

UEA NEWSLETTER

CONTENT

- EDITORIAL:
- FURNITURE & INFLATION
- BULGARIA & ROMANIA
- TRADE DEFENCE INSTRUMENTS
- ORIGIN MARKING
- FIRE-RESISTANT UPHOLSTERY
- HIGHER SUBSIDIES FOR SMES
- CEFTA
- FIRST
- EU SOCIAL DIALOGUE
- COLLECTIVE AGREEMENTS
- FORMALDEHYDE
- REACH
- OUR FURNITURE 2020
- EVAN
- FUNSTEP

Periodical January 2007

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EDITORIAL

According to the first indications 2006 has not been a bad year for the furniture industry. The industry has progressed in a number of important producing countries resulting in an over all growth in the EU. Of course the strong growth in the new Member States continues to be much higher than in EU 15. Nevertheless, the efforts in many countries to improve the competitiveness have started to show results. In its project FIRST: Furniture Industry in Restructuring: Systems and Tools, the UEA in collaboration with a number of partners amongst whom prominently figure the Polytechnic University of Milan and Aidima, the Spanish furniture research institute, wishes to contribute to this effort by analysing and disseminating successful examples of companies that have gone through a restructuring effort or that have developed a structure that allows them to deal with the globalisation of the furniture industry. I am convinced that the resulting guidelines will be useful food for thought for those companies that look through them. Clearly a number of companies are succeeding very well in using a wide variety of advantages to offset the cost disadvantage caused by producing in the EU. One additional cost that has been added is the REACH directive that has just been approved by the European Parliament. It is unclear what exactly will be the cost impact for our industry, but certainly it will increase the cost of many products used in the manufacture of furniture whilst furniture imported from outside the EU will not suffer from that same handicap. One of the advantages used by EU manufacturers is the highly qualified labour pointing to the importance of the social dialogue between workers representatives and employers. It should not only be used to obtain improved training systems but also to increase flexibility, reduce absenteeism or work loss due to accidents. According to the recent Eurostat statistics, the wood and furniture industry is still one of the most accident prone sectors. This is going to be one of the subjects of the EU social dialogue for this starting year. 2007 looks like it is going to be another year with many challenges but also with great opportunities. I wish for all the European furniture companies to be successful in taking advantage of these opportunities.

Calixto Valenti,

UEA President

THE FURNITURE INDUSTRY

FURNITURE & INFLATION

According to Eurostat, the annual inflation for the EU25 at the end of November 2006 was +2.1%. The weight of furniture prices accounts for 2.59% in the Harmonized Index of Consumer Prices (compared with 4.51% for cars and 5.35% for garments). Furniture prices (at retail level) have annually increased by 0.6% at the end of November 2007 (at the EU25 level). The highest increases were recorded in the Baltic States whilst decreases were observed in several countries (see table).

ANNUAL INFLATION RATES

Country	Furn.	Gen.	Country	Furn.	Gen.
EU25	0,6%	2,1%	Hungary	-2,1%	6,4%
Belgium	0,9%	2,0%	Malta	0,6%	0,9%
Czech Rep.	-1,0%	1,0%	Netherlands	0,8%	1,6%
Denmark	0,1%	1,8%	Austria	1,0%	1,6%
Germany	0,5%	1,5%	Poland	0,6%	1,3%
Estonia	6,1%	4,7%	Portugal	1,2%	2,6%
Greece	2,2%	3,2%	Slovenia	4,0%	2,4%
Spain	3,7%	2,7%	Slovakia	-2,1%	3,7%
France	0,3%	1,6%	Finland	1,1%	1,3%
Ireland	-4,1%	2,4%	Sweden	-1,4%	1,5%
Italy	1,7%	2,0%	UK	0,1%	2,7%
Cyprus	2,5%	1,3%	Bulgaria	2,7%	6,1%
Latvia	4,9%	6,3%	Romania	2,5%	4,7%
Lithuania	3,2%	4,4%	Turkey	4,9%	9,8%
Luxembourg	0,9%	1,8%	Norway	-0,7%	2,8%

BULGARIA & ROMANIA

The U.E.A. welcomes Bulgaria and Romania in the European Union. On the 1st January 2007, the EU27 will total 493 millions inhabitants-citizens-consumers and its gross domestic product (GDP) should have exceeded 11,000 billion Euros for 2006. The production of the furniture industry represents almost 1% of this GDP. The industrial activities account for 26.3% of the GDP and the furniture industry for 3.4% of the industry.

THE INTERNAL MARKET

GREEN PAPER ON TRADE DEFENCE INSTRUMENTS

The European Commission (EC) - DG Trade - has adopted on 6 December a Green Paper to launch reflection on the application of the EU Trade Defence Instruments in light of emerging new realities in the global economic context. The exercise consists in consulting all interested stakeholders and asking them to give their opinions on the proposed EC solutions. The EC is thus carrying out an enquiry using a questionnaire with

32 open questions that can be sent back to the EC. Answers may be short and not to all questions. Deadline is 31 March 2007. You can download the green paper and the questionnaire on:

http://ec.europa.eu/trade/issues/respectrules/anti_dumping/comu061206_en.htm .

If you plan to participate in the consultation, please send also a copy of your questionnaire to the UEA in order for us to prepare common answers for all the members.

ORIGIN MARKING

The European Commission has prepared a Decision on the origin marking that, if adopted by the Council, will require that imports of certain manufactured goods (among which furniture) from extra-EU countries indicate their origin ("Made in ..."). The Decision has passed different steps: several committees that confirmed its commercial and technical feasibilities and a positive opinion from the European Parliament and from the Economic & Social Committee. It is now in the hand of the Council. The EU 25 member states are divided on this issue on a North-South and on an industry-distribution axis. The Southern countries support the scheme whilst the Nordic countries are against. It was not the priority of the Finnish presidency to adopt it neither of the future German one. Its acceptance or not will probably occur under the Portuguese presidency (second part of 2007) which supports it. In any case, the member states will decide in a simple majority voting, that is why a national lobbying to support the scheme is in the order of the day.

FIRE-RESISTANT UPHOLSTERY

The French proposed legislation ("décret") on the request of fire resistance of upholstery produced or imported and sold in the French territory has been sent to the European Commission for notification. Member States are required to notify the Commission in advance of proposed national regulations in the area of products. The procedure was set up by the Commission as an instrument for avoiding the introduction of new unnecessary bureaucratic obstacles and to prevent new barriers to the free movement of goods in the Single Market. The purpose of the notification system is to ensure that every decision taken by the authorities of a Member State which restricts the free circulation of goods legally marketed in other Community countries is brought to the attention of the Commission (and the other Member States) as quickly as possible to allow the latter to take any necessary and appropriate action. Two options are possible: Option 1: Confirmation of the compatibility of the measure with Community law; Option 2: Enter into discussions with the Member state concerned with a view to removing the obstacle to trade.

HIGHER SUBSIDIES ALLOWED FOR SME'S

The threshold under which Member States may grant *de minimis* aid without further specific requirements has been increased by the European Commission to take account of the evolution of the economy. The amount of individual subsidies governments can pay out to businesses without seeking EU25 approval has been raised from €100 000 to €200 000. This follows a Decision by the European Commission to simplify the rules, in a bid to help small firms. Subsidies for companies in difficulty and those for which the amount cannot be calculated in advance have been excluded, to prevent distortions of competition. State aid granted in 2005 totalled €64bn (or 0.59% of EU GDP), slightly down from €65bn in 2004 (0.61% of EU GDP). The overall level of State aid less agriculture, fisheries and transport stood at €45 billion for the EU in 2005. A higher proportion of the €45bn of government support in 2005 went to areas of common interest such as environment (28%), regional economic development (19%), R&D (12%) & support to SME's (10%). Germany accounts for 34% of total, followed by France (14%), Italy (12%) and the UK (8%). Half of state aid consists in grants and 40% in tax exemptions.

CENTRAL EUROPEAN FREE TRADE AGREEMENT

Prime Ministers of South Eastern European countries and territories have signed a new Central European Free Trade Agreement (CEFTA). The new CEFTA consolidates 32 bilateral free trade agreements in the Southern European Region into a single Regional Trade Agreement. The agreement creates a regional free trade area, based on the existing bilateral agreements which liberalize more than 90% of trade and almost all trade in industrial goods. The EU is not a party to this new Agreement. This should boost trade and attract investment. The experience of trade liberalization in South Eastern Europe is an important precursor to the economic cooperation that is an inherent part of Membership of the European Union. The signatories of CEFTA are Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro and Serbia.

TRAINING & SOCIAL AFFAIRS

FIRST



The UEA and its partners officially launched the FIRST project on October 25, 2006 with a kick-off meeting in Brussels. The first phase of the project consists in carrying out a survey in the furniture sector to identify best

practices useful for other furniture manufacturers that are facing changes or challenges. The FIRST project wants to understand the best/good practices related to how companies operating in European furniture industry have either successfully completed their restructuring or have successfully adopted strategies that have allowed them to remain competitive without restructuring. Based on this, the partners will design and develop a set of methods and tools that can support companies in moving towards the idea of restructuring in order to remain competitive. To obtain these objectives, 30 furniture companies will be approached to prepare one case study per company to have a good understanding of the system in which small and medium enterprises in the European furniture industry operate. The results will be available mid-March 2007.

SECTORAL SOCIAL DIALOGUE

On December 19, 2006, the UEA and the EFBWW (EU trade unions) held a meeting of their European Committee for Social Dialogue in the furniture industry. Various issues were discussed and a work program for 2007 was drafted. Occupational health & safety is essential in the sector and a seminar to discuss the best national practices is planned for 2007 as well as the preparation of guidelines (noise, loads, ...). The implementation of the "acquis communautaire", especially the legislation on health & safety, should be effective in the new member states (with a possible assistance from member states) and the social dialogue at the national level should be fostered. On the training & education levels, the partners admitted that an analysis of the training systems and of their impact on competitiveness is an exercise to be considered; the matchmaking between jobs offers and demands should be optimized and the sector should find solutions to attract new talents. The social partners also presented their various projects related with social affairs (restructuring, social dialogue, vocational training, ...) and repeated their commitment to cooperate further in these projects in order to get rapid results. Finally a joint declaration on the social dialogue in the new member states and in candidate countries was drafted and should be signed by both parts in the beginning of 2007.

NEW ENQUIRY ON COLLECTIVE AGREEMENTS IN THE FURNITURE SECTOR

The European Commission has decided to co-fund a project fostering the social dialogue and the level playing field in new member states (Bulgaria & Romania) and candidate countries (Croatia & Turkey) through advices and exchange of best practices. Three years ago the UEA in partnership

with the European Federation of Building & Wood Workers (EFBWW) carried out an enquiry on the collective agreements in the EU member states (old & new) and published the results in a booklet. In February/March 2007, the UEA will update the results and publish a new booklet (EU27 + Croatia + Turkey) available for furniture manufacturers. You can obtain a booklet (for free) at: secretariat@uea.be.

FORMALDEHYDE

Formaldehyde is produced worldwide on a large scale by catalytic, vapour-phase oxidation of methanol. Formaldehyde is used mainly in the production of phenolic, urea, melamine and polyacetal resins. These resins have wide uses as adhesives and binders for the wood products, pulp and paper, and synthetic vitreous fibre industries and in the production of plastics and coatings and in textile finishing. Formaldehyde occurs as a natural product in most living systems and in the environment. Common non-occupational sources of exposure include vehicle emissions, particle boards and similar building materials, carpets, paints and varnishes, food and cooking, tobacco smoke and the use of formaldehyde as a disinfectant. Levels of formaldehyde in outdoor air are generally below 0.001 mg/m³ in remote areas and below 0.02 mg/m³ in urban settings. The levels of formaldehyde in the indoor air of houses are typically 0.02-0.06 mg/m³.

Occupational exposure to formaldehyde occurs in a wide variety of occupations: in varnishing of furniture and wooden floors, in the finishing of textiles, in particleboard factories, ...

Formaldehyde is irritating for the eyes, the nose and the throat. Several studies and the International Agency for Research on Cancer have demonstrated with evidences the carcinogenicity of formaldehyde for humans (nasopharyngeal and sino-nasal cancers). The World Health Organization has classified it as carcinogenic for humans in 2005 (Group 1). In July 2006, France adopted an "arrêté" that includes formaldehyde in the list of carcinogenic products for workers exposed to them and requests limits for or banning of them. France has asked the Commission to do the same at the EU level. The Commission will take a decision in March 2007 but many large countries are against such a classification showing studies that do not prove the carcinogenicity of this product. If not classified, REACH will be the last resort for definitive analysis.

ENVIRONMENTAL & TECHNICAL ISSUES

REACH ADOPTED BY THE EUROPEAN PARLIAMENT

Parliament adopted the compromise it negotiated with Council on the new regulation for chemicals, REACH, which will oblige producers to register all those chemical substances produced or imported above a total quantity of 1 ton per year. Registration will affect about 30,000 substances. For more hazardous substances, producers will have to submit a substitution plan to replace them with safer alternatives.

When no alternative exists, producers will have to present a research plan aimed at finding one. The compromise package agreed with the Council was approved in the European Parliament on December 13, 2006.

The regulation will enter into force progressively from June 2007, and the registration process will take 11 years to be completed. The calendar for registration depends on the risk of the substance and the quantity produced. All covered substances will have to be registered by 2018. REACH also creates a new Chemicals Agency, to be based in Helsinki, which will be responsible for the authorization process. Registration will affect about 30,000 substances. The calendar for registration depends on the risk of the substance and the quantity produced. All covered substances will have to be registered by 2018.

The chemical products used by the furniture industry (coatings, stabilizers, bindings, additives, glues, plastics, foils, polyurethane foams, ...) accounts for more than 15% of all materials used or for an amount of 7 billion Euros of purchases.

OUR FURNITURE 2020



The User-Centred Innovation for Manufacturing (UCIM) project has developed some roadmaps for improving the competitiveness of the furniture industry (partners are: Centre for Knowledge Exchange, Institute for Prospective Technological Studies, VTT Technical Research of Finland, Austrian Research Centre Systems Research, Netherlands Organization for Applied Scientific Research, Strategic Design Scenarios). The UEA has been consulted in the development of three scenarios that represent complementary visions to enhance European furniture industry competitiveness through involvement of users/consumers in customization of the products that they want (preliminary results up to now).

The 3 scenarios illustrate different/contrasted concepts: “assisted creation”, “customized finishing” or “adaptable leasing”. They can be used separately or in common. They embrace, for furniture manufacturers, multiple business opportunities made of combinations of these 3 concepts in order to meet trends in user demand towards more personalized products. To implement the scenarios, pathways are proposed on which the various stops are in fact enablers that allow going further and reaching the end of the scenario(s). These enablers are a kind of conditions to be fulfilled by manufacturers to go to the next phase of the scenario(s).

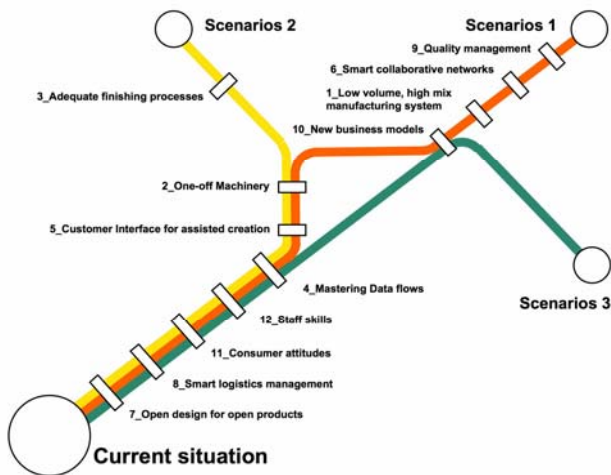


Image: FJ Solutioning Design

They are twelve. Five are common to the three scenarios/pathways. “Open design for open products” that uses software that permit the involvement not only of the customers but also of the retailers or leasers; “Smart logistics management”: how to optimize inputs and outputs and to allow tracking from customers/retailers; “Consumer attitudes”: customers demanding customized furniture express certain values: their number is limited but growing; “Staff skills”: the scenarios involve individual skills that are not yet widely developed but could be with training or recruitment; “Mastering data flows-Standards for product data”: a common format for handling product data is necessary and is available (FunStep-see below). To reach the end of scenario1 (assisted creation), six other enablers boost the progression. “Customer interface for assisted creation” or a software platform where manufacturers, designers and customers are connected and visualization is possible; “One-off machinery” with efficient & flexible machinery but also with low consumption of energy and environmental load; “New business models” or shifting from selling single products towards

supplying integrated solutions for the customers; “Low volume-High mix manufacturing system” or real time manufacturing control system and a quickly reconfigurable manufacturing system; “Smart collaborative network” or an optimized cooperation and specialization between small manufacturers and finally, “Quality management”. To see the end of scenario2 (customized finishing), in addition to the five common enablers, three enablers must be ignited: “Customer interface for assisted creation”, “One-off machinery” and “Adequate finishing processes” that the customers can use and play with to finish their order. For the scenario3 (adaptable leasing), only the five common enablers are requirements (customized furniture, reusable at the end of the leasing period).

EVAN

The “Design Driven Toolbox” handbook describes a methodology for new product development in concrete and pragmatic terms. It proposes examples of implementation and three tools:



- ❑ (1) the Interpreters Configuration Check-up which is a set of activities that support companies in the assessment of the network of actors that the company involves in the conception and definition of new products, and in the identification of possible new key resources in order to develop new visions, new product lines, ...
- ❑ (2) the Knowledge Repository Process - KRP: any innovation start from knowledge; radical innovation based on design requires the gathering and development of knowledge on future socio-cultural trends and technology. The KRP is a medium-long term activity involving a selection of people among company team and close network in the regular capture and interpretation of drivers and trends in the product design environment. It is a simple and light procedure to accumulate individual views and findings about company-specific strategic topics and to share and confront it in short regular meetings to orient radical product innovation.
- ❑ (3) the Design Direction Workshop allows to combine and build a series of alternative directions to orient the design of new range of products/services towards breakthrough innovations. The result is a series of possible project briefs co-elaborated with the project team and the designers ready for decision making by management.

You can now obtain a hard copy of this handbook for free. Please contact secretariat@uea.be



The UEA is involved in the INNOVAFUN project whose objective is to promote the use of the open ISO standard called "FunStep" by the furniture supply chain (see also www.funstep.org). Use of data management systems in the furniture industry specifically designed for furniture manufacturers and providers (FunStep, EDI, FenaNet, EAN coding, ...) is more and more common. For the furniture sector, an ISO standard has been developed in the framework of FunStep. It is neither a software tool nor an Internet Service. FunStep is the ISO International Standard related to Furniture Product Data. It is "ISO- 10303-236: Industrial Automation Systems & Integration - Product Data Representation & Exchange" which is the Application Protocol (AP) for the representation of furniture catalogues (including geometry and expressions for special products) and placement of pieces of furniture into an interior decoration project. This standard has been registered into the ISO TC184/SC4 website. FunStep has transformed it into an open standard usable by any part in the furniture supply chain. FunStep standardizes the data exchanged along the chain and overcomes the non-compatibility between the existing software. This results in improving products and services; reducing turn-around time; quickening the exchange of commercial information with clients regarding orders, invoices and quotes, etc.; enabling the immediate availability of information and reducing the errors in the management of catalogues and orders.

FunStep allows:

1. Reuse information
 - Share information between the full life cycle of product development;
 - Avoid maintaining duplicate information;
 - Export information from design software to use it with Enterprise Resource Planning (ERP) software;
 - Export design and graphical information from design software and allow your customers to import that information into home decoration software.
2. Share information
 - Export information from ERP and feed a web-based B2B store;
 - Export information from ERP and allow your customers to load price lists into their applications;
 - Access to new markets: publish your catalogue in foreign marketplaces;
 - "Type once, publish everywhere" paradigm.
3. Technology
 - Use furniture-oriented solutions to avoid getting locked-in with proprietary tools and formats that may disappear in the near future.
 - Supported by the furniture supply chain.