FINAL REPORT

A Future for European Leather!

COTANCE

industriAll European Trade Union

Foreword

The Leather industry is at a crossroad for its development in Europe. Numerous challenges are ahead in several crucial areas and in a global context that is still struggling in the aftermath of the economic crisis.

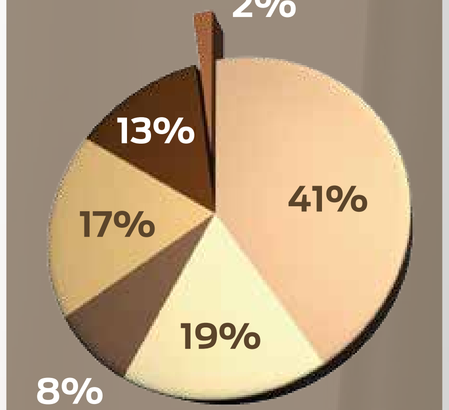
The sector's Social Partners at European level have agreed to develop a joint project to offer both employers and workers insight into four crucial areas for the industry (industrial issues, social/societal issues, trade issues and environmental issues) and to translate those needs into a Manifesto.

COTANCE and IndustriAll-European Trade Union have undertaken this initiative because they believe that there is a future for the European Leather Industry and that this future will reflect the values it bears for Europe and the world.

The Manifesto of the Social Sectoral Partners at European level expresses the needs of the leather sector in terms of public policy action points, highlighting those situations that present the greatest risk to a prosperous future for either side of the industry.

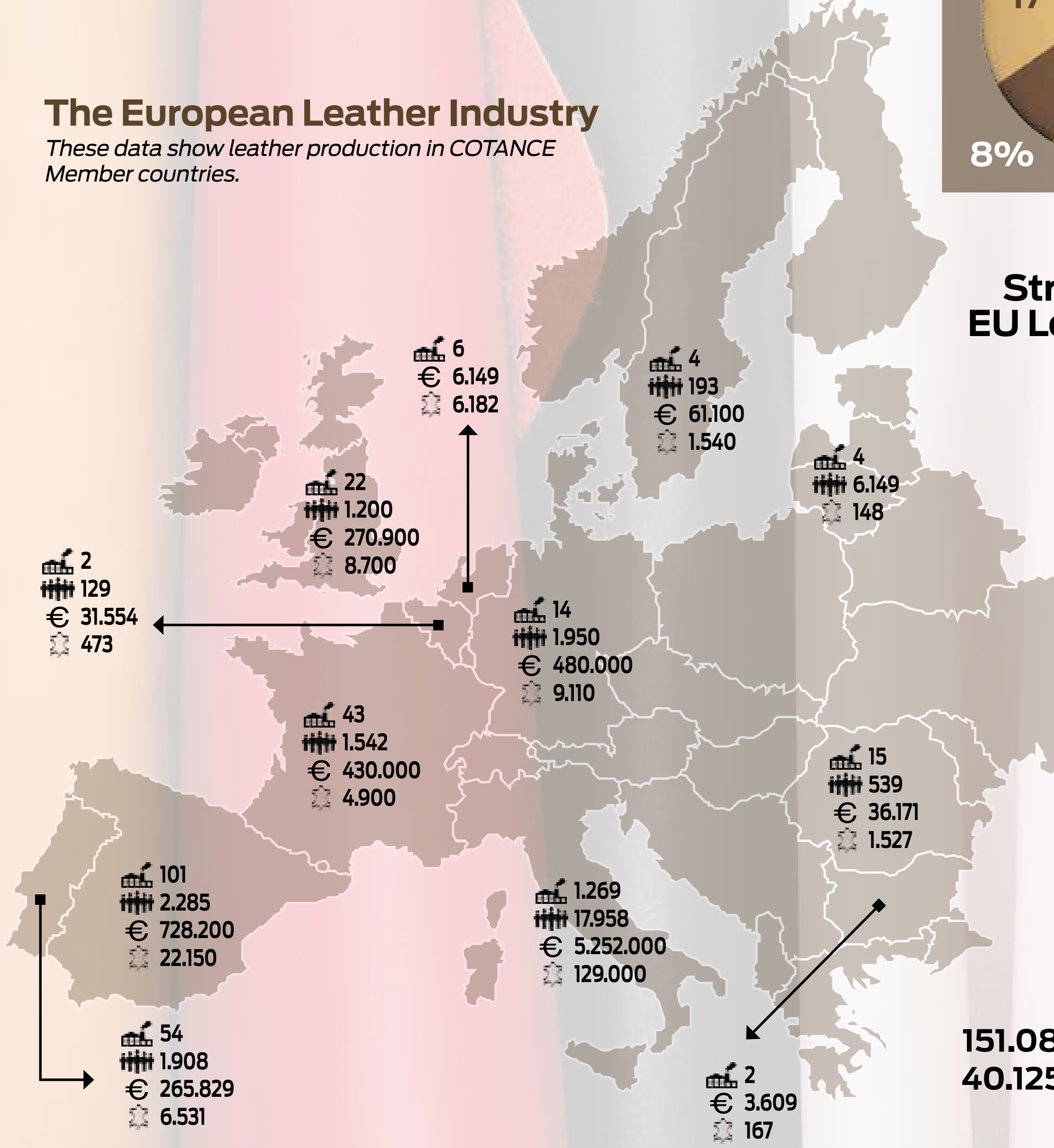
Main destinations of EU Leather

Footwear	41%
Furniture	17%
Garments	8%
Leathergoods	19%
Automotive	13%
Others	2%



The European Leather Industry

These data show leather production in COTANCE Member countries.



Data from COTANCE Member associations (2012-2014).
Non-COTANCE member tanneries in the EU also exist in: AT, DK, FI, GR, PL, HU, CZ, SK, CR, SL.

Structure of the EU Leather industry

1.532 enterprises

27.700 employees

7,6 billion €

EU surplus 1,2 billion €

*

151.082 m² (cattle/calf)
40.125 m² (sheep/goat)

€ Turnover data in 1000€
**Data in 000m²*

FINAL REPORT

Contents

The following pages present the Seminar conclusions agreed by the Social Partners of the leather industry at EU level.

Acknowledgements

This document is the result of an initiative developed in social dialogue with the voluntary participation of all stakeholders without exclusions. The financial support of the European Commission under grant (VS/2015/0035) has made it possible. It has notably covered the costs associated with the organisation of the Seminars including travel and accommodation for participants .

The present brochure and its Manifesto (insert) were presented at the Final Conference held in Brussels on 2 February 2016. This closing event has been organised in partnership with the European Economic and Social Committee.

Thank you to all project partners, keynote speakers, panellists and stakeholders having contributed to the success of this initiative.

This document has been translated into French, Spanish and German, and all versions can be downloaded on www.euroleather.com

Industrial Issues

Social / Societal Affairs

Trade Issues

Environment

Bucharest *(Romania)*
24 April 2015
Hotel Europa Royal

CONCLUSIONS OF THE SEMINARS AGREED AT EU LEVEL BY THE SOCIAL PARTNERS OF THE LEATHER INDUSTRY

INDUSTRIAL CHALLENGES

SOCIETAL
- Climate change and the public demand for sustainable development
- ageing society (impact on labour markets, pensions, healthcare, consumption patterns)
- Population growth: from 2,5 bn in 1950 to 9 bn in 2050)

TECHNOLOGICAL
- Knowledge society: knowledge as the dominant factor of production
- Information society
- Increasing speed of technological development/diffusion
- Emergence of a large range of key enabling technologies

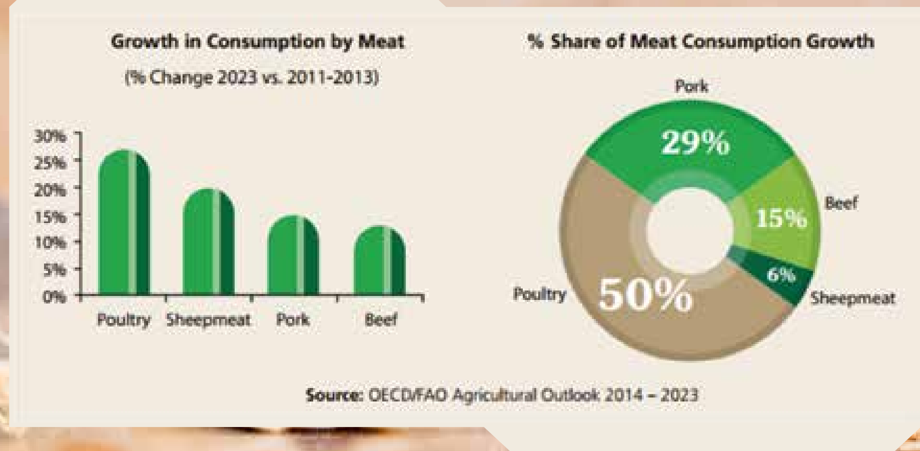
MACRO-ECONOMIC
- Financial Crisis and risk of 'secular stagnation'
- Declining share of industrialised countries in global industrial production

MICRO-ECONOMIC
- Emergence of complex value chains
- Offshoring/relocation
- Tertiarization of industry

KEY ISSUES FOR THE LEATHER INDUSTRY

- Continuing shift of production to "developing countries" – but is the trend changing
- Slow growth in beef/sheepmeat/goat meat means pressure on raw materials
- Demand for vehicles and shoes implies strong future demand for leather
- Pressure on tanners' margins push towards more value added
- Need to differentiate leather from non-leather materials – strict and uniform control of labelling/description of leather/products
- Growing demand on meat and leather industry to demonstrate good governance

PROJECTIONS
Global meat/protein consumption over the next decade



Like many other industries, the leather industry faces a fast evolving business environment. Globalisation has transformed national economies. Such an environment is particularly challenging for SME-dominated sectors, both in mature and emerging economies. To remain competitive in the market, industries and businesses must be able to anticipate changes.

NATURAL RENEWABLE RAW MATERIALS

Leather is made with hides and skins of animals slaughtered for human consumption, a residue of the slaughter process. Technically speaking, hides and skins are a by-product of meat production.
Red meat production and consumption patterns are crucial for the supply of raw materials to the sector. These have changed significantly in the recent past, and they will change further in the future. Europe's Leather industry still enjoys access to high quality raw materials, but technical barriers in third country agricultural and trade policies are interfering in the market with an increasing impact for EU businesses. The high price volatility of hides & skins on the market testifies certain dysfunctions of the regulatory environment. Other livestock by-products do not experience similar upheavals, which are difficult to manage by the industry.

URBAN LIFE INFLUENCES DEMAND

Leather also faces changes on its demand side that will determine the types of leather that will be produced. Consumers are concentrated in cities which are becoming increasingly bigger and where communication and marketing becomes a must for conquering market shares.

A NEED FOR AUTHENTICITY LABELLING

Leather, as an intermediate product that needs to be transformed into articles, constitutes a component or ingredient brand. Leather conveys emotions; it is more than just a flat, flexible industrial component and this magic is an intrinsic part of its value. However, its identity is increasingly challenged on the market with false and misleading descriptions that confuse consumers and prejudice the leather industry. Europe has still not harmonised authenticity labelling for leather, leaving the largest consumer market in the world open to unscrupulous anti-competitive behaviour and abuse of the leather sector's market niche.

IMPROVING THE IMAGE

Image is key to the leather industry. Its appeal to consumers, however, can be tainted with highly adverse consequences for businesses.
The perception of leather by the consumer needs to be conquered and serviced, as risks to its reputation are increased by scandals in the media, drawing the attention to irresponsible industrial behaviour in many developing countries. All leather market segments are concerned, in particular the luxury market, where the collateral damage that bad publicity for leather produces could have a significantly higher economic impact. Leather needs to adapt to the needs of people.

Demographic and technological changes across mature and emerging economies crystallise new demands for leather creating the leather markets of the future.
Education and research are potent drivers for growth and quality jobs in Europe's Leather industry.

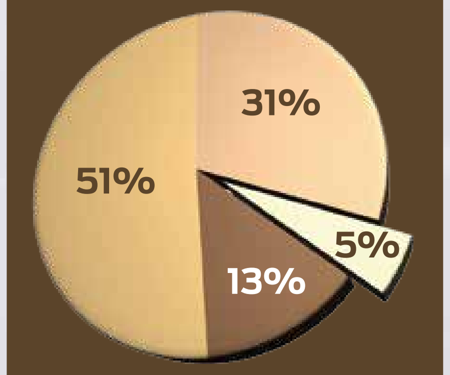
CONCLUSIONS OF THE SEMINARS AGREED AT EU LEVEL BY THE SOCIAL PARTNERS OF THE LEATHER INDUSTRY

CREATION OF JOBS FORESEEN IN EUROPE IN THE LEATHER SECTOR BY 2025

HIGH SKILLS	AVERAGE SKILLS	LOW SKILLS
1150	17350	205

Jobs created thanks to the creation of new positions/skills
Jobs created thanks to replacements due to retirements
Jobs created following previous job cuts (new balance)

WORKFORCE
(Source: European Sector Skills Council 2014)



Clothing	51%
Footwear	31%
Textile	13%
Leather	5%

The Leather, Clothing, Textile sectors in Europe offer more than 2 million jobs, of which 5% in the leather sector * (=100 000)

*here leather includes the leathergoods sector

Skills for working in the leather industry and skills for making Europe's leather industry work to its full potential are at the heart of the sector's Social Dialogue. Both sides of Europe's leather industry acknowledge the importance of a vibrant labour market for skilled jobs in the industry and are determined to provide the sector the instruments and platforms to deliver it.

EUROPEAN TCL SECTOR SKILLS COUNCIL

Structures for the supply of training for up-skilling, re-skilling or further skilling people for jobs in the leather industry exist in EU-member States.
The national Sector Skills initiatives that exist in a few countries are the guardians of the sector's know-how; they are the organisers of means and services for perpetuating the skills that have made the reputation of European leather and developing the new skills that the leather industry requires. Paradoxically, such structures exist in countries where the leather industry has experienced significant contraction, but do not exist in other countries, with larger shares of leather industry participants, where they are most needed. Teaming up with allied industries at national level is not sufficient to create the critical mass to meet the needs of each of the individual sectors. Such critical mass dedicated to leather-skills needs can only be generated at EU level for an EU-wide leather jobs market. The symbiosis with allied industry sectors at the European level, facilitates effectiveness and savings as well as cross-sector fertilisation, motivation and stimulation.

THE IMPORTANCE OF SOCIAL DIALOGUE

Social Dialogue, linked to timely management of change, is promoted in the EU for its extraordinary potential as a lever for successful industrial structural change. It enjoys the support of the European Commission and the power of initiative and obliged consultation provided by the EU Treaties. The more substance that is given by the sector's Social Partners to this Dialogue, the more fruits it bears for businesses and workers.

Issues regarding social accountability and health and safety at the workplace in the leather industry or traceability and transparency in the leather value chain, as well as other corporate social responsibility matters, find agreeable solutions through a Social Dialogue that remains focused on the best interests of the industry that both sides uphold.

HIGHLIGHTS OF THE EUROPEAN SOCIAL DIALOGUE

The leather sector's Social Dialogue at EU level has produced numerous results for the benefit of workers and employers. The Framework Agreement "European Social Code of Conduct" in 2000 was soon followed by a "European Social & Environmental Reporting Standard". Joint projects in the areas of job promotion (Leather is my job!), supply chain transparency (Traceability), health & safety at the workplace (OiRA) and education & training structures (EU TCLF SSC) are just a few examples of this fertile sectorial Social Dialogue.

Leather is my job!
European Skills Council
Textile Clothing Leather Footwear
OiRA

Paris *(France)*
19 June 2015
Hotel Pullman Montparnasse

CONCLUSIONS OF THE SEMINARS AGREED AT EU LEVEL BY THE SOCIAL PARTNERS OF THE LEATHER INDUSTRY

Alcanena *(Portugal)*
27 October 2015
Leather Days, Centro Tecnologico das Industrias do Couro (CTIC)

The international trade and domestic distribution and retail of leather increasingly follow trends widely determined by the supply of raw materials and by business models adopted further down the value chain. Europe plays a key role in the global leather market. The EU market for hides, skins, leather and leather articles is a leader in commercial terms and also in the development of innovation.

FIGHTING RAW MATERIAL EXPORT RESTRICTIONS

Yet, the supply of raw materials is subject to restrictive trade policies. The types of trade barriers that the leather industry faces are, however, difficult to address since they are atypical. More than import tariffs, that constitute the typical target of trade negotiations, leather faces trade problems with raw material export restrictions. Europe's industrial community has only recently recognised the threats of such measures for the economy and the response of EU trade authorities has so far, been fragmented and weak. The EU Raw Global Materials Initiative targets critical supplies, prioritising those affecting larger, more strategic sectors, when a systemic approach for all commodities is required to tackle the issue.

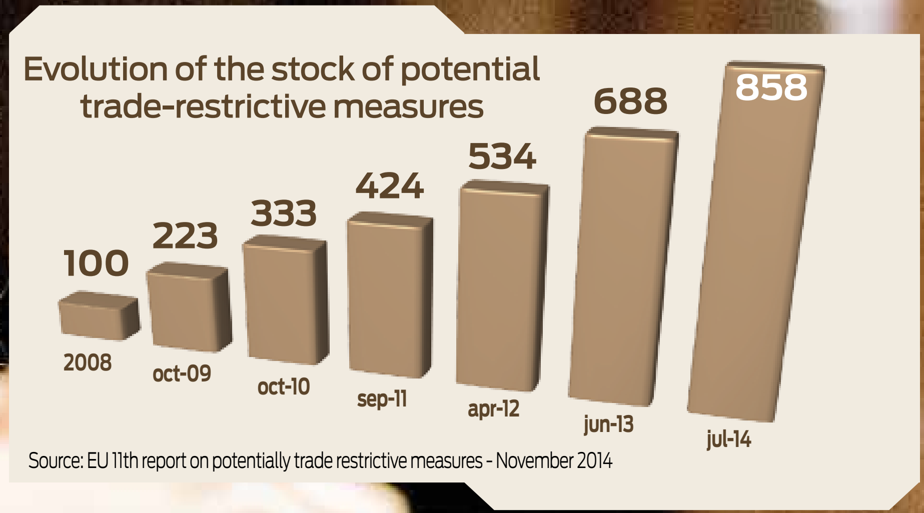
AN INDUSTRIAL MODEL AT RISK

Export restrictions and dual pricing of raw materials erode the competitiveness of leather not only in open economies, but also in those protectionist economies where trade barriers fail to produce the development objectives intended. This has highly adverse consequences on the European leather business model. Domestic availability of hides and skins is insufficient to guarantee the leadership role that Europe's leather industry plays in the blobal context. Indeed, the leather sector of emerging economies benefits from market developments pioneered by Europe's leather industry. Its role as an industrial model for the rest of the world could be in jeopardy if unfair trade incentives are perpetuated and are not addressed. Protectionism is the breeding ground for corruption and other irresponsible business conditions in the leather sector in countries with weak law-enforcement capabilities. Clear market signals precluding the warranty of such illegitimate and unacceptable trading conditions could boost the development of a sustainable leather industry across countries.

A VARIED AND INNOVATIVE MARKET

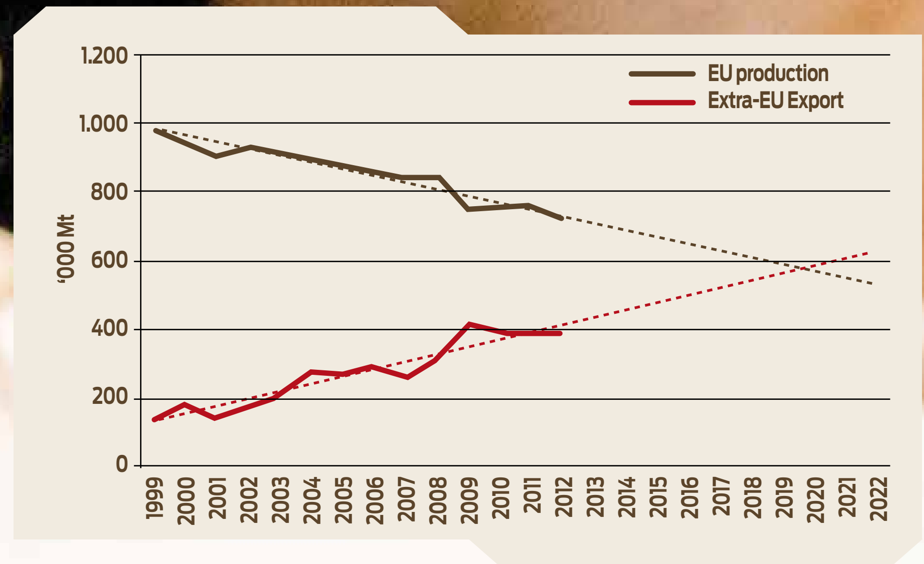
Distribution and retail of leather, or in other terms, the market for leather, is in the hands of a multiplicity of business models, which give it its diversity and innovativeness.
There, leather is competing against many other materials and has to justify its premium price with its intrinsic tangible and intangible value. The values relate to its sustainability, its ethics and its durability, as well as its cultural and creative values.

TRADE PROTECTIONISM ON RISE ACROSS THE WORLD

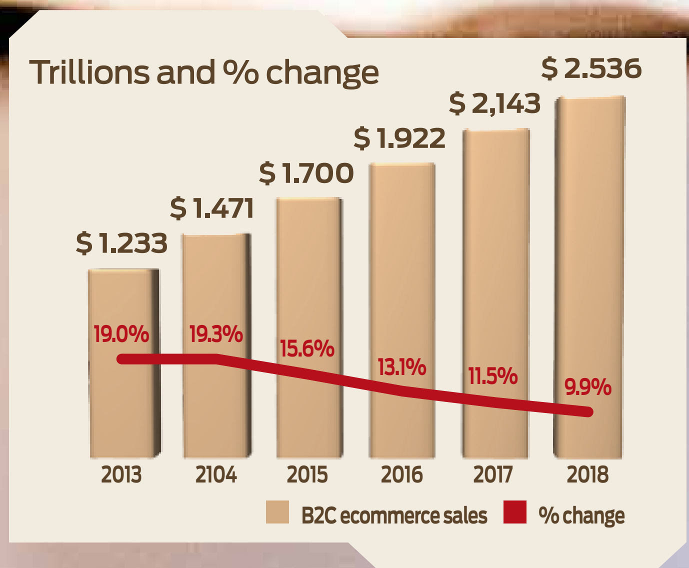


THE EU RAW MATERIALS STRATEGY

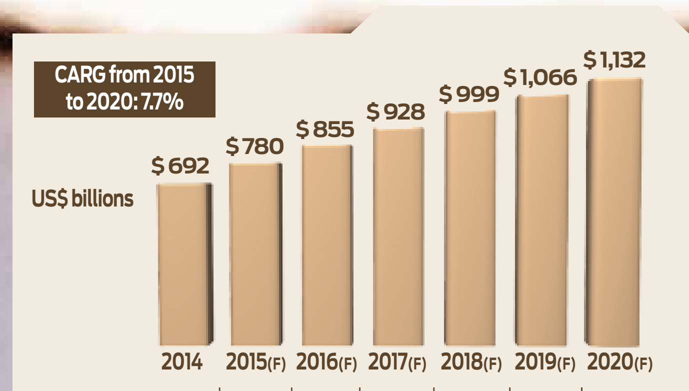
PRESSURE ON EU RAW MATERIALS



B2C ECOMMERCE SALES WORLDWIDE, 2013-2018



US B2B ECOMMERCE SALES, 2015 TO 2002



	2014	2015(F)	2016(F)	2017(F)	2018(F)	2019(F)	2020(F)
Year-on-year growth	9.3%	8.8%	9.1%	9.2%	9.3%	9.4%	9.4%
Share of total B2B sales	8.5%	9.3%	9.9%	10.5%	11.0%	11.6%	12.1%

Environment

DEVELOPMENT OF A TYPE III ENVIRONMENTAL DECLARATION

Precise definition of the product
→ Product categry rules | LCA study
→ Development of the declaration
→ Third party verification
→ Communication to the market

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
Traditional base for leather science and technological innovation	Economics: effects of national problems/variations, production costs, environmental costs	Cleanest production - environmental impact is sound	Cheap imports
Technological awareness: learned societies, leather journals, magazines	Shrinking size of production, movement east and south	High performance and quality leather	Weak adherence to legislation in industries outside Europe
UoN/ICLT BLC SATRA LCC IMoLC	Lack of co-ordination and co-operation in R and D across Europe	Niche leathers	Lack of investment in research and development
Cotance GERIC	Reduction in availability of leather education	New biomaterials	Research shifting from Europe to India and China
The home of several chemical suppliers	Lack of investment in young staff	Application of new technologies, including waste	The home of several chemical suppliers
High quality, sustainable raw material	Ageing and diminishing research leadership	European co-operation	Market forces eg organic/ chrome free leather
Strong adherence to environmental impact legislation	Reducing importance of technical journals	European qualifications	Growing vegetarian and vegan influences
Innovative ideas eg ionic liquids, process prediction			

Source: Tony Covington, University of Northampton

THE HEALTH OF EUROPEAN LEATHER INDUSTRY...

Each family was evaluated based on the risk's origin

Risck profile: Alkylphenol (AP) and Alkylphenol Ethoxylates (APEOs)

Leather operations run in EC countries.

Leather partially produced in extra EC countries (Pickled, Wet Blue and Crust).

Soaking Auxiliaries of extra EC origin.

Degraasing Auxiliaries of extra EC origin.

Dyestuffs imported from India and China.

Dispersed finishing pigments.

Liquid finishing dyes.

Risk
Low
Sight
Moderate
High

Glasgow (UK)
10 December 2015
IET Teacher Building

A NEED FOR WORLD-CLASS RESEARCH

The environmental impact of the leather industry is clearly an area of concern for the most dynamic, most prestigious and innovative brands. Technological progress in the science of leather has led to modern process changes that allow the avoidance, minimisation and treatment of the sector's emissions. Solutions exist! Europe enjoys the world's most important leather chemicals and machinery suppliers. Again, Europe is a global leader in leather technology, but this leadership is at risk. If the high-level education and training establishments and world-class research and development institutions were to vanish or abandon the industry in the EU, technological innovation for leather could experience a significant slowdown.

MEASURING PROGRESS AND PERFORMANCE CORRECTLY

Furthermore, technological progress and environmental performance can be measured. Life-Cycle thinking can no longer be ignored in any supply and value chain. However, the environmental footprint of leather requires product category rules that are adapted to its nature. Leather defends its functional specificity as a sector devoted to the recycling and valorisation of a residue from the production of meat for human consumption.
Animal by-products are regulated as an exception to EU waste legislation, but the value of treating this waste from upstream meat production systems, with the highest possible material valorisation, is not yet appropriately acknowledged.

APPROPRIATE AND PREDICTABLE REQUIREMENTS

Markets tend to concentrate on the tracing of chemicals in processes and products. This has led to an explosion of brand-led requirements for textiles and leather over and above the development of regulatory substance restrictions for placing consumer products on the market .

While this process to foster improvements in consumer and environmental protection is legitimate and effective, leather is confronted with substance restrictions requirements that often, are not based on the best available science or, because of the processing conditions or likely exposure to substances in articles, are irrelevant or present no intolerable risk.

SME-dominated sectors in complex value chains are those facing the highest risks and costs; risks derived from the process and product changes that a limited substance availability entails, and costs of testing and certification to a myriad of labelling schemes, each claiming their exclusivity.

Presentations

Industrial issues

Bucharest

Mike Redwood
Business consultant and professor (University of Northampton)
Challenges & Opportunities for European leather in the short to medium term
(paper+slides)

Paul Pearson,
Secretary General, International Council of Tanners (ICT
The leather industry to the year 2025
(paper+slides)

Guido Nelissen
Industrial Policy Expert, industriAll-European Trade Union
IndustriAll Manifesto to put Industry back to work
(paper+slides)

Social / societal issues

Paris

Xavier Royer
Director of the Textile Fashion department, Opcalia
The challenges of training in the leather industry
(slides)

Sylvian Lefebvre
Deputy General Secretary, industriAll-European rade Union
Social dialogue at European level the vision of industriAll Europe
(slides)

Emmanuelle Butaud-Stubbs
Delegate-General of the Union of Textile Industries
European Economic and Social Committee (for MEDEF), The Future of the Social Dialogue
(slides)

Trade issues

Alcanena

Nick Winters
NW cuirs & peaux, ICHSLTA President
Overview of international leather trade and forecasts to the year 2025
(slides)

Luc Triangle
Deputy General Secretary, industriAll-European Trade Union
Trade Unions and the Leather Trade
(slides)

Isabel Cantista
CEO, Fast Forward Innovation
Leather: Fashion & Retail
(slides)

Katarzyna Kuske
Policy Officer, DG Internal Market, Industry Entrepreneurship and SMEs, European Commission
EU Policy Access to markets
(slides)

Environmental issues

Glasgow

Tony Covington
Emeritus Professor of Leather Science, University of Northampton
How sustainable is leather?
(paper+slides)

Federico Brugnoli
Spin 360°
Environmental Footprint of Leather
(paper+slides)

Mike Tomkin
Sustainability Director, Stahl
Vision in R&D for the leather industry
(slides)

Gustavo Adrian Defeo
CEO, Ars Tinctoria srl
RSL/MRSL limits: between reason and fantasy
(paper+slides)

All presentations are available for download as PDF files on www.euroleather.com.

Round-Table Panelists

Paris
Un avenir pour le cuir européen!

Moderator: **Dominique Cuvillier**

Franck Boelhy, President of the Conseil National du Cuir (CNC)
Dominique Jacomet, Director General at the Institut Français de la mode and Professor at ESCP Europe
Jean-Claude Ricomard, Tanneries Roux
Emmanuelle Butaud-Stubbs, Delegate-General of the Union of Textile Industries, European Economic and Social Committee
Luc Triangle, Deputy General Secretary, industriAll-European Trade Union
Sylvian Lefebvre, Deputy General Secretary, industriAll-European Trade Union
Gustavo Gonzalez-Quijano, Secretary General, COTANCE

Alcanena
Trading terms along the leather value chains

Moderator: **Alcino Martinho**, General Manager, Centro Tecnológico das Indústrias do Couro (CTIC)

Nuno Carvalho, CEO Grupo Carvalhos and APIC President
Gonçalo Santos, Secretary General, APIC
Nick Winters, NW cuirs & peaux and ICHSLTA President
Isabel Cantista, CEO, Fast Forward Innovation
Katarzyna Kuske, Policy Officer, DG Internal Market, Industry, Entrepreneurship and SMEs, European Commission
Luc Triangle, Deputy General Secretary, industriAll-European Trade Union
Gustavo Gonzalez-Quijano, Secretary General, COTANCE

Glasgow
Tannery of the Future 2025

Moderator: **Simon Yarwood**, World Leather

Philippe Richard, Secretary General, International Chromium Development Association (ICDA)
Iain McFadyen, Managing Director, Scottish Leather Group
Tony Covington, Emeritus Professor of Leather Science, University of Northampton
Mike Tomkin, Sustainability Director, Stahl
Federico Brugnoli, Spin 360°
Gustavo Adrian Defeo, CEO, Ars Tinctoria srl
Luc Triangle, Deputy General Secretary, industriAll-European Trade Union
Gustavo Gonzalez-Quijano, Secretary General, COTANCE

Contributions from

EU Project Partners: COTANCE, industriAll-European Trade Union

Employers associations : (VDL) Verband der Deutschen Lederindustrie, (FFTM) Fédération Française de la Tannerie-Mégisserie, (UKLF) UK Leather Federation, Acexpiel, (SG) Svenska Garveriidkareforeningen, (APIC) Associacao Portuguesa dos Industriais de Curtumes, (APPBR) Asociatia Producatorilor de Piele si Blana din Romana, (SG) Svenska Garveriidkareforeningen, (BU of LLFHI) Branch Union of Leather, Furriers, Footwear and Haberdashery Industries

Trade Unions : Femca Cisl Nazionale, CGT – Textile, Habillement, Cuir; Confpeltex, CGT-FO, CFTC, CFDT, FILCTEM, FESETE, Community

Industry stakeholders: ICPI – Leather and Footwear Research Institute, FILK - Forschungsinstitut für Leder und Kunststoffbahnen GmbH, Creative Skillset, University of Northampton, W2O Environment, Kering, GUCCI, AQC -Association pour l'Assurance Qualité des Fabricants de Bracelets Cuir, ICT - International Congress of Tanners, CTC - Centre technique du Cuir, de la Chaussure et de la Maroquinerie, OPCALIA, W2O Environment Ltd, ICHSLTA – International Council of Hides, Skins and Leather Traders Association, CTIC - Centro Tecnologico das Industrias dos Couro, PELSOL - Representações e Comércio de Peles e Solas Unipess, Fast Forward Innovation, Spin 360º Stahl, ICDA – International Chromium Development Association, LANXESS Deutschland GmbH, BASF SE, Ars Tinctoria srl, CHEMPRO Comércio de Produtos Químicos, Smit & Zoon

Tanneries: Tamiv Business, Nappa Conf, Pielorex, Kalit, Taro industry, Mégisserie HCP/Gordon Choisy, Mégisserie Joqueviel & Cathala, Mégisserie Bodin Joyeux, Mégisserie Alran, Tanneries Haas, Tanneries Roux, Tannerie Carriat, Sofacuir, Tanneries du Puy, Sovos, Mégisserie Rousseau, Tannerie Bastin, Tannerie-Mégisserie de la Moliere, Mégisserie du Midi, Tannerie Gal, Tanneries Pechdo, Scottish Leather Group, Derma-Leather Comércio e Indústria de Peles, Fábrica de Curtumes Rutra, Grão de Pele- Unipessoal, Impromaq, João Carvalho, Joaquim Francisco Inácio, Sucrs., Leattex, Curtumes Iberia, Antonio Nunes de Carvalho, Curtumes Fabricio, AICEP, Dermys Louro, JMM Unipessoal, Quimbios, Clyde Leather, J.Hewit & Sons, Pittards, Charles Stead, Wollsdorf Leder

Press: ILM - International Leather Maker, Shoez-Pro-Leder, World leather, Leather International, Hidenet, Moda Pelle, Leather insiders

Others: Romanian Ministry of Economy, European Commission, European Economic and Social Committee (CCMI), French Ministry, CNC, IFM

Project Partners

COTANCE - Confederation of National Associations of Tanners and Dressers of the European Community,
industriAll - European Trade Union.

France: Fédération Française de la Tannerie-Mégisserie

Germany: Verband der Deutchen Lederindustrie

Portugal: Associacao Portuguesa dos Industriais de Curtumes

Romania: Asociatia Producatorilor de Piele si Blana din Romana

Spain: ACEXPIEL

Sweden: Svenska Garveriidkareforeningen

UK: UK Leather Federation.

Austria: Pro-GE,

France: FTHC-CGT - Fédération Textile Habillement Cuir - CGT

Italy: FEMCA CISL - Federazione Energia Moda Chimica e Affini della Cisl

Portugal: FESETE - Federaçao dos Sindicatos dos Trabalhadores Têxteis, Lanificios, Vestuario, Calçado e Peles de Portugal

Romania: Peltricontex-Fratia

Spain: FITAG-UGT Federación Industria y de los Trabajadores Agriarios de la Unión General de Trabajadores.

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For further information:
COTANCE, 40 rue Washington, B-1050 Bruxelles, Belgium
cotance@euroleather.com

www.euroleather.com
www.industriall-europe.eu


COTANCE
industriAll
EUROPEAN TRADE UNION