

Presentation ISO General Assembly 18. September 2003

Ladies and Gentlemen,

“One Standard, One Test, Accepted everywhere” – such is the vision guiding the work of ISO. This is the goal common to all who share the interest and desire to foster free trade, free movement of goods and services across national and continental boundaries.

There are **plenty of success stories** lining the path of progress that has been achieved. **But much remains to be done.** When it comes to devising new barriers to trade, it seems that the imagination of individuals, lobbying groups, companies or indeed administrations is practically inexhaustible.

Ladies and Gentlemen, I am happy to **share some of my experiences in this area with you**, stories that only real life can tell. All of them true at their time, most of them overcome since. Stories of the past, so to say, but with a learning message for the future. And, by the way, any resemblance to actual persons, living or dead, is purely coincidental.....

Allow me to say a few words with regard to **my professional background**, as this might help to better follow my short presentation:

For more than 40 years I worked in a number of general management positions in industry, both small and medium sized companies, large and very large groups, local businesses and global players. I have lived and worked in a number of European countries and I have been pushed around the world quite a bit. The last ten years of my active professional career I acted as Vice President Eastern European Operations for an important European Group, among the top three in the world of elevators and escalators.

One way or another, everything I did had to do with exports of capital goods and setting-up companies abroad. My career-path was paved with the occasional success but with many more defeats. Countless the traps that came my way, untold the challenges. Some had to do with what we in the world of standardization are mainly concerned with.

(Case 1)

Imagine, for instance, that you have finally signed that very important contract with an international contractor, for the supply of elevators for a five star hotel somewhere in Europe. Your company has a vast experience in this field, indeed, it can be called one of the pioneers in the area of high performance elevators. OK, prices are tough and margins lean, and the

time schedule until handover is the usual challenge, but technically, this is business as usual. Elevators conforming to Lift Directive 95/16/EC and Harmonized Standard EN 81.

Business as usual indeed. Until you find out that local regulations require that **the landing doors need to be tested and certified to a local fire specification**. The only local test lab has a long waiting list. It seems that except for one lift door, no foreign product has ever succeeded in passing the fire tests. And time is pressing: you cannot open a hotel without the lifts in operation.....

Then the solution: the door that has been granted the fire test certificate is available for purchase. Mind you, it is neither cheap nor can it be fitted to your elevator cars without major, costly on-site adaptations, but what option have you got? Oh, by the way, did I mention that the company offering that particular door was owned and managed by the wife of the managing director of the local code inspectors?

(Case 2)

Or, another story, equally true and, by the way, meanwhile no longer the same kind of problem in the respective country:

Again, there is a contract to fulfil. Elevators. Standard products for apartment blocks. Nothing spectacular. Everything perfectly under control. Until you realize that, in order to place your product on the market, **not only are you required to submit a number of what local authorities call "Safety Components" to local tests**, but, indeed, the **factories, where those components are being manufactured need being inspected and cleared** by the authorities of the country of destination! Needless to say that **Test Certificates are not accepted** and there is no easy way around the factory certification. What a problem for a large group of companies which operates separate factories for each of these parts in different countries! Weeks of travel for sometimes as many as seven experts, dining and wining and all that for a market which at that time absorbed less than 400 elevators total!

(Case 3)

Another, last one, concerning **exports of escalators**. European harmonized standard EN 115 is largely accepted around the world, however, in this particular case the **entire wiring of the unit needed to conform to a special specification**, which meant in actual fact that one had to buy the cabling in the country of destination if one wished to comply. Not a big issue you may rightfully argue, but a great nuisance factor that adds a lot of extra cost but zero extra value.

Incidentally, in the context of escalators, there are **numerous other ways** to make life difficult for manufacturers that have little or nothing to do with standards or conformity assessment. Take the case of extreme **liability jurisdiction**, where a single judge can wipe out the operating profit of years. Or, look at those countries, where trade **unions require the escalator to be shipped to site totally dismantled!** Now, you ought to know that each escalator is of course completely assembled in the factory and test run prior to shipment. To disassemble everything and to put the high precision equipment together again on site, under the difficult conditions of dirt and confined spaces that normally prevail there, is simple madness and another good example for the strange ways people will go to achieve doubtful goals.

To be honest, **you need not cross national borders in order to encounter strange practices.** Take my own little country, Austria. With roughly 8 million inhabitants, the country boasts no less than 10 construction laws, each of them a little bit different from the rest, one in each of the nine federal provinces and one state law. An elevator in Vienna is never quite the same animal as in other parts of the country!

Why should all that be so? Why do industries around the globe suffer from non-tariff barriers of all kinds?

Well, the **motives are manifold.** One of the most obvious is **to protect local industries from foreign competition and to maintain employment in a country.** Thinking back to my first years in Central and Eastern Europe after the Iron Curtain had come down in 1989, there were tremendous difficulties to overcome in order to be able to offer one's products in most of these countries which at that time were fighting against incredible problems to keep their national economies from collapsing. **It seemed so obvious that administrations should try to protect their industries,** which in the case of elevators and escalators dated back to communist times, when, typically, production was centrally planned, geared to provide elevators in large numbers for huge housing projects. No social housing projects survived the collapse of communism and those large factories found themselves virtually overnight with no market at all. They had never been exposed to competition, never had to sell their product. They simply distributed their output according to the official plan. As a result, they had never really had to worry too much about their production costs, nor did they need to upgrade their technologies. **Was it not logical, even justified to impose rigid barriers to render imports of Western equipment almost impossible under those conditions?**

Well, it may interest you to learn that **none of the major elevator and escalator firms that existed in Eastern Europe prior to 1989 have survived**, despite all attempts to protect their markets. It is an interesting, if by now academic question, whether their fate would have been any different, had somebody had the courage and foresight to adapt them to world market conditions? After all, their cost position compared to the western industries was extremely favourable and continues to be very advantageous till to-date.

Quite often one finds that the problems affecting free trade are nothing else but banal expressions of the NIH, the **“Not Invented Here” syndrome**. Tradition requires, or so the responsible persons believe, that things should be done the way they were always done, bureaucracy makes sure that new ideas, however simple and convincing, are not readily embraced.

But, not least, quite often it is **industry itself, which, hoping to improve its chances for survival, makes sure competition is hampered as much as possible**. Change is very often seen as a threat and not as an opportunity! **The larger and the more homogeneous the national market is, the lower it seems is the willingness on the part of the players to open up to new ideas**. At that point I would like to remark that it is hardly a coincidence that in the world of elevators and escalators two of the top three world market players have their roots in tiny European countries: Switzerland and Finland respectively.

Europe is a large market, but, as we all know, extremely fragmented. Take Austria. Within an area of 500 kms around the capital city Vienna, a day's journey by car, there are more than 10 different states, with as many different languages, mentalities, cultures, legal systems etc. I suggest that an entrepreneur in Europe who wishes to build an empire is faced with a very different set of challenges compared to a colleague in a larger business environment.

It would seem obvious that in a place like Europe the **call for harmonization of legislation, standardization, conformity assessment etc. has been much louder than in most other parts of the world**. The concept of the New Approach and the Global Approach, of which Mr. Vardakas has spoken to you, is certainly the ideal solution for our continent and, if you will allow my saying so, a very **interesting example for other regions of the world**.

It is the link between legislation, standardization and conformity assessment which makes the New Approach so utterly attractive to industry. No longer are technical specifications written into laws by people who – being distant from the sector – cannot really have the

necessary knowledge; the authority limits itself in their legal texts to laying down the essential requirements for the safety and health of the user. **It is then left to the interested parties, industry, user communities, environmental specialists, science etc. to draw up the necessary specifications on how to best meet those requirements.** Deregulation at it's best! It is far easier to update a standard than to update a law. Another benefit of this system: the state of the art is always reflected. And, of course and most importantly, **the producer who follows the specification of a harmonized standard enjoys the presumption of conformity!**

The message that industry in Europe has long since understood is clear: participation in the process of drawing up standards is a key strategic activity. Companies and other stakeholders as public authorities, consumers and others: they have **to invest in standardization**: It takes good people to participate in standardization, persons best qualified for the job; those persons must act in TC's really knowing what they are expected to achieve, with clear rules for reporting back to their respective management. And, of course, there is a price to be paid for the harmonization of regulations and standards: the costs of changing production processes, management processes etc. But there is no such thing as a "free lunch" – or a "free vision". And to be the architect of change is always preferable to being the victim of change.

Thank you, Ladies and Gentlemen, for you kind attention.