

## **Honeywell response to the consultation on the future EU 2020 strategy.**

Since the early 1900s, Honeywell has had a strong presence in Europe region and currently employing 30,000 here. Over time Honeywell has contributed to the Europe's development by improving infrastructure, bringing innovative products and services to a wide range of industries and activities, and developing its workforce through training, bringing new skills and tools such as the Six-Sigma business management system.

Like many companies, Honeywell has suffered from the serious economic downturn. In most cases we have been able to avoid painful adjustments to our resources in order to cope with lower revenues. We regard the current situation as a unique opportunity to re-calibrate our activities for future growth. Our technology portfolio - current and future - is well positioned to bring value to society in terms of energy efficiency, safety and increased productivity. In this context, the EU and Member States fulfill a dual role for us – as enablers and as “consumers”. In our view, the EU's Growth Strategy should consist of concrete, measurable goals.

Our submission will follow as much as possible the structure of the consultation paper. We should like, however, to underline that the most important contribution to a rapid recovery of the economy will be made by deploying existing technologies to achieve gains in terms of energy efficiency, greenhouse gas emission reduction and adoption of renewable sources of energy. In view of the limited public financial resources available, public procurement would seem the most effective way of stimulating economic growth.

In the private sector, investment in advanced technologies that can deliver the “2020” goals often show long pay-back periods, or insufficient economic returns. In this context, public/private partnerships and mandatory performance targets must be taken into consideration.

### **Innovation**

We fully support the goal of basing future growth on knowledge. In our experience, the EU has excellent scientific and research capabilities. The relative weakness lies in the translation of knowledge into marketable products and services. The consultation document identifies various barriers, such as a lack of entrepreneurialism and venture capital. We should like to stress three areas where improvements can be made:

- While technical standards are invaluable, the EU standardization process tends to favor incumbent technologies;
- The cumbersome administrative requirements of EU Research programs discourage the participation of truly innovative start-ups;
- Similarly, some of the conditions of public procurement tenders (e.g. posting a financial bond) constitute a real barrier to new entrants;

These three areas are good examples of risk-averseness which is a barrier to the promotion of innovation.

### **Education**

A technology intensive company like Honeywell must have access to personnel with a solid technical background. In many communities our businesses are actively involved with training institutions to ensure access to pool of properly trained people. We note with some

concern that jobs that require technical skills based on vocational training are held in lower public esteem. Equally, we note that many curricula of vocational training are predominantly focused on traditional skills, and neglect newer developments, be it new materials, increased (embedded) digitization of equipment or health and safety aspects of the job. The EU could play a useful role in developing a more robust template for technical and vocational training.

## **Employment**

As indicated above, Honeywell has avoided to the extent possible to reduce its staff levels during the serious economic downturn. By relying on other ways to reduce the cost of employment such as voluntary unpaid leave, we have been able to retain the skills and experience our businesses rely on to meet customers' expectations. We fully support the concept of 'flexicurity' evocated in the consultation paper.

Equally, we believe that market dynamics and competitive pressure demand that businesses can effectively anticipate and respond to lasting changes in the market conditions. Our policy is to ensure employability of our staff, and training is an essential part of that policy. As indicated in the consultation paper, the differences between Member States in social security and pension systems make it difficult to transfer employees across borders. Whilst recognizing that there are substantial political and financial barriers, we view this as a priority area for the EU to take action.

In this context, we note that high payroll related taxes generally discourage staffing levels. They may result in higher productivity at company level, but may well result in underutilization of human capital.

## **Reducing pressure on resources**

Honeywell's core competency is the development and application of technologies that reduce dependency on scarce resources, be it intelligent controls that reduce power consumption in buildings, fuel efficient aircraft engines, transportation turbochargers, advanced combustion control systems that assist in reducing CO<sub>2</sub>-emissions, or advanced materials with a low environmental footprint. We therefore obviously welcome the target to shift the EU economy to a greater sustainability level.

As indicated above, we consider that targeted regulation will be inevitable if this strategy is to deliver results. We take the view that such regulation must be carefully designed to avoid a technology bias and be properly enforced. We note with some concern that some EU legislation tends to focus on detailed subjects such as which materials or components to use. This not only leads to unnecessarily complicated legislation and substantial delays, but also results in creating barriers to innovation.

Proper recovery for re-use of materials and components is a major opportunity that merits greater attention in the context of the consultation paper. In our view, the waste management sector should be regarded as one of the sectors which offer substantial opportunities for achieving the goal of sustainable growth. Existing EU law in this area treats waste primarily as an environmental liability, rather than as an opportunity to reduce demand on primary sources of raw materials. The administrative burden on waste management in effect has the result that the cost of disposal in many cases is lower than the cost of recovery and re-use.

Our recommendations for the Commission to reduce energy resources are:

- To introduce a revised EU Energy Efficiency Action Plan. This should contain a mandatory and measurable 20% energy efficiency target by 2020. It should also include an action plan to refurbish 40% of Europe's building stock by 2020, including a sound financing strategy
- The revised EU Energy Efficiency Action Plan should contain a provision for a review of the EU Energy End-Use Efficiency and Energy Services Directive (2006/32/EC) to include measures to harmonize the National Energy Efficiency Action Plans, to support the development of the European Energy Services market, to mandate the establishment of energy efficiency funds, and to increase the ambition level of the targets.

### **Harnessing existing instruments**

Honeywell agrees with the view expressed in the consultation paper that existing instruments should be re-focused to achieve the goal of a sustainable market economy. In this context, we believe that proper enforcement of existing EU law is crucial.

For example, the recently amended Energy Performance of Buildings Directive can deliver substantial gains in greenhouse gas emissions reduction and increased energy efficiency. These will only materialize if the provisions of the directive are properly implemented and enforced. We would recommend a joint action plan of the Commission and the Member States to ensure that the Directive is effectively implemented and enforced.

Similarly, the Renewable Energy Sources Directive has delegated substantial parts of the implementation to *comitology*. The position of emerging biofuels is still very uncertain, which creates an effective barrier to early adopters. Equally, the administrative burden for biofuels with an improved greenhouse gas saving profile is quite considerable and at the same time the process is lacking clarity. Consequently investment decisions for second generation biofuels are delayed.

In conclusion, we look forward to the results of the Spring Council and look forward to working with the Commission and the other EU institutions to shape a healthy investment environment for business in the EU toward 2020 and beyond.

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