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For immediate release

The Commission Drops Unfair Trading Practices in the Non-Food Supply Chain from Its Agenda

Brussels, 17 July 2014 - The European Commission published on 14 July 2014 a Communication¹ on unfair trading practices (UTPs) in the business-to-business food supply chain (COM (2014) 472). The Communication has been drafted following a public consultation carried out in the first half of 2013. Although the public consultation revealed the existence of UTPs in some non-food sectors, the Commission Communication focuses only on the food sector. Nevertheless, CECIMO is convinced that the Commission should revisit its decision to exclude the business-to-business non-food supply chain from the Communication.

CECIMO is increasingly concerned about the growing disequilibrium in relationships between small to medium sized machine tool suppliers and large dominant customers in the supply chain of major industrial sectors. "OEMs (original equipment manufacturers) in automotive and aircraft industries have recently been going through restructuring which has led to a greater centralisation in these major customer sectors of the machine tool industry. Moreover, they have reorganized their procurement strategies and have introduced risk-sharing models shifting risks and responsibilities onto suppliers, which are smaller in size and are weaker in terms of bargaining power, revealed a study² on the competitiveness of the European mechanical engineering industry commissioned by the European Commission in 2011." states Filip Geerts, Director General of CECIMO. Businesses confirm this trend by highlighting that they are increasingly facing unfair contract terms unilaterally imposed by large customers such as unlimited warranties for consequential damages or access to the suppliers' intellectual property.

This situation has a negative impact on innovation, access to finance and company growth, thus undermining the sustainability of the manufacturing value chain in Europe as well as highly skilled jobs provided by SMEs. Furthermore, divergent legislative frameworks in Member States leads to an uneven protection for small suppliers across the EU against such practices, which is a disincentive for SMEs to do cross-border trade in the Single Market. Although the machine tool industry is for freedom of contract, CECIMO believes that a situation in which small players with a weak bargaining power are imposed liabilities that are unlimited in time and magnitude should be avoided. In the mid-term, these unfair practices pose a serious threat to SMEs.

"A healthy and sustainable European industrial ecosystem is key to building an innovative and competitive manufacturing base, a core objective set by the Commission's Industrial Policy Strategy. And small to medium-sized enterprises supplying key enabling production equipment and technologies are the backbone of this eco-system." affirms Filip Geerts.

¹ http://europa.eu/rapid/press-release_IP-14-831_en.htm

² "An introduction to Mechanical Engineering: Study on the Competitiveness of the EU Mechanical Engineering Industry", Within the Framework Contract of Sectoral Competitiveness Studies – ENTR/06/054, ECORYS Research and Consulting, 1 February 2012

When the market forces do not ensure balanced and sustainable relationships in the industry supply chain, the European Commission is well-positioned to investigate the underlying reasons and to send the right signals to market players across the EU. For the time being, CECIMO refrains from stating preference for any regulatory or self-regulatory measure without a proper assessment of the situation. However, CECIMO is convinced that the incoming Commission should not turn a blind eye on this important issue and consider putting UTPs in the business-to-business non-food supply chain back on the agenda.

About CECIMO

CECIMO is the European Association of the Machine Tool Industries. We bring together 15 national Associations of machine tool builders, which represent approximately 1500 industrial enterprises in Europe*, over 80% of which are SMEs. CECIMO covers 98% of the total machine tool production in Europe and about one third worldwide. It accounts for almost 150,000 employees and a turnover of nearly €23 billion in 2013. More than 80% of CECIMO production is shipped abroad, whereas two thirds of it is exported outside Europe*. For more information visit www.cecimo.eu

*Europe = EU + EFTA + Turkey

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