Foreword

This report has been prepared by APIC – Associação Portuguesa dos Industriais de Curtumes / The Portuguese Leather Industry Association in the framework of the COTANCE-ETUF:TCL Social Sectoral Dialogue (SSD) project “Social & Environmental Reporting in the European Leather Industry” developed with the support of the European Commission – DG Social Affairs.

The information sources used were:
- NOVOCOURO project (project developed by APIC from 2000 to 2004);
- ACT – Autoridade para as Condições do Trabalho: The Portuguese Authority on Labour Relations;
- CTIC – Centro Tecnológico das Indústrias do Couro - The Portuguese Leather Industry Technological Centre: Yearly reports, project data and miscellaneous information;

The Portuguese Leather Industry is represented by APIC that assures representation for the whole tanning industry and also of the directly related sub-sectors of the leather chain, such as the raw hides & skins traders, chemical companies, traders and agents, equipment and maintenance companies, leather goods manufacturers and traders.

Although the original statutes of APIC only covered the representation of the leather industry, the Association has developed a wider range of action during the last years, as follows:
✓ Business opportunities management;
✓ Statistical information;
✓ Legal support;
✓ Social Dialogue:
  - Permanent connection with the relevant Trade Unions and Federations;
  - Negotiation of the Collective Labour Contract;
  - Project development
✓ Support to specific licensing activities;
✓ Support to licensing processes of activity and cars with the Veterinary Office;
✓ Conflict management with the Labour Authorities;
✓ Connection to the representative structure of the Economy Ministry;
✓ Connection to the top representative Industry Federations in Portugal;
✓ Cooperation protocols:
  - INTRUM-JUSTITIA;
  - DUN & BRADSTREET;
  - JBW Insurance / MARSH
✓ Support to exporting and internationalization activities;
✓ Development of structural projects for the Leather Industry;
✓ Promotional campaigns and activities for the Leather Industry and for the Leather Chain;
✓ Political representation of the industry on a national and international level.

Lately APIC has set the main scope of its activity on internationalisation and export promotion, Social Dialogue and cooperation, Political representation and general support to the companies.

APIC is a COTANCE Member and subscribes to the Framework Agreements adopted by COTANCE and ETUF:TCL. These include the Social Code of Conduct signed in 2000 and the Social & Environmental Reporting Standard underwritten in 2008. The latter foresees its progressive implementation at company level on a voluntary basis.
Introduction

The history of the leather industry, whichever location considered, is always connected to the history of humanity. One cannot refer to the leather industry without an immediate association with the primitive man dressed with hides or skins to keep him warm.
This is probably the origin to all leather industry and naturally it also applies to the Portuguese leather industry.
Through the ages the industry has benefited from the innovative spirit of the different civilisations in solving their problems and developing the tanning activity in order to increase the application range of leather products.
The Portuguese also had a major influence on the industry’s development. Their discovery of new worlds enabled the use of new vegetable based substances, fatliquors and tanning materials originating from the newly found lands.
The origin of leather industry in Portugal dates back to the XVI and XVII centuries when a group of leather-making artisans settled in the regions of Guimarães, Oporto and Alcanena. These are still today the most important regions of the Portuguese leather industry.
Although the leather-making artisans were mainly concentrated in these regions, tanning activity was well disseminated all over the country. There are records of tanning activity being held at Alentejo, Estrela Mountain, Madeira Island and the Lisbon region. Some tanneries can still be found in those regions even today.
During the XVIII century, with the kingdom of João V, the first leather manufacturing tanneries have been established. In 1786 the first Royal permit for leather tanning was issued by the king, and awarded to the João Rodrigues tannery in the region of Alcanena. This permit enabled the use of the royal sign over the main entrance of the tannery. One of these signs, belonging to the Manoel Francisco Galvea family, can still be found today in the premises of a leather trading company in the region.
In the other regions there are still traces of the Portuguese leather history. For example in Guimarães some tanneries keep working in the historical centre of the city – listed as world heritage by UNESCO – and the river crossing Guimarães is still commonly known as the leathers river.
However, the leather tanning activity was only truly born as an industry during the end of the XIX century, following the industrial revolution initiated in England, along with its extension to the rest of Europe.

The leather craft soon started to develop into a mechanized activity, resulting in a notable increase on production rates and overall production levels.

The industrialisation in the manufacture of anilines paved the way for increasing the range of colours available and thus increasing the presence of leather in fashion products. It was also by the end of the XIX century that chromium started to be used in the tanning of leather.

The XX century has brought constant development to the leather industry. The majority of the tanneries shifted their production from the traditional vegetable tanning into the new chromium tanning technology. Along with this evolution, significant investments in production modernisation have been made, leading to a substantial enlargement on the overall production capacity.

From 1970 onwards, the environmental issues took a significant role in leather industry development. At that time, there was a need to perform significant investments (either individually or as a group) in order to regenerate leather industry in terms of environmental impact, preparing it to fully respond to the most demanding environmental quality standards.

More recently, along with a consolidation of its environmental strategy, the Portuguese leather industry has enlarged the range of potential clients by diversifying both its geographical destinations and nature of manufactured products. The Portuguese leather industry is also increasing its share in more demanding markets with higher value-added products where fashion, design and strict quality demands are vital for success.

As to APIC – the Portuguese Leather Industry Association – we have to go back the 19th century to determine the birth of Portuguese leather sector associative movement.

It was in this period that the AIP – Portuguese Industrial Association – and the AEP – Portuguese Enterprises Association – were both founded. Gradually, the Portuguese tanners became part of these associations and had the opportunity to defend their interests in the leather sector board meetings.
The Portuguese tanners also participated in fairs and exhibitions organized by these associations, in which they received several awards for the quality of their products. These associations published an annual report in which it was included a section fully dedicated to the leather industry.

Although, this associative configuration was very incipient in terms of the leather sector representation needs. The first truly representative association in leather industry was only founded in the 20th century, as a gremial entity, obeying to the corporative model of the economy.

In 1958, the Ministry of Corporations creates the “National Leather Trade Union”, which starts its activities immediately and is managed by a board of directors entirely composed by tanners.

The discussion of the development strategy for the leather industry and the defense of its collective interests were the main concerns of this entity.

At that time the board of directors showed a very accurate strategic vision, foreseeing most of the contemporary concerns of the leather sector. The guidelines developed then still have relevance in our time, due to their remarkable strategic vision.

With the Portuguese revolution in 1974, the development of associative movement in the leather industry enters a new phase with the creation of APIC which still represents the Portuguese leather sector.

As to APIC’s Mission, today, as in the past, the main objectives which preside to APIC’s activity are the representation and protection of the industry’s collective interests, the definition of the industry’s global strategy and to plan and execute projects for the leather sector.

APIC is part of a system composed by CTIC – Leather Technology Centre – and by AUSTRA – Waste Water Treatment Supervisor -, in which, APIC’s main task is to define the global strategy for the industry as a whole and also for the system.
Over the last few years, APIC has strengthened its activity on exports promotion, social dialogue intensification, promoting a closer relationship with the Trade Unions, environmental strategy, in the framework of the environmental responsibility regime, creating financial guarantees in case of environmental damage.

Companies
The Portuguese Leather Industry has 60 active companies with a workforce of 1980 workers. Regarding the type of companies, the industry is mainly composed by family owned SME’s under the Limited Responsibility company type.

APIC has now 58 members, including tanneries, leather traders, chemicals traders, machine and equipments traders and others.

The Leather Industry is mainly located in Alcanena – centre of Portugal – with also other industrial sites in Oporto, Guimarães, Seia and the Alentejo.

Production
The production of the Industry is roughly 100 Million SQFT per year for a turnover of roughly 200 Million €. The main production is cattle leather with about 80% of the total production, 15% for sheep, and 5% for goats, horses, buffaloes and others.

The industry has concentrated its production phases over the last decade on the last 2 phases – retanning and finishing – with losses on overall turnover and production.

However, an increase on the average selling price per SQFT has offset larger reductions on turnover, due to a raise on the added value of the Portuguese leathers which quality now ranges in the top of the world leather producers.
Simplified listing of companies, location and production:

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Institutional structures

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CTIC and AUSTRÁ were created by the initiative of APIC to complement the representation tasks of its competence with an environmental focused structure in the case of AUSTRÁ and a structure that could respond to the technological challenges posed to the industry in the case of CTIC.

CTIC – The Technological Centre for the leather industries, a juridical entity of public dues without lucrative aims was formally created in 1992, under the initiative of APIC and 54 Portuguese leather companies having had a state participation, subscribed by IAPMEI and INETI.

At this moment, the total number of members is 97, from which 65 are leather industries representing around 90% of the national production.

It is located in Alcanena (100 km North of Lisbon), in the centre of the largest tanneries concentration of the country (over 80% of the national industry).

In mid of 1994, CTIC began its activity and a year later it was decided, to advance to a certification process of the laboratories as a form of reinforcing the credibility of the services offered by the Centre to its members.

The efforts developed since then, have led to the certification of the laboratories according to the NP EN 45000 standard, first in the leather area and later in the areas of liquid effluents and water consumption.

CTIC is a technical infrastructure, promoter of valorisation and technical innovation of the national leather industry, aiming at the sectors competitiveness.

During the 80’s, this industry has undergone a period of considerable increase,
corresponding to a strong increase of demand, mainly from the footwear industry, which absorbs around 90% of the production.

Following the important modernization investments, both in the productive aspect and concerning environmental preservation, new challenges are now placed: the globalisation of the markets; the arrival of new competitive countries, with different competitive advantages; the strength, flexibility and creativity of the traditional competitors, have imposed new business strategies and new technical challenges.

CTIC was created to support the sector in this reconversion, assuming a main role in the implementation of new technologies and processes, in the research and development, in the environment preservation, which will lead the sector to the technical sophistication, innovation, process rationalization, cost reduction, productivity gains and, diversification and segmentation of alternatives markets to those of footwear.

Services:
- Consultancy / Technical Support and Technology Transfer
- Environmental Preservation
- Analysis and Tests
- Quality Certification, Environment and Health & Safety
- Training and Information
- R & D – Research and Development

AUSTRA has been created in 1992. Its purpose is the management of the “Alcanena System”, composed by Waste Water Treatment Plant, Landfills for sludges and leather solid wastes and a chrome recovery unit (SIRECRO).

AUSTRA controls the emission of effluents from the tanneries, and participates also in the definition of the environmental strategy for the sector.
Environmental considerations

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With a significant challenge to manage a highly water consuming industrial process, the Portuguese tanners have been adopting compact leather tanning processes which minimize water consumption and have promoted the recycling of chrome baths which allows chrome to be recovered and water to be re-used.

Simultaneously other measures have been taken in terms of air pollution minimization through the use of natural gas boilers, filter application on painting machines, the use of High Volume Low Pressure painting guns among many others that give considerable contribution to the environmental care of this industry.
The environmental report

Today the Portuguese Leather Industry has achieved, with great effort, a very satisfactory degree of compliance with National and EU law, as follows:

- Water Framework Directive
- European Waste Catalogue and Hazardous Waste list
- Solvent Emissions Directive
- Animal by Products Regulation
- Integrated Pollution Prevention and Control Directive
- Registration and Authorisation of Chemicals Regulation
- Environmental Responsibility Guarantee (Undergoing at the moment. Up to the end of 2010, the Portuguese Leather Industry will have a environmental insurance or guarantee that will serve to repair environmental damage when it occurs).

The Portuguese Leather Industry has undergone great changes, modification and progress to achieve these compliances.

Specifically in Portugal, the Leather Industry was the first industry where the polluter payer principle was applied and today, in the 21st century there are still some industries in the country that still do not show compliance with this basic environmental status.

The Environmental Report has received 12 positive answers in our sector that accounts for roughly 20% of the active tanneries in our country that show a significant new step forward in this area. Besides assuming its environmental responsibility in a pioneer manner, the industry is also now reporting on it to all its stakeholders.

The environmental reporting has changed the way that companies face the environmental issues. In 2010, the technological centre, CTIC, has conducted several Environmental and Energy Consumption and Efficiency Surveys in the Industry that have led to very interesting results in terms of company’s performance in this area.

As a result of these surveys many tanneries have adopted corrective measures to their energy structures and equipments that have allowed them to combine higher energy
efficiency with lower costs. There were companies that made significant investment on new machines, equipments and energy distribution lines to assure important energy savings that lead to an environmental step forward for them and for this industry has a whole.

**The environmental indicators**

- **Process**

The leather tanning process has suffered great changes in the last 50 years in the Portuguese Leather Industry.

In the 1950’s and before, leathers were mainly vegetable tanned relying on tanning tanks that would later develop to drums. At that time the whole industry tanned leather relying on vegetable tannins and the waste waters had less impact on pollution although there were few water treatment processes running in the industry. With the 1960’s came leather tanning relying on chrome that was the great technical revolution on the industry during the 20th century. With the use of chrome came the greatest environmental impact of the industry and the appearance of the so-called wet-blue stage. The wet-blue would remain has the main tanning process up to the present day, although the late 1990’s and the beginning of the 21st century would also bring alternative processes such as wet-white, combined tanning and others.

However, during this period there were also important changes not only on the processing technology, but also on the processing stages. Up to the end of the 1980’s the tanneries would, generally, perform the full process from raw hides up to finished leather, by making the 4 stages: Beamhouse, Tanning, Retanning and Finishing.

Nowadays, there is one tannery that works for a good portion of the industry tanning into wet-blue and 5 tanneries that make this process for their own consumption. During the mentioned period there was a first phase when wet-blue stage raw materials were widely used - up to the late 1990’s – that would, in the beginning of the 21st century shift to crust leathers that are at this moment, together with wet-blue, the main raw materials of the industry.
• Raw materials processed
As described above the main raw materials are in wet-blue and crust processing stages with origin in Brazil, Argentina, Egypt and Morocco.
The raw hides – wet-salted hides – are still used but in a much lower proportion. They originate in Portugal – internal market -, Spain, France and Eastern Europe.

• Pollution abatement installations
The main installations are located in Alcanena and are managed collectively by AUSTRA as mentioned before. These installations include:
- WWTP: Waste Water Treatment Plant;
- Landfills (sludge and leather waste);
- Chrome Recycling Unit.

All of the tanners in the Alcanena Leather District rely on these installations for their use and all of the tanneries, except for 1 tannery discharge the waste waters into the WWTP.
This tannery due to the great distance from its industrial unit to the WWTP decided to build its own WWTP as it was more cost-efficient than to build a sewer to make the connection between the tannery and the collective WWTP managed by AUSTRA.

The tanneries located in other areas – not included in the Alcanena district – have their own WWTP or are connected to municipal WWTP's.
This situation means that there no waste water discharges into the surface or water courses in the Portuguese Leather Industry.
The environmental investments performed by AUSTRA – collectively – and by the tanners – individually – have assured a full environmental compliance of the industry as a whole.

• Cost of wastewater treatments
Waste Water treatment now accounts for about 2% of total industry turnover.
In this field the main problem, in the particular case of the Portuguese Leather Industry, is not the current costs of water treatment – although these represent important costs -, but the investment costs needed to renew AUSTRA’s collective WWTP and sewer network that connects the tanneries to the WWTP.

All of the infrastructure has now about 40 years – the first investments date back to the 1970’s – and needs renewing, mainly on the sewer network that shows evident signs of deterioration mainly by leaking waste waters.

The industry has for many years requested support for the Portuguese Government to solve this pending problem.

- Costs related to emissions to air

CTIC has developed joint project to tackle VOCs and considerable success on tanner motivation on this issue. Also the spray painting machines have been adjusted by inserting filters into the chimneys to avoid the release of VOC’s.

Also tanneries are subject to a yearly analysis of the emissions of the painting machine and boiler emission into the atmosphere.

Of course these measures imply additional costs to the industry that have effect on the costs structure and on profits. About 0.1% of turnover is spent on air emissions related costs.

- Energy costs

Energy costs are, unfortunately, still a rising cost heading within the Leather Industry, although considerable technical and technological changes have been put into work to reduce the impact of energy costs. The use of Natural Gas boilers is a representative example in this field, where the use of natural gas has increased the direct energy cost, but has contributed to cleaner steam production with less impact on air emission and still managed to reduce the boiler maintenance operations and stand-by times due to maintenance operations.
- Other costs

There are other costs that relate with IPPC compliance and Environmental Certification that vary significantly from company to company.

**Conclusion**

In general, tanneries present a high degree of compliance with environmental standards, regulations and laws. Over the last two decades a great concern and conscience was developed over environmental issues with a constant stream of investments in this area. This has allowed the tanneries to minimize their environmental impact significantly, in terms of water, soil and air pollution. These developments show a mature leather industry that has reached a consolidation stage in terms of its overall evolution over the past years.

However the current degradation of the economical situation in the industry with the pressure on profits combined with the rising raw materials costs and the growing difficulties to access to credit – raised by the financial crisis – are putting the future of the industry at risk and, of course, also the investments that the environmental field requires to keep this development pace. Although the Portuguese Leather Industry has be a pioneer in the general Portuguese Industry panorama in terms of environmental concerns, still many further measures have to be taken to reach an optimal situation.
The social report

The Leather Industry reached its maturity stage in the mid 1990’s where turnover and employment reached their peaks. Since 1995 up to today – the last 15 years – the industry has registered losses on turnover and employment that set the total workforce in 1986 workers at the present day.

Composed mainly by family owned SME’s, the leather industry was a source for well paid employment that led the score for the highest average salary in the industry for many years in Portugal. The companies are usually Limited Responsibility companies although a significant number of Anonymous companies exist.

The structure in terms of size is based, at the moment, in SME’s only although there were companies – only 2 in the whole of the sector – that reached the status of big company over 2 years during the last decade.

The Alcanena leather district was during the 70’s and 80’s a huge source of employment for people in the region. Alcanena received workers from the surrounding villages where no employment was available for them and offered a well paid job in comparison with other industries or agricultural work.

This situation originated Alcanena to become a single industry/activity geographical area that made people very depending on the industry. Having a problem on getting the needed workforce for the leather industry, Alcanena never had the concern to develop other economical activities that would be complementary to the leather industry. This strategy caused long term difficulties that are now becoming visible due to the fact that there are no alternative sectors for employment in Alcanena at the moment and the district is now “exporting” workforce instead of attracting it, as it happened in the past for many years.

In terms of Education & Training many young students went abroad – Germany, Italy, Spain, England and others – to study leather in international leather institutes and training centres, mainly during the 80’s and 90’s. This movement created a well prepared generation of leather technicians that would have a very positive impact on the development and competitiveness of the industry and a better preparation of the remaining workforce. Also at a domestic level, APIC and CTIC promoted many leather training courses for local workers.
that did not have the economical means to go abroad, enabling them to access knowledge in the field.

Nowadays, the employment situation is much different with tanneries relying on temporary workers and immigrant workers from mainly Eastern Europe countries such as Ukraine, Romania, Moldova and others. Also the fact that the work on the leather industry is a quite heavy work has contributed for workers to find other work options as the country started to be more developed. At the moment the industry has reached a socially balanced situation.
The Social indicators

- Number of workers
The Portuguese leather industry accounts today for 1985 workers with an average workforce per company of 33 workers per company. With a reduction trend over the last decade, the industry is still significant in the overall industry panorama in Portugal.

- Trade Union presence
The trade unions are present at a local level and national level. Locally there are 2 active trade unions – one in the Alcanena district and another in the North of Portugal. At national level there is a Federation – FESETE – that is representative of the Textile, Footwear and Leather industries.

- Average age
The tanneries workforce is today an aged workforce with an average age of 41 years old employees.

- Average number of years of workers in the company
The average years are high with 22 years of work on average per worker per company.

- Average salary
The average salary is nowadays EUR 648,00 in terms of monthly gross salary still subject to IRS and Social Security contributions and adding up the Daily Meal Subsidy.
• Nationalities of workforce
Although the workforce is still mainly Portuguese, many immigrants have joined the industry over the past decade. The main foreign nationalities are Ukraine, Romania and Moldova.

• Contractual categories and worker turnover
There are 13 different contractual categories in the Portuguese Leather Industry Collective Labour Contract, as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Monthly Salary (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>895,00</td>
</tr>
<tr>
<td>II</td>
<td>811,00</td>
</tr>
<tr>
<td>III</td>
<td>752,00</td>
</tr>
<tr>
<td>IV</td>
<td>715,00</td>
</tr>
<tr>
<td>V</td>
<td>672,00</td>
</tr>
<tr>
<td>VI</td>
<td>648,00</td>
</tr>
<tr>
<td>VII</td>
<td>627,00</td>
</tr>
<tr>
<td>VIII</td>
<td>605,00</td>
</tr>
<tr>
<td>IX</td>
<td>530,00</td>
</tr>
<tr>
<td>X</td>
<td>483,00</td>
</tr>
<tr>
<td>XI</td>
<td>479,00</td>
</tr>
<tr>
<td>XII</td>
<td>476,00</td>
</tr>
<tr>
<td>XIII</td>
<td>475,00</td>
</tr>
</tbody>
</table>

• % of female employees on the total workforce
Although the average tasks in the leather industry are heavy, there is still a quite important feminine presence in the industry that accounts for about 30%.
- **Training activities**

In the past the main training activities were based on the knowledge of leather technology, as it was needed to reinforce knowledge on the most important area for the industry. Today, training activities are mainly based on short duration courses focused on specific needs such as Forklift Drivers certification, Boiler Operators certification, Quality Management, Environmental Management and other relevant areas.

- **Work conflicts**

Fortunately work conflicts are not very common in the Portuguese Leather Industry. Usually the conflicts are dealt with in each company between the management and the workers to reach an agreement. When an agreement is not possible at this level, the Association – APIC – and the local Trade Union meet to solve the issue of conflict that usually is solved at this level. When these two stages fail, a mediation is requested to the official labour authorities.
Conclusion on Social reporting

The social situation in the Portuguese Leather Industry can today be described as stable and mature. With a representative Association – APIC – and local and national level Trade Unions that have regular meetings and a stable relationship it has been possible to achieve today’s stage.

The situation in the companies has been very regular over the last 2 years, although the financial crisis and economic climate have not been favorable. Workers have been accepting and understanding the labour flexibility measures and the managements have been making very serious efforts in terms of exports promotion and conquering new markets to ensure the continuity and survival of the companies.

At this stage more social progress in the industry can only be achieved with more earnings and profits that are difficult to obtain in the current situation.

New investments in training and better working conditions are today very limited although companies have been trying to keep the development pace.

However, the situation in the industry seems to be improving in comparison with 2009, and maybe 2011 can open room for more social progress in the industry.
General conclusions

The Social and Environmental concerns usually come up with more strength when the industries are reaching a maturity and consolidation stage.

In the case of the Portuguese Leather Industry we have already reached this stage a few years ago and these two areas are no longer less concerning areas as these could have been in the past. These areas are today a part of the strategy of any tannery.

However, the challenge of today is not to give the relevance that these areas deserve but how to sustain the investment that these need to have progress.

There cannot be Social and Environmental progress without economic growth and the creation of wealth… If the industry cannot generate wealth it cannot make contributions to Social and Environmental progress.

Competition is today made with countries that have less Social Protection and much lower Environmental Standards. The challenge is to be more competitive in a framework that is not the most favorable and still keep on making progress in these areas.

The Portuguese Leather Industry is committed to this challenge.

Acknowledgements

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