

Summary of Workshop Discussions and Conclusions

The workshop began with Mr. K.P. Nyati, Principal Advisor, Environmental Management Division (EMD), Confederation of Indian Industry (CII), welcoming the delegates to the workshop. He also extended a warm welcome to Mr. Shisher Kumra, Program Manager, and International Council of Swedish Industry (NIR) as well as to Mr. Sanjeev Kumra, Director, Network for Preventive Environmental Management (NetPEM) Public Trust and his entire team.

Mr. Nyati began by briefing the audience about the European Union (EU) directives addressed in the workshop and several other upcoming directives in the near future. Looking to the future, he said that the Indian companies should be aware of the developments in the field of the EU directives affecting them and not be caught unawares. This would enable them to have a say in the formulation of directives that directly affect their businesses. In his welcome address, Mr. Nyati cited three good reasons why the Indian component suppliers need to be aware of such developments

1. India was keen to accelerate its economic growth into the double digit
2. For this to happen, the manufacturing sector in India will have to play a major role and
3. Growth in the manufacturing sector will be driven by the auto component manufacturers in terms of exports and for the exports to continue unabated, compliance to the EU directives was imperative as Europe is an important export destination for India.

Thus, compliance to the ELV directive was mandatory for the auto component suppliers. Considering the increasing use of electrical & electronics equipment in the automobiles, compliance to the WEEE & RoHS directive also becomes necessary and hence the scope of the workshop was expanded to include the WEEE and RoHS directive as well. In conclusion, the speaker urged the audience, which comprised of top CEOs and senior executive of the auto component industry as well as the electrical & electronics component industry, to rise up to the situation and take the necessary steps towards compliance in their own immediate and long-term business interest.

The welcome address was followed by presentation by Mr. Shisher Kumra, Program Manager, NIR, who began by giving the audience an overview of the European Union's Asia Invest Program and later gave an overview of the current developments in EU towards various environmental regulations and how it affects the suppliers (especially the suppliers from non-EU countries). He presented the two framework policies; the Waste framework directive and Integrated Product Policy (IPP) that forms the basis for the various producer responsibility related environmental directive – including End of Life Vehicle (ELV), and Waste from Electrical and Electronics Equipments (WEEE). Mr. Kumra's presentation provided the necessary background on these directives, providing the overview of the product oriented

regulations, and how are these affecting the suppliers beyond the geographical boundary of Europe. Further Mr. Kumra explained the concept of Extended Producer's Responsibility that puts financial and technical liability on the producer to take care of the product at its end of life – i.e. recycling in an environmentally sound way. Thus it necessitates changes in product design and development to integrate recyclability aspects and eliminate environmentally problematic materials. Mr. Kumra extended these discussions to show why and how the producer (importer in EU) will react towards his suppliers. Mr. Kumra concluded by saying that the proper understanding of the implications of these regulations on respective supplier business and accordingly preparing for compliance with it is not just an environmental requirement, but is the fundamental requirement for continuing to do business with European producers (importer). He also presented the suppliers with set of activities (mentioned below) that they may need to undertake towards compliance with these directives:

1. Applicability assessment of these EU directives on their business
2. Identification of non-complying areas / aspects of their business
3. Identifying complying alternatives to these directives
4. develop implementation plan – keeping in view the set implementation schedule by the EU for respective directive (or by the EU importer)
5. Identifying other areas that are presently not included but could potentially be included in future – proactive applicability assessment with broader aspect of IPP and following the same sequence.

The second session which began after the tea break was chaired by Mr. N.R. Krishnan, Advisor to NetPEM. Mr. Ram Chandra Rao, Chairman, Western Region, Automotive Component Manufacturers Association (ACMA), in his presentation addressed the profile of the Indian automobile component industry and importance of the European markets for the Indian exports. The presence of almost every major overseas automotive company in India, either directly or indirectly, was indication of the competitiveness of the Indian auto component sector, he observed. Mr. Rao was of the opinion that the word global not only means exporting to foreign countries but also being able to cater to the needs of global players. He made an interesting reference about China & India being the leading suppliers of automobiles to the rest of the world but Europe setting standards for the automobile industry. The robust growth in the Indian automobile sector was being driven by legislations (internal & external) as well as the cost advantage that India offered. He also highlighted the role of ACMA in keeping the automobile sector well informed about the developments taking place in the global automotive industry in terms of policy changes and other important changes as the senior executives of ACMA actively attend conferences being held the world over. A very pertinent point that he highlighted was that amongst the 500 odd auto players in the country, only 40 were major players and the others were largely SMEs. He urged that it is these SMEs who need to be made aware to meet the requirements of the EU directives for the entire Indian automotive industry to move ahead on the path of compliance. He concluded by saying

that he was happy to be a part of this important initiative and congratulated NetPEM, CII & NIR and expressed hope that one day at least one component in all the vehicles will bear the mark "Made in India", a wish expressed by Mr. Anand Mahindra, Managing Director of Mahindra & Mahindra, one of India's leading auto exporters at the Annual General meeting (AGM) of ACMA.

Mr. K.P. Nyati, Principal Advisor, Environmental Management Division, CII then addressed the audience on how the Indian industry's perceived the new EU directives; as threat or as an opportunity. He began by stressing on an important factor that given the pressure that natural resources are being put to by today's consumerist society, there will be a drastic shift from the "Cradle to Grave" concept. With land becoming scarce by the day, there will have to be a "Cradle to Cradle" concept meaning that most of the things coming out of the production process will have to again go back to the beginning of the production process. In other words, there will have to be increased emphasis on zero discharge norms and reuse and recycle concept in the component supplier industry. Mr. Nyati asked the industry representatives to start preparing for compliance as stringent environmental laws were coming up and compliance to these would be imperative. Looking ahead to the future, Mr. Nyati expressed a possibility that there could be a drastic shift in the consumer mind-set from product to product utility and rather than opting for a personal vehicle he would prefer a company offering mobility solutions which would have much lesser impact on the environment. Given such a scenario, the challenge before the automotive industry is huge, to manufacture products with minimum harm to the environment.

This was followed by a formal launch of the Asian Centre for European Environmental Policy Research (ACEEPR) web portal www.aceepr.com by Mr. N.R. Krishnan. This portal is designed as a on-stop source of information on various EU's environmental regulations. This initiative was welcomed by all the industry managers and other participants. The portal also has a discussion board and has encouraged the industry to use it to their benefit.

The post lunch session saw the technical presentations addressing the ELV, WEEE & RoHS directive. There were also presentations on the testing and reporting requirements of the EU directives by SGS laboratories and Shiva Analytical (India) Ltd. There was also a presentation on assessing the preparedness of the Indian auto component suppliers with respect to the EU directives to give the gathering first hand information on the status as it actually exists on the ground.

The first presentation in the post-lunch session by Mr. Shrirang Bhoot was on "Indian auto component industry & ELV Directive". He presented in details the various issues associated with the end-of life vehicle directive like definitions, scope, articles, set targets for reuse, recovery and recycling etc.. He also presented a flow-sheet depicting the various de-pollution

procedures which gave the participants an idea of the various operations involved at the authorized treatment facility (ATF's). He concluded by mentioning the deadlines before which the auto component suppliers need to take essential steps towards compliance in order to continue exporting to the EU.

This was followed by a technical presentation by Miss. Shubha Shanbhag who spoke on the "Implications of the WEEE & RoHS directive on the Indian component suppliers". The presentation focused on the Technical requirements of Waste Electrical and Electronics Equipment (WEEE) and Restrictions on Use of certain Hazardous substances (RoHS) Directives – scope, articles, and specific requirements were covered during the presentation. The implementation schedule of these directives was also presented. Shubha also covered the definition of the homogenous material - this term is crucial for interpreting the set maximum levels of different toxic materials within the RoHS directive.

Mr. Pankaj Rana of SGS laboratories then gave a presentation on "Modular RoHS/ELV, testing & reporting requirements". He covered various testing and analytical requirements and the capacity of SGS to deal with the requirements of these directives. He posed a point of concern that with less than 4 months left for the directives to come into force not many companies have yet initiated their testing of components / materials.

The fourth presentation of the session was on "RoHS/WEEE directives, contents and testing requirements" by Mr. Mirji, Manager, Shiva Analyticals (India) Ltd.

The concluding presentation of the session was on "EU directives – Assessing preparedness of the Indian auto component suppliers" by Rashmi Naidu of NetPEM. The presentation started with the methodology adopted for conducting the assessment preparedness and details about the questionnaire development followed by the survey results. The key points emerging out of this preparedness assessment study were that the awareness of the auto component industry to the ELV directive was low. The Indian auto industry with the exception of a few auto majors were unaware of the service providers that could help them to comply, they were skeptical of the cost that they would incur in their efforts to comply, the availability of alternative pollution free technology, lack of skilled man power and that low priority was accorded to the environmental issues by the Indian auto industry. To overcome these hurdles, possible solutions were suggested in the form of interaction between the industry and their associations, alignment of the governmental policies to encourage compliance, assistance for technology transfer, assistance to fund the compliance requirements and increased research and development.

Strategy Discussion

The concluding part of the workshop saw an interactive discussion on strategy development which emphasized on the following key aspects related to EU directive compliance. They were:

- Increasing awareness
- Understanding the details of the EU directives
- Access to relevant technology
- Intellectual Property Rights (IPR) issues
- Massive national effort required as the auto and electrical & electronics component supplier industry is quite fragmented.

It may be noted that the summary of the strategy is based upon the discussions during the entire workshop though there was a specific discussion on the strategy during the last part of the workshop.

Will having an Indian equivalent of ELV help the Indian component suppliers?

This was the question raised by some exporting companies, and it was discussed that this will certainly help the export sector, but there could be a resistance within the sector – as the companies that do not clearly see the benefits of such a move would resist. Mr. Kumra added that in the earlier workshop with Electronic component sector same issue was raised, and companies felt that this would help to boost the overall exports from the sector. Further it was also revealed by Mr. Nyati that discussions on such initiatives are already under taking place within relevant ministry & departments.

What type of certification will be acceptable & is their any guidelines for the same?

The industry representatives wanted clarity on the compliance certification process and queried whether self certification is accepted as some agencies have all the necessary resources and technology in place for certification. To this the panelists responded that the ideal situation would be to go in for third party certification as this ensures greater authenticity of the certification process and the value of the certified product goes up. It's expected that there would be a guideline issued towards the certification / declaration requirements.

Testing Labs:

In certain cases where the material is too expensive or proprietary (design / material), and the company producing the material has relevant infrastructure will it be legitimate to ask the testing company to do the testing using their infrastructure within their labs?

Ideally it should be possible if the external testing agency is doing the procedures. But it may be necessary to provide the relevant rational for doing so to the target buyer and also take his

opinion on this, as he is the one that will be consuming these test results. So it's important that the EU buyer is comfortable with this arrangement. Alternatively, he may designate a company that will do the testing, rather than the company identifying it for itself.

Should there be compliance related cost subsidy or compliance should be funded by Govt?

It seems interesting to have some one pay for our costs. It may be necessary to appreciate that the ultimate beneficiary of compliance are going to be the exporters, and therefore they should pay, but as the export also contribute to the economy, and these are certain crucial export sectors identified by the Govt., the subsidy on certain compliance related common infrastructure, and / or on import of certain technology to facilitate compliance could be good.

Who should pay for R&D on certain multiuse technologies – for e.g. Lead free soldering?

If the local compliance policies within these sectors are equivalent to the EU – ELV / WEEE / RoHS, then the Govt. funds and research institutions will automatically have priority on these compliance related R&D activity and thus the industry will benefit. It may otherwise be necessary to identify the technology that have relevance to complying with the present national regulations and also has relevance to EU's regulatory requirements. Such technologies can be given priority – the sectoral research organizations could take up such strategy. To orient the priority of relevant research organizations and securing funds for the same from their / government programme, it may be necessary for the sector organizations to lobby with the government.

Will the component suppliers have to import back its components and reuse and recycle them locally in India?

Reuse and recycling targets are to be met by final producer (one that bears the brand on the final product), or the one that imports to trade locally in EU, Thus it doesn't directly affect the suppliers / exporters of the components. But it's expected that this final producer / importer will set guidelines for the suppliers of materials and components so as to minimize his recycling costs and efforts. Thus he may require design or material change. For e.g. the producer may request you to change plastic type – that can be easily recycled or is compatible with other plastics used in the product. In addition, the recycling requirements may also result in the requirements of joints and fittings that can be easily dis-assembled for recycling.

But in other cases the producer might develop a contract with the supplier and make sure that the specific component / material will be shipped back at the end of life to be recycled by the suppliers. As of now there is no position of EU on such shipment (the new waste policy (21st Dec. 2005) does not have the proximity principle – that requires waste to be recycled close to the place where it is generated)

Recycling technologies and related information:

It may be helpful for the exporters if there is a central source of information / database where in the information on recycling and reuse technologies can be found with related best practices. In addition, various material compatibility matrix and other information can help design component for easy recyclability.

Certification and labeling:

There are several self developed and independently developed certification and labeling criteria for RoHS compliance. At present there is no centralized process – with direction from EU that can regulate or legitimize such certificates and labels. Thus in most cases the credibility of such certificate and labels goes with the credibility of the offering organization or if that particular organization has been identified by the buyer for the said purpose. In most probable case it will be preferred that the testing agency is not the one that provides the certificate / label – because of conflict of interest – it should be provided by a third party – this adds credibility and probably a bit of bureaucracy, but it reduces the same amount of efforts at the buyer's side of having to test and check many samples. In the end, it reduces both buyer's and supplier's liability – as it will be this agency that will award the certificate / label with the criteria that has been published / accepted by the buyer.

The role of the testing agency in Europe & India:

According to Mr. Nyati, the key issue in this case was the recognition of Indian testing agencies by Europe and vice-versa. As an example, Mr. Nyati said that the Indian textile industry has its own testing laboratory which is mutually recognized by Europe. Therefore the other testing laboratories in India should also apply for recognition, as India has ample testing facilities like the CSIR laboratories, Defence Research Development Laboratories (DRDL), etc.

Need for support on specific compliance related assistance:

To this, the panelists replied that to facilitate companies to find specific solutions pertaining to regulatory applicability analysis and compliance planning, a demonstration project has been initiated wherein the companies interested to take initiatives for compliance can contact NetPEM and participate in the demo project which will help them in finding possible solutions to their problems.

Declaration of non-compliance subjected to conditions:

Buyers in Europe request just for a declaration from the Suppliers, even if compliance is not met (for example, in case of Lead). The declaration would be that the Suppliers will work

towards complying with certain EU directives, but the buyers still do purchase. How does this happen

For this query, Mr. Nyati responded that the situation may not be the same in the future and if the buyer finds another supplier who in future complies with the EU norms, then he will decide to stop purchase from non-compliers and a declaration may not hold good at that time.

Besides, the Indian auto component industry was also unsatisfied with the blocking of technology patents by the developed countries as they felt that lack of expertise in the research & development institutes of India with regard to the EU directives was posing serious problems for the Indian component suppliers. To this, Mr. Krishnan said that foreign agencies need to be ensured that there shall not be any infringement of their technology as is the case on most occasions and if this is done they might agree to share their technology. He suggested that MIGA, an apex body handling the Multilateral Intellectual Property Rights (IPR) Guarantees issue in the World Bank could be approached for help on issues related to IPR.

Regarding the lack of funding and inexperience of the Indian R & D organizations, it was suggested that there should be a joint development programme of companies who face problems with compliance. There was a general agreement that concerted efforts are needed to bridge the existing gap in research and development. It was also suggested that as the larger companies can take measures for compliance independently, a cluster of Small & Medium Enterprises (SME's) should be formed to do in-depth research and find solutions to their specific problems. At this stage Mr. Kumra informed about a possibility for Auto Component companies to participate in a demo project being organized within the framework of this initiative where in the regulation applicability analysis and compliance planning would be offered for companies needing further compliance assistance for which they will have to pay additionally.

There was a general agreement that the road ahead for compliance is tough and the sooner the component suppliers take the required steps, the better it shall be for the component industry as well as the entire nation.

In conclusion, Mr. Nyati, Mr. Krishnan and Mr. Shisher Kumra thanked the industry participants for their valuable inputs and suggestions throughout the day. These inputs they said would help them in assisting the implicated industries in a much better way.