

Are you compliant with Europe?

Product Lifecycle Management keeps manufacturer on the right side of the law

The cost of “component traceability”—tracking every component and every input from every source in a product sold—can range from 2 percent to 8 percent of revenue. “That’s the profit margin,” says Eric Karofsky, senior analyst with Boston-based AMR Research and author of the report, *Full PLM Assault is Needed for Compliance*.

The cost of not complying can be steeper, ranging from fines to jail time. That’s why Dot Hill Systems, a Carlsbad, Calif.-based network storage supplier, adopted a product governance and compliance (PG&C) solution from product life-cycle management (PLM) vendor Agile Software. The PG&C module contains all the laws, regulations, and standards that apply to the user’s products, components, and manufacturing processes.

The software also tracks supplier input and compares suppliers’ statements against regulations to determine if the end product is in compliance.

But the real value of the PG&C module lies in the database of laws, regulations, and exemptions that Agile keeps up to date.



Dries D’Hooghe, director of product management, Agile Software Corp., San Jose, CA.

Companies that aren’t compliant with new hazardous materials regulations in Europe, ROHS, could be locked out of one of the largest and richest markets in the world.

“The worst-case scenario of being out of compliance is that manufacturers could be prevented from selling product in the EU, they could be fined, and personnel could be prosecuted — with potential jail sentences,” says Ken Strasser, Staff Engineer – Environmental Compliance at Dot Hill, manufacturers of RAID storage systems, based in Carlsbad, Calif. This is one reason it’s selling a “green” product line fully compliant with European, U.S. and Chinese regulations.

The European Union’s new Restriction of Hazardous Substances regulations, or RoHS, came into effect on July 1, 2006. They require all vendors to declare and track



all hazardous substances from the beginning to the end of the lifecycle, including disposal.

Lead, mercury and cadmium are the main concerns with consumer electronics. Other substances covered include hexavalent chromium, and the flame retardants polybrominated biphenyls (PBBs, flame retardants) polybrominated diphenyl ethers (PBDEs). They’re used not only in components but also in manufacturing, and can pose serious health risks.

They can also pose a huge financial risk. “Shipping product is a *de facto* statement of compliance with RoHS,” says Eric Karofsky, Senior Research Analyst with AMR Research. If auditors find that a product that doesn’t comply, it will be barred from the European market — 300 million people with disposable incomes comparable to North Americans’.

“It’s pretty clever: the EU is counting on competitors to keep each other in check,” says Dries D’Hooghe, director of product management with product lifecycle management (PLM) developers Agile Software Corp.

China will enforce even more stringent and expensive regulations on March 1, 2007. While there is no single U.S. regulation like it yet, several states do require some component tracking. “In 2005 alone, 60 different laws to govern electrical and electronic products waste were proposed across the U.S.,” says Karofsky.

The cost of “component traceability,” the ability to track every component, every input from every source in a product sold in the

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European market, could be as much as 2 percent of revenue, according to AMR Research.

Dot Hill recognized the cost and the risk early, and sells a “green” product line that supports RoHS standards as well as the U.S. WEEE (Waste for Electrical and Electronic Equipment) standard. Users of Agile’s Product Lifecycle Management (PLM) solution since 1996, they adopted the Agile Product Governance and Compliance module, which tracks all inputs from all sources through the demand chain. It also comes preconfigured to help companies comply with RoHS.

“The PG&C module is integrated into the central Agile configuration management (CM) system. As material declarations are procured from suppliers, they are attached to individual manufacturing part numbers in the CM system,” Strasser explains. “The software helps procure and document material compliance to RoHS, or any other specification that you want to set up.” It identifies the products and components interesting to RoHS regulators, tracks them throughout the supply chain and generates reports. “Once the data is received, the primary purpose over time is to compare the declaration to the results of parts sent to independent analysis labs for verification.”

PG&C works within Agile’s PLM product. While it could be used with other PLM solutions, says D’Hooghe, in that case it wouldn’t have the Agile RoHS configuration files. Keeping this data up to date as regulations and products evolve is the real value proposition.

Given the risks, RoHS seems to be creating a whole new software sector.



Eric Karofsky, Senior Research Analyst, AMR Research



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