and enforcing intellectual property rights has to be a priority in order to ensure that the EU can continue to compete in the global economy despite increasing international

counterfeiting and piracy in many sectors. The EESC stresses the need for enhanced cooperation in the area of industrial property rights, in particular through the creation of the European standard patent.

8.2 The EESC would recall the need for strong cooperation between industry and government institutions (at the European and national level) to combat counterfeiting. It is vital to providing better support to train for public-sector and customs officials, and raise awareness amongst consumers. Developing technologies to facilitate the authentication of genuine as opposed to fake products should also help substantially. The EESC recommends that the EU should take action to strengthen the capacity of the national customs to combat the trade in counterfeit goods.

8.3 The Italian initiative 'National Anti-Counterfeiting Day', held in Rome and several other Italian cities last year by Confindustria, is an example of good practice. The EESC invites the European institutions to organise a similar event at the European and national levels.

8.4 Counterfeit furniture products can be hazardous to health or even life-threatening. For this reason, in order to enhance intellectual property rights and combat counterfeit products, the EESC invites the European Commission to create a 'product sheet' for furniture products. The fact sheet should be enclosed with the purchased product, in order to guarantee the necessary transparency in trade relations between producers, dealers and consumers. Furniture products placed on the European market should provide the following information as a minimum: the legal name or TDC of the product; the business name of the producer or importer; the origin of the product; the presence of any materials or substances that may be harmful to humans or the environment; information on the materials used and the production methods if these are significant for the quality or characteristics of the product; the instructions for use.

8.5 The Committee recognises that there is a real need to support the furniture and woodworking sector through economic reforms to encourage product promotion internationally and ensure fair competition. The EU should also urge emerging economies to reform their national systems in order to eliminate bureaucratic inefficiency or compensate for the regulatory or bureaucratic imbalances that may exist through tariffs. The legal framework could also be improved in order to create a clear regulatory framework for European companies wishing to invest in third markets.

Brussels, 26 October 2011.

The President
of the European Economic and Social Committee
Staffan NILSSON