

Publication

NEW YEAR'S MESSAGE FROM FEDIL AND ITS CHAIRWOMAN

Message from the President Michèle Detaille on the occasion of New Year's Day

Prime Minister,

Partners and Correspondents of the FEDIL,

Members of the FEDIL, Ladies and Gentlemen,

Normally, towards the end of January, the FEDIL would have held its traditional New Year's reception, a unique opportunity to meet with us and new members, to present New Year greetings, to be inspired by a renowned speaker and to listen to our Prime Minister's message to entrepreneurs.

Unfortunately, health constraints prevent us from meeting again in the festive setting of our extremely popular reception. Needless to say, after ten months of restricted contacts we would have needed more than ever to relive such camaraderie!

But we do not give up. First of all, it is important to us that we share with you the messages of the FEDIL and the Prime Minister at the beginning of this year which, I am convinced, marks the beginning of the end of a pandemic which has affected us all personally and professionally. Later in the year, if prevention measures allow, we will organise a friendly meeting during which we will be able to exchange our experiences, share our opinions and maybe even enjoy a fine glass of what our country has such skill in producing.

The recovery of our economy will require stimulating and accelerating private investment.

What conclusions can we draw from a year marked by ten months of pandemic prevalence which has changed our daily lives so much?

First of all, it should be noted that most of the sectors represented by the FEDIL were not directly affected by the closure measures decreed by the authorities to stem the transmission of the virus. However, many activities have been considerably slowed down and some pre-existing structural weaknesses have



manifested themselves more quickly and with greater virulence. Temporarily very high absenteeism rates and insecurity, and even disruptions to supply chains, affected almost all of our businesses. Even those where the products and services of which were in high demand despite the pandemic, or sometimes as a result of the pandemic, did not escape these difficulties.

The majority of our members generally appreciated the stabilisation and compensation measures proposed by the government during those difficult months. Once again, short-time working has proved its worth as an anti-crisis instrument for the benefit of both employees and their employers.

The European Commission has temporarily relaxed measures limiting state aid.

We welcome the government's decision to take advantage of this European opening to encourage manufacturers to preserve, or even advance, their investment projects. The modernisation and performance improvements associated with these investments are something of a prerequisite for a successful exit from the crisis. We would also like to commend the speed with which the Ministry of the Economy has handled the large number of applications received by our industries.

In normal times, private investment in our country is four times greater than public investment. The recovery of our economy will therefore require the stimulation and acceleration of private investment. We are very fortunate to have among our economic players project leaders who are eager to make their investments a reality, despite the crisis. These projects are often in promising areas such as housing, digital technology, decarbonisation and diversification of the industrial fabric. The government must contribute to unlocking this potential by helping to dry up the quagmire of certain authorisation procedures which are too cumbersome, too long and sometimes too discretionary.

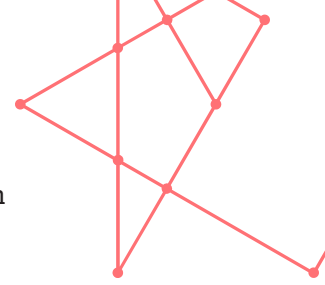
State intervention is necessary to support companies the activities of which suffer from the public health measures which had to be put in place. However, remaining indefinitely under the infusion of state support measures is neither financially sustainable nor politically desirable. Companies are seeking to restore a new "normality", sometimes with a paradigm shift.

Adapting to structural changes or new conditions in their markets, whether it is a question of matching supply and demand or cost structures and income prospects, is not foreign to our industries. The currently changing socio-economic context is strongly influenced by the climate agenda, digital transformation and more recently the Covid-19 crisis. I call on our political leaders and social partners constructively to support the adaptation movement being carried out by our companies, rather than trying to obstruct or slow it down in a misunderstood concern for job preservation.

Let us focus our efforts on a job retention policy which anticipates structural changes, promotes the development of new activities and, through appropriate training programmes, prepares workers for the new profiles sought on the job market. For, despite the crisis, the labour market is still characterised by a lack of qualified workers in the trades of the future.

The FEDIL is investing a great deal in the promotion of technological professions, which play a central role in business innovation and are thus becoming increasingly strategic in order to increase the chances of success.

Developing our public research ecosystem is another key to success. Its economic benefits obviously depend on the degree of cooperation between the world of public research and business. In this context, we hope to be able to



make rapid progress on the creation of a technology park around Belval which will bring public and private research closer together.

The crisis has been a major driver of innovation. It has accelerated digital and organisational transformation.

The Covid-19 crisis has accelerated technological and organisational changes within companies. The crisis has been a great driver of innovation and digital transformation. It has highlighted the indispensable aspect of digital tools, which are today essential to the good functioning of our society and economy.

The most advanced companies in terms of digital transformation have deployed digital tools in the management of their activities and production and have developed new, innovative working methods. Teleworking, for example, which has become mandatory in most of our companies, will be part of the new ways of working. The crisis has demonstrated that it is essential to strengthen digital transformation efforts capable of increasing agility, flexibility, security and resilience.

In order to ensure their sustainability and success, companies are relying more on innovation and investing in technologies based on the Cloud, the Internet of Things and artificial intelligence, not forgetting cybersecurity.

To ensure the success of the digital transformation of all our businesses, the government must put in place the right incentives and support measures, including tax incentives.

Connectivity has proved to be essential during the crisis. It must remain an ongoing concern of the government. The extension of fibre optic networks and the rapid deployment of 5G depend on authorisation procedures which must be applied with the required speed.

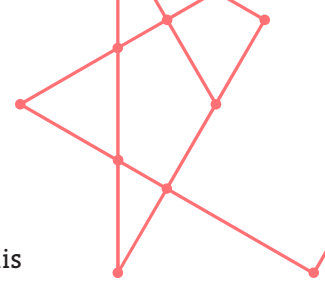
The digital transformation of public services is a priority for government action. During lockdown periods, we have experienced how vital e-government solutions can become.

The government as a whole must quickly put in place a framework which ensures an energy transition in which industry is a player.

In 2020 the European Commission and the Council made progress in their legislative work to strengthen and endorse the Union's climate objectives. The green deal was introduced as a kind of red thread in the recovery plan presented by the Commission and adopted by the heads of member states in response to the Covid-19 crisis. The integration of climate criteria into the rules governing the framework of international trade relations remains an unfinished business, which is of concern to sectors of activity which are highly exposed to the price of carbon. It goes without saying that the negative impact of the crisis on their financial resources is not helping business.

Industry is not questioning the definition of climate objectives in response to the climate emergency. It demands that political action should not be limited to this particularly visible aspect alone, but that it should quickly put in place a framework which ensures an energy transition in which industry is a stakeholder.

In the battle for the climate, we invite our government to consider all the



options available to us to achieve our climate objectives in a sustainable manner. Let us deploy them in a flexible and pragmatic manner according to the technological solutions which are appropriate for the different sectors. This is particularly true during the transition phase until zero emission solutions are available for all sectors.

It would be irresponsible to dismiss valid technological and legal solutions with the argument that they do not live up to our ambitions. Rejecting them will considerably and unnecessarily reduce Luxembourg's scope for action compared to other EU economies that adopt more pragmatic and nuanced approaches.

The CO₂ tax introduced at the beginning of this year seems somehow simplistic and undifferentiated. It is doubtful whether its current design contributes much to the energy transition. Its unique approach, which applies equally to businesses and private consumers, will hardly bring about the expected behavioural changes.

Unfortunately, the FEDIL's constructive proposals in this sense have not been taken into account for 2021, the first year of application of the tax. But it is never too late to do the right thing. A more intelligent design should be considered for subsequent years with specific developments according to the target sectors. From a business perspective, the tax must become more incentive-based by making investments in low-carbon technologies profitable and by ceasing to penalise companies which have significantly reduced their emissions. Continuing with the current simplistic policy of permanently raising energy costs will only reduce the attractiveness of the country as a competitive business location.

In addition to the few topical issues which I have just mentioned and on which the FEDIL hopes to see progress in coming months, I would like to mention a few other important projects for this new year which all have one thing in common. They are all favourably influenced by events or developments of which we became aware towards the end of the year.

With regard to the Covid-19 pandemic, we have received the first shipments of vaccine, and this bodes well for a gradual return to normality and the long-awaited economic recovery.

As far as trade relations are concerned, the last-minute agreement on Brexit opens the door to maintaining trade without too much friction with our British partners, and after the presidential elections in the United States, we dare to believe in a revitalisation of the transatlantic dialogue on trade issues.

The unblocking in December of the ambitious recovery plan for the European Union gives the green light to the recovery and resilience programmes to be submitted by member states to organise a way out of the crisis with digitisation, energy transition and the circular economy as vectors.

The public budgets devoted to stimulus programmes, as well as to the multiple economic compensation and stabilisation programmes during the crisis obviously raise the question of restoring budget balances and the future political management of public debt. 2021 will probably be the first year of an era in which we will digest the financial consequences of the Covid-19 crisis.

Ladies and Gentlemen, dear friends of the FEDIL, I have spoken to you about the economy, but it is not you business leaders whom I must convince that our industries are above all human adventures. Without the courage and dedication of our teams, the situation would have been even more difficult.

We are the Voice of Luxembourg's Industry

We are all suffering to varying degrees from this pandemic, not only physically but also morally and psychologically. It is our custom as bosses, executives and managers to take care of our teams. Let us not forget that in these troubled times, fragility can appear. Let us be firm, attentive and caring with our employees, they are the wealth of our companies.

I also think that it is in our economic interest and our moral responsibility to support our customers or our suppliers for whom everything is perhaps more complicated at the moment. I include the restaurateurs with whom we love to have such a good time. I promise that, as soon as possible, we will come back!

In these troubled times, I can only conclude by quoting a man who has proved himself to be up to the task in extremely difficult times. Winston CHURCHILL said:

“A pessimist sees the difficulty in every opportunity, an optimist sees the opportunity in every difficulty.”

I wish you optimism throughout this new year and on behalf of FEDIL, I wish you, your families, your teams and your companies all the best for 2021.

I look forward to seeing you soon.

Michèle DETAILLE

President of the FEDIL

