



ANNUAL REPORT 2004



50 years defending engineering excellence

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Nils Lundqvist,
Founding member

Orgalime 50 years – a word of history by one of the founding members of Orgalime, Nils Lundqvist, former Managing Director of Sveriges Mekanförbund (the Swedish Association of Engineering Industries)

"On Tuesday the 8th of November 1954, newly appointed managing director of Sveriges Mekanförbund, I found myself in a meeting in Paris called by Mr Métral, Chairman of Syndicat Général des Industries Mécaniques et Transformatrices des Métaux. The matter to be dealt with was the founding of a European organisation. The engineering trade associations from Austria, Belgium, France, West Germany, Italy, the Netherlands, Switzerland, the UK and the four Nordic countries were there, all represented by their Chairmen and Managing Directors.

The participants agreed to form "Organisme de Liaison des Industries Métalliques Européennes" ORGALIME for short. It was underlined that this "organisme de liaison" would have the character of an informal club without any financial demands on the organisations taking part. It was also agreed that questions of wages and collective agreements would not be discussed. Mr Heineke from Denmark was appointed Chairman and the French organisation agreed to provide the secretariat. After a few years demands for a better structure for Orgalime surfaced.

The origins of the collaboration between our industries after the war dated from 1948 when the first post war European engineering congress was held in Paris with around 400 delegates.

Sveriges Mekanförbund had undertaken to host the fourth congress in Stockholm in 1952. As part of the preparations the organisation committee met in Gothenburg in 1951. There the participants had agreed to an extra day for discussion of economic issues. The agenda listed, among other things, the negotiations for a free trade agreement that were held in Torquay at that time and the Schuman plan, which was then a burning issue. The participants also discussed a proposal to form a European Metal Industry Confederation. The meeting can be seen as sowing the seeds of Orgalime. Parallel structures were also developing: already in 1952 the engineering industries in the six European Coal and Steel Community countries had formed COLIME to take care of the industry's interests as buyers of steel and to discuss the Rome Treaty. When, later, the countries outside formed EFTA, the engineering organisations of those countries countered to form MEFTA at a meeting in Paris in 1959. As a result it became unclear how the co-operation should be handled. What was the role of Orgalime?

Sveriges Mekanförbund hosted Orgalime's yearly meeting in 1960 at the beginning of June. I chose to break with the tradition of always meeting in the major cities and invited my colleagues to the little town of Båstad in the south of Sweden. The nearest airport was in Copenhagen and our member companies provided limousines to drive the participants between the airport and Båstad. We all stayed at the same hotel. This turned out to be a successful arrangement allowing for extensive discussions between the participants far from the tempting pleasures of the major cities. But it was not all work. We organised our own "night club" in the hotel under the competent leadership of Mr Imbert from the French association, singing Alouette and other songs.

The organisation and budget for Orgalime was

once again debated. After a while the Belgian delegate Mr Poncelet took the floor and said: "Let us "kill" COLIME and MEFTA and have only one organisation, Orgalime, with one budget." Mr Poncelet was an imposing man who 'had the ear' of his colleagues. His proposal totally changed the situation and the result was that COLIME and MEFTA became working groups within Orgalime and soon thereafter disappeared.

During all the years until my retirement in 1979 I took an active part in the Orgalime work. I also took part in the working group which, under the chairmanship of the English delegate Mr Steward, wrote the Orgalime bye-laws and formulated the aims of the organisation. A separate secretariat was established in 1963 in Brussels and Mr Groenhart was employed as Secretary General. During a period I was Chairman of the Executive Committee, and made many trips to Brussels for long discussions with Mr Groenhart.

It seems that I am perhaps the only person who was present at the founding of Orgalime with the possibility to celebrate its 50 years. I would gladly have taken part in the 50th anniversary celebrations but, even though I am of good health, I do not want to embark on long journeys. I therefore wish Orgalime all success as it enters its second 50 years with the conference Engineering the Future."

Thus Orgalime was born and now 50 years on is focusing, as the industry always has, on engineering the future.

THE PRESIDENT'S MESSAGE



Martine Clément,
Orgalime President

As I stated in my message to you last year, for many years manufacturing industry and the EU institutions worked closely together to build a Europe based on a shared vision with common values, a single market and now a common currency. This vision and the reality it has engendered on the ground have generated enthusiasm, commitment and growth.

But in the last ten years, many of us CEOs who manufacture in the EU have come to question whether this shared vision is still on the political agenda of the EU institutions, of national governments and even local authorities: as a CEO of a SME faced with the daily reality on the ground, I have lately often been asking myself whether regulators have not finally lost touch with the economic life blood of Europe, that the manufacturing industry represents, increasingly pushing us, through ever more stifling regulation, to develop outside the EU.

This is of course of the greatest concern for all of us who believe in a future for our companies and for our employees in Europe. The conventional wisdom which many politicians adopted in recent years – that Europe can grow as a service economy, relying on manufacturing what it needs in third countries is, in the face of stubborn unemployment figures looking increasingly dubious. There is at last a realisation of the essential role that manufacturing plays in maintaining and developing the skills and the knowledge that we need in Europe to sustain the lifestyle that our citizens have come to expect.

As manufacturers we must get our message across to policymakers and to do so convincingly, we must also, as industry, do it together.

In 2004 therefore, I have focused much of my work on promoting the essential role that the manufacturing industry – both the engineering industry, which I represent as President of Orgalime, and that of our clients – plays in the future of Europe.

Since the end of 2003, the Commission has started to seriously consider industrial policy once again and I felt that one of my tasks was to reinforce this drive and to provide support towards developing a new vision where manufacturing is considered both by the EU institutions and national governments as one of the essential pillars of the European economy.

With our colleagues in 10 other major branches of industry and UNICE, the Union of Industrial and Employers' Confederations of Europe, we set up in 2004 the Alliance for a Competitive European Industry whose prime aim is to focus on those areas of common concern to industry operating in the EU – the framework conditions under which we operate. This Alliance represents some 1.7 million companies with a turnover of nearly 5,000 billion euro, employing about 23 million people. As Orgalime, which represents over a quarter of the manufacturing industry in the EU, we have an essential role to play in the Alliance.

Besides several meetings with Commissioner for Enterprise and Information Technology, Mr. Liikanen, we also met the President of the Commission, Mr. Prodi twice during the year. The focus of our discussions was naturally enough industrial policy and the competitiveness of industry operating in the EU. We very much hope that the initial push that we have

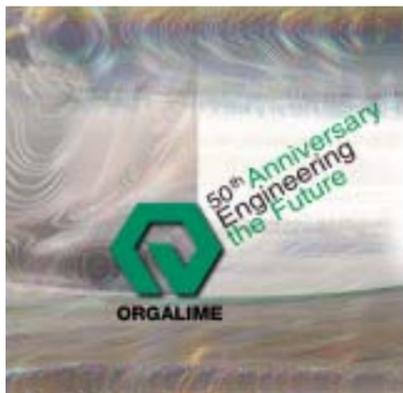
given to this issue under the outgoing Commission will be followed up in the new Commission.

The first signs that we see in the new Barroso Commission with its focus on reviving the Lisbon agenda and on growth and jobs are encouraging. I hope that this Commission will have the political courage to follow through with the programme it has announced and to break the old habits of promoting a vision for a competitive Europe, while at the same carrying on with business as usual at the level of regulatory output.

We also need real commitment from our national leaders, many of whom are finding it difficult to act decisively to carry out the reforms that are needed.

At a European level, vis-à-vis the Council, we can best act in the framework of the Competitiveness Council. It is for this reason that I was keen, as I have done in the past with the Italian and Irish Presidencies of the Council, to arrange a number of discussions with the Ministers of the Economy of the Netherlands and of Luxembourg which each held the 6 months rotating Presidency of the EU during the second half of 2004 and the first half of 2005. I am convinced that such meetings are essential both for communicating our message on industrial policy and for promoting a better co-operation with the Council on the specific issues which are on the agenda of each of the Councils.

Finally, we must also work on convincing the elected representatives in the European Parliament of the pertinence of a vision which provides a common impetus towards developing a Europe where growth is once again a reality and employment increases.



OUR VISION AS ORGALIME

Although we will only be celebrating it in 2005, my final year in office as Orgalime President, this year is our official 50th anniversary year. As with most associations, it is difficult to fix a precise date of creation.

We are however crystal clear on what our mission is: to be the prime representative of our industry on selected issues affecting a wide range of the manufacturers whom we represent.

In order to carry out this mission, we must actively work on regulation in the legislative pipeline which affects our industry, but we must also actively promote the image of our industry and the development of competitive framework conditions under which our companies can flourish in the future in the EU.

As Europe grows, we also need to be sensitive to the needs of our new members, many of whom are still in the phase of digesting their recent arrival in the EU.

It was with this in mind that we held our first General Assembly this year in one of the new member countries – Slovenia, where I was happy to welcome incoming Commissioner for Research Potočnik, as well as associations and companies from nearly all the Balkan countries.

This gave us the opportunity of communicating our vision for the future, both to the new Commissioner for Research – which is one of the essential areas on which we must focus in Europe and to those new and future members of the EU who are essential to building this future.

This meeting was a forerunner of our 50th anniversary meeting, which I am hosting in Brussels in 2005, where the theme which we will develop in a manifesto will be "Engineering the Future". We want to highlight those areas which are important to us and which, I hope, will condition our action for the coming years.

If we really want to succeed in the objectives which the EU fixed itself in 2000, that is to become the most competitive knowledge-driven economy in the world, then we will need growth. To achieve this we will need to do much more in four key areas:

- Develop an innovation- and entrepreneur-friendly regulatory environment
- Establish a supportive fiscal framework for companies
- Bridge the gap between research and innovation
- And last but by no means least, invest better and more in education and skills.

It is only then that we will be able to profit fully from the size of the EU: a strong home base is essential to the competitiveness of the many companies which make up our industry.

I look forward to the new Commission and our political masters in the European institutions taking the lead to drive through the changes that are needed. Now is the time to banish the image of the "old" Europe and to seize the opportunities which the new enlarged Europe offers us.



ORGALIME

Founded officially in 1954 by members from 12 countries, Orgalime today has 35 members - national trade federations or associations representing the metalworking, mechanical, electrical and electronic industries of 24 European countries.

We now have seven members from the new accession countries and are already welcoming further members, so that as the EU expands, we can go on fulfilling our mission: to be the prime voice of the engineering industry on the core issues which affect a range of sectors in our industry.

This is an ever-increasing challenge since Orgalime's members cover some 120 different product areas, many of which also have their own European associations. Many other associations and companies in our industry also have representative offices here. In a Brussels where an estimated 16,500 representatives of associations, companies, regions, unions and other NGOs operate, it is increasingly important for us not only to reinforce our presence, but also to streamline our working methods, so as to have the ability to operate in flexible networks: while we continue to work closely with our traditional partners, we are increasingly developing specific networks for each issue we follow. This is essential, to ensure that our voice is heard and is effective, however substantial our own network may be. At the level of industrial policy, for example, we have, with 10 other major industry branches and UNICE, launched the Alliance for a Competitive European Industry in 2004.

Many changes are inevitably leading us to take a look at our structures and our resources: we have to be more focused, more in touch with our end clients. Recent developments on the association scene have shown this and while members are examining how far we have to adapt our structures and working methods, they have already increased our resources, thereby enhancing the operational capacities of our network in Brussels.

Brussels in 2004

2004 has been a year of export led recovery for our industries whose average output rose by some 4.1%. However our economists feel that this recovery is fragile and question whether it will be sustainable. Since the beginning of 2005, there have been mixed signals, with many indicators pointing to lower overall economic growth during the year.

At the level of the EU institutions, after an unprecedented burst of regulatory activity during the early months of 2004 prior to enlargement and the election of the new European Parliament, which left much of industry suffering from a hangover from the mass of newly adopted regulation, there was a clear slow down as the new European Parliament and Commission settled in. It will take some time nevertheless for the legislation in the pipeline to be adopted and transposed.

The new Commission has resolutely turned its attention to industrial policy focusing on growth and jobs. We welcome this and now look forward to achieving a similar level of support in different member states, where we find that a number of the major countries are finding it difficult to adopt those structural changes which we see as essential if the manufacturing industry is to invest and develop in the EU.

Issues

At the top of our everyday agenda are still the areas of the environment and technical legislation: the issue of waste from electrical and electronic equipment, which has occupied much of our energy in recent years, has finally been adopted. Further environmental regulation aimed at design of the products of our industry is, however, still in the pipeline. Moreover, a number of the major internal market directives regulating our products, such as the Machinery Directive, the Electromagnetic Compatibility Directive and the Low Voltage Directive are also under review. There have also been a number of trade issues, which have been on our agenda during the year, such as the steel and the US Foreign Sales Corporation disputes with the USA.

After the recent explosion in the quantity of regulation, we now hope to see a quasi freeze on regulatory activity without prior impact assessment and a re-examination of much of the acquis communautaire affecting our industries in a measured and concerted process, so as to ensure that any changes that we feel would help the competitiveness of our industry – and this is often a case of fine tuning or administrative simplification – can be developed. Much of this work should also involve national administrations which are among the worst offenders since, by introducing local requirements, they often undermine the benefits of harmonisation at European level. We now feel however that we are seeing the first steps towards really placing competitiveness once again at the centre of the regulatory agenda.

ENGINEERING IN 2004: THE YEAR AT A GLANCE	
Output	1,235 billion euro
Exports out of the EU	376 billion euro
Investment	40 billion euro
Employment	7 million



THE ECONOMIC SITUATION 2004-2005

Orgalime's economists compile and analyse their latest data and forecasts for the engineering industry twice a year. This covers data from the following sectors: metal products, mechanical engineering, electrical engineering and electronics, belonging to chapters 28 to 33 of the NACE nomenclature. The report covers results and forecasts of 18 European countries representing 95 % of total European output.

On the basis of information at the date of publication, in 2003, the engineering industry's turnover reached some 1,175 billion euro and employed some 7 million people. The engineering industry, which Orgalime represents as a whole at EU level, therefore accounts for more than one quarter of the output and a third of the exports of the EU's manufacturing industries.

2004 a year of recovery - but only modest
Late in 2003 and in early 2004 there were signs of a pick up in activity for European engineering industry. This came after a very disappointing 2003 when both output and employment fell in the industry. As in the past, the recovery has been export driven: demand was especially high in Asia, but also in North and South America. As a result of this rise in exports outside the EU, Intra-EU trade also started to rise.

European engineering therefore experienced a recovery in 2004 but it was rather modest in comparison to other recoveries in the past for a number of reasons.

First of all, the strengthening of the euro continued, thereby reducing growth of sales values, especially on US dollar denominated markets. High growth on only a few of these markets, however, went some way to compensating for the slide in value of the US dollar. Nevertheless, on these markets, profits were often poor.

GDP growth in the EU25 and especially in the euro zone was low and well below potential: altogether growth in the EU25 GDP reached 2.1% in 2004. Apart from GDP, gross fixed capital formation, that is essential to our industry, only posted marginal growth of about 2.6% in 2004: for example, the growth of gross fixed investment in the euro zone has so far been about half of the growth rate experienced in the 1993-1994 upswing.

In spite of the upturn due to the recovery, there are however clear signs that structural changes are still ongoing: outsourcing and relocation of production to high growth markets or to lower production cost countries has continued in 2004.

As 2004 progressed our industry experienced a sharp increase in input prices. Prices of steel, by

far the most important single raw material for our manufacturers, surged and reached the highest levels in over 10 years.

Prices of other metals, such as copper and aluminium also rose to high levels. As higher producer prices by our manufacturers are difficult to pass on, except where our customers perceive added value, many engineering firms faced considerable and sometimes excessive pressure on profit margins. Firms most affected by higher steel prices, especially in the metalworking sector, were only able to pass on a fraction of the price shock of steel to their customers. As the knowledge in the market about steel prices spreads, so there are signs of some reduction in pressure.

All in all, and despite macroeconomic disturbances, the output of Orgalime industries did rise, according to our economists' preliminary estimates by 4.1% in 2004 in output (with 1% more in prices) therefore giving a preliminary estimate of output at today's prices of 1,235 billion euro. This rise was in general felt in all countries, with the exception of Denmark. There was particularly strong growth in Finland, Sweden, Slovenia and Austria.



As expected, due to the upswing in production and higher capacity utilisation, gross fixed investment increased in 2004 after two years of decline. Altogether gross fixed investment rose by 3.3% in volume terms. This may appear somewhat modest, but is explained by the fact that growth was not broad-based. It picked up in Germany and in the UK, while falling in France, the Netherlands and Sweden in particular.

Given ongoing structural changes and the need to further boost productivity in an increasingly competitive environment, overall engineering employment in the industry did not rise. On the contrary, overall European employment declined by 1.3%. However, Austria, Spain and Slovenia showed marginal growth in employment in 2004.

An overview of sector performance

If output in all sectors of the industry grew in 2004, the recovery in the electrical/electronic industries was especially strong. Mechanical engineering was able to show the best growth rate since the year 2000 with a rise in output of 4.2%. Metal articles production also recovered and output grew by a healthy 3%.

Production rate of change	2004-% volume change	Value Billion euro 2003
Metal articles	+3.0	250
Mechanical Engineering	+4.2	407
Electrical/ Electronic Engineering and ICT*	+4.8	427
Instruments	+3.3	91
Total Orgalime industries	+4.1	1,175

* Incl. Computers & Office Machines, Telecommunication equipment and certain instruments

The general outlook for 2005

Subdued expansion

The second half of 2004 saw weaker growth than the first half of the year and, in the final quarter of 2004, the level of production was about the same as during the second quarter of the year. Production in metal goods, as well as production of electrical machinery, has fallen compared to mid 2004. However, January 2005 data indicates a rather strong pick up of activity.

There are a number of factors that are shaping the activity at the present time, including:

- Input prices are still a cause of concern. There are indications that they have peaked, but for many engineering companies, the rapid increase has put a significant pressure on margins, accelerated rationalisation, as well as depressed investment given the deterioration of companies' cash flows.
- There are no signs of a substantial pick up or renewed acceleration of growth in Europe. The outlook has darkened in early 2005 and confidence is still relatively low following the publication of the preliminary 4th quarter 2004 European GDP data. With only a few exceptions overall European unemployment figures are showing signs of coming down.
- The euro is still comparatively strong and affecting export growth. Profit margins remain weak, in particular on US dollar linked markets.
- Relatively strong demand for engineering products and strong industrial activity in Central and Eastern European countries, as well as in Asia, especially China has continued. This will still produce a positive impact on exports outside of the EU in 2005, but not to the same extent as in 2004.



Altogether, Orgalime economists are expecting that 2005 will not be as good a year as 2004, at least in terms of growth of production. There are already signs that activity has slowed down and the forecast for production growth is expected to be some 2.3% for the industry as a whole in 2005. The drop in growth of exports out of the EU is expected to be particularly strong, thereby affecting output in 2005.

A factor which is contributing positively to the situation in 2005, however, is investment within our own industry. Overall European engineering investment is expected to pick up substantially in 2005, as manufacturers invest after the strong growth of 2004 which has led to a rise in capacity utilisation. A growth of 7.3% in the volume of gross fixed investment is expected.

Almost all countries expect growth to continue in 2005, but at a lower rate. There are questions about the situation in Italy which, already in 2004, posted somewhat modest growth. Output in France is expected to be below the European average in 2005, whereas growth in Germany is

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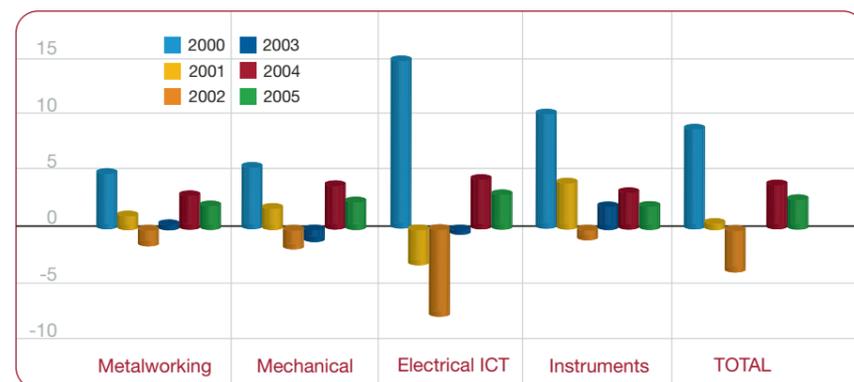


expected to be somewhat above European average. Norway is expected to grow at a higher rate than in 2004 due to strong support from domestic demand. Spain is also rather optimistic concerning 2005.

Trends

In the graph hereafter the trends in the growth of output of different branches of the industry can be seen.

The data for the years 2000 to 2003 is based on Eurostat – EU25 data, whereas Orgalime economists have prepared the forecasts for 2004 and 2005.



Electrical, electronics and instrument Industries

The electrical electronics, ICT and instrument industry is amongst the largest industrial sectors in Europe. Production in 2003 reached some 518 billion euro; the major producers are Germany which accounted for some 34% of output, with the UK, France and Italy as the other leading producing countries.

2004 finally provided the industry with its long awaited recovery. Three years of a drop in production was followed by an increase in output by 4.8%. This was however still a limited recovery and the level of production for the industry has still not reached that of the year 2000.

Foreign trade was the main contributor to the high growth of output and exports increased by 10.0%. Sales outside the EU were particularly strong.

All EU and EEA countries apart from Denmark registered an increase in production. This explains the relatively poor figures in engineering for Denmark. Sweden and Finland showed the highest growth rates in 2004, whereas growth was limited in the UK and Italy.

Production of electrical engineering equipment

accelerated up to a growth rate of 3.7% in 2004. After a drop in production in both 2002 and 2003, the level of production is now at approximately the same level as in the year 2000 when the downturn started.

The ICT industry finally experienced a turnaround in 2004. Some stabilisation appeared already during 2003 when output grew by a modest 1.6%. 2004 saw an increase in production of close to double digit growth or 9.6%. In countries, such as Finland and Sweden, where the sector is comparatively large, there was exceptionally high growth in 2004.

Production of instruments continued to increase for the second consecutive year, with an acceleration in output growth which reached 3.3%. Sweden, Slovenia and Germany had the highest growth among Orgalime member countries in 2004, but all participating countries experienced positive growth for the sector.

The outlook for 2005: Forecasts for 2005 suggest that production in the branch will continue to grow by some 2.8%. Almost all countries, however, expect some deceleration in the growth in output in 2005. Nevertheless, Sweden expects further double-digit growth due to positive prospects for the telecoms industry. The UK is optimistic for the sector as a whole and expects higher growth in 2005 compared to 2004.

Mechanical engineering industry

The European mechanical engineering industry had an annual production value of some 407 billion euro in the year 2003.

This sector of the engineering industry that represents almost 9% of the value of industrial production in the EU plays a key role in the competitiveness of industry in general. Its prime customer is the manufacturing industry. It is a

highly cyclical industry whose performance depends on the investment cycles of its clients.

Germany continues to be the largest machinery producer in the EU, accounting for well over a third of EU production. Other major producing countries are Italy, which accounts for about 20%, France and the UK with around 11% each.

As 2003 progressed the industry saw some improvement in demand. This positive trend continued throughout 2004. This upswing led to an increase of output by 4.2%. This was the highest rate of growth since the year 2000. Exports outside the EU, which grew by 10.4%, contributed substantially to this performance.

Germany, Austria, the Netherlands and Slovenia, showed the strongest performance in 2004, with growth above European average. On the other hand, growth in Belgium and in the Scandinavian countries, apart from Finland, was rather limited, though positive.

Outlook for 2005: The outlook for the sector at the end of 2004 was still rather bright. The sector will benefit from the European engineering industry's own investment this year. But overall, European investment growth will remain sluggish. Extra-EU demand is expected to continue to grow, but at a lower rate than in 2004. Output for 2005 is expected to grow by 2.1%. All countries expect positive growth in 2005, giving the impression of a modest but broad-based expansion.

Metalworking industry

The industry covers a wide range of products including tools and finished metal goods (accounting for some 40% of production), castings, forgings, boilers and metal containers, as well as secondary transformation on contract basis, such as treatment and coating of metals. Germany accounts for a third of the industry's



production, France a fifth and the UK and Italy each just over 10%. The turnover of the sector in the year 2003 was 250 billion euro.

The industry produces, to a large extent, inputs or products used in other sectors in engineering and demand, generated by other sectors of the engineering industry, accelerated throughout 2004. As a result, output in the sector expanded by 3%. The sector still faced problems of falling output to varying degrees in Finland, Sweden, Denmark and Norway. Germany and Austria, on the contrary, had a very positive year with rather high growth in terms of both European average and past national average.

Although the sector has limited dependence on exports, foreign trade picked up in 2004 and exports grew by 3.7% in volume.

Outlook for 2005: Metal goods production in all countries is expected to grow in 2005. On average however, this growth is expected to slow to 1.9% in 2005. The main reason for this is the somewhat lower than expected industrial activity in many of other industries, such as mechanical engineering and in the automotive industry, which are both major clients of parts of the metalworking industry.

As the sector is relatively labour-intensive and is facing at the present time both tough competition from lower cost countries, as well as stiff price increases in raw materials inputs, such as



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steel, our economists cannot rule out that this will continue to depress output in some countries.

Foreign Trade

Orgalime estimates that total exports (intra and extra trade) for the industry reached 856 billion euro in 2004. Of the total, 56% remains inside the EU/EFTA area and 44% is exported outside the area.

8% of total exports consist of metal goods, 39% of machinery and equipment, 23% of ICT products, followed by 21% of electrical machinery, and 9% is represented by instruments.

Foreign trade has increased substantially over the past decades, and considerably more quickly than production. A reason among others for this is the ongoing process of specialisation of trade.

Exports also expanded considerably more than production in 2004 - by 7.6% in volume terms: trade outside the EU grew substantially by some 10% on average over the industry. Demand from Asia was, as in the preceding year, particularly strong. Trade in the internal market was affected by low European demand, but still expanded by a healthy 6%.

Besides Denmark, almost all countries had high export growth in 2004. Export growth for Finland and Germany grew briskly in 2004, with an increase in each of over 12%.

At a sector level, exports increased the highest for electrical engineering and ICT by 10%. Extra-EU trade expanded by close to 12% in volume. German electrical engineering exports grew particularly strongly. Mechanical engineering exports grew by 6.7%, a figure higher than the growth in production. Metal goods that had on average the lowest growth in 2004, also had the lowest growth in exports that is 4.5% in volume.

Outlook for 2005: Since demand is expected to slow down slightly in 2005, growth in exports will follow the same trend. This is a pattern that we have seen in the past: growth in export volumes for the total Orgalime constituency is expected to rise by a rather meagre 3.7%. The export growth rate outside the EU is expected to drop by more than half, with a forecast growth of some 4.5%. The strong euro is here by far one of the most important factors impacting our businesses. Foreign trade will still grow above average for electrical engineering and ICT.

Employment

Employment in the engineering industries has decreased structurally over the last 25 years. Some of the determinants of this decline are: a rapid growth of productivity (especially in the electrical and electronics industry), relatively high salary costs in a number of countries, with as a consequence "relocation" of activities and the shutdown of many less efficient production units.

In 2004 employment continued to decrease by about 1.3%. This is however slightly less than in 2003. It was not surprising that employment was lower than the preceding year, since activity and output recovered. Austria, Slovenia and Spain were able to increase employment, although the rise was marginal.

A positive factor was that productivity started to grow at a higher rate. This also meant that unit labour costs fell on average and to a certain extent were able to counterbalance the higher cost for materials.

Outlook for 2005: For 2005, employment is expected to decrease again by 0.4%, corresponding to about 30,000 employees. The least hit is forecast to be the mechanical engineering sector where a marginal drop in employment of 0.1% is expected.



ORGALIME ISSUES IN 2004

In 2004 Orgalime issued a total of 32 position papers. This was considerably higher than in previous years. As in past years, a very wide range of issues were treated during the course of the year.

Underpinning our lobbying work, Orgalime positions are generally distributed to the EU institutions in Brussels and through our members' networks to national authorities, and of course to the press.

You can read our latest positions on Orgalime's web site at:

www.orgalime.org/positions/latest_positions.asp.

At the top of the agenda were, once again, environmental issues. Work continued intensively on the implementation of the Waste Electrical and Electronic Equipment (WEEE) and the Reduction of Hazardous Substances (RoHS) directives, as well as on the proposal for a directive regulating the area of Energy using Products (EuP). This intensified as the year went on and work on the associated issue of Integrated Product Policy (IPP) continued, although at a lower level. Hand in hand with EuP, the "REACH" proposal for regulating chemical substances grew in priority over the year and the review of the IPPC directive was also on our agenda. Faced with such a concentrated regulatory programme, especially in the area of the environment, Orgalime also deemed it necessary to call on the institutions for the simplification of some legislation as the current mountain of regulation is becoming harder and harder to surmount. An excess of complicated and often overlapping regulation can only prove detrimental to our international competitive position.

In the area of technical regulation and health and safety regulation we were also very active with regard to the ongoing proposals for the revision of the Machinery Directive, the revision of the Low Voltage (LVD) and Electromagnetic Compatibility (EMC) directives, the reactivation of a proposed directive on the protection of workers from electromagnetic radiation, the proposal for a directive on optical radiation, the proposed merger of the Simple Pressure Vessel Directive (SPVD) with the Pressure Equipment Directive (PED) and the proposed revision of the guidelines on the application of the directive on Equipment intended for use in Potentially Explosive Atmospheres (ATEX). Work also increased with respect to the possible review of the so-called "New Approach" and standardisation. Besides

these issues, we have been active in a number of other areas: trade issues (mainly trade disputes with the USA and the Chinese Compulsory Certification scheme), legal and research issues.

The main issues we have worked on during the year are outlined hereafter.

ENVIRONMENTAL ISSUES

Directives on Waste Electrical and Electronic Equipment (WEEE) and on the Restriction of the Use of Certain Hazardous Substances (RoHS)

For this issue the year's focus was mainly on member states' transposition of the directives into national legislation. As this issue affects a wide range of our industry's products, discussions between member states and the Commission on how it should be applied have been intense. However, progress from member states with regard to transposition has been slow. As the year went on it became clear that not only would member states be unable to meet the transposition deadline of 13 August 2004, but that the Commission and member states still had not reached a common understanding on issues of significant importance to manufacturers. Orgalime is very concerned by this lack of progress and, moreover, by the lack of guidance from the Commission on key implementation aspects, which would directly impact the internal market and the ability of manufacturers and their supply chain to plan for the future. Particular areas of concern included:

- the scope of the two directives which is unclear;

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- the definition of 'the producer' in conjunction with the legal obligations imposed on the different economic operators;
- detailed criteria for compliance with the RoHS directive's substance phase-out requirements;
- the evaluation of existing and possible additional exemptions to the RoHS directive (due to technical and environmental reasons which are awaiting the completion of a study); and
- the issue of a European organisation to co-ordinate national registers of producers and common procedures for registration.

Orgalime therefore issued several position papers voicing these concerns and continues in its intent to launch a broad political initiative with a view to achieving a clearer and more consistent solution for our industry on WEEE/RoHS without undermining ongoing transposition in many countries.

By the end of the year it also became clear that the Council would not reach a decision on the maximum concentration values for banned substances in the RoHS directive. This is extremely important for industry as, in order to ensure compliance with RoHS requirements, companies will need to adapt the design of their products well in advance of the 1 July 2006 deadline. Orgalime therefore issued a further position paper advocating urgent clarification on the levels of tolerated maximum concentration values.

The WEEE and RoHS transposition issue will remain on our agenda for at least the first half of 2005 by which time all member states should at last have completed transposition and decisions should have been made on maximum concentration values and the second round of exemptions. Concern still remains over ensuring harmonised transposition into national law

in order to avoid further fragmentation of the internal market and ensure legal certainty for companies acting in the single European market.

In the meantime, Orgalime is regularly receiving requests for information from international suppliers which export electrical and electronic components or products to the EU. The Orgalime guide to practical understanding of WEEE and RoHS has proved immensely popular on both a European and International level as many parties are obviously concerned by the complexity of this legislation. It will no doubt be updated once the transposition process is completed.

The Commission's Proposal on the Eco Design of Energy Using Products (EuP)

Early in the year, despite the fact that Orgalime and other industry representatives had provided the Parliament with our industry's views for a framework which would be manageable by companies, the report of the first reading in the European Parliament was disappointing. Therefore, Orgalime submitted a strong political message to the Irish Presidency of the EU and to key players in the Parliament and eventually succeeded in stopping informal attempts by the Council, Parliament and Commission to adopt EuP in one single reading.

Following intense discussions with our industry, a satisfactory political agreement was reached by the Energy Council on 10 June 2004, which took up our main priorities including:

- support for article 95 of the EC Treaty as sole legal base;
- no introduction of a product list that would disregard EuP impact assessment procedures;
- establishment of a stakeholder consultation committee;

- rejection of the European Parliament's preferred top runner approach;
- no mandatory third party conformity assessment;
- improvements for ensuring proper market surveillance; and
- acceptance of Orgalime's compromise proposal on the possible use of management systems for conformity assessment.

Orgalime therefore succeeded not only in making the key concerns of our industry heard, but also in avoiding that extreme positions should be upheld in the Council's political agreement.

In the second half of the year Orgalime drafted a background paper to support upcoming lobbying activities in the European Parliament and to provide additional information to newly elected MEPs in particular and also for officials in the new member states in the Council. Orgalime's position paper was updated in parallel for lobbying MEPs during the second reading phase, which was launched in December 2004.

The year's success served as a good basis for further intense actions on this issue which will be adopted in 2005.

Integrated Product Policy (IPP)

In April 2004, the ENVI committee of the European Parliament voted on a draft report on a Communication from the Commission on "Integrated Product Policy – Building on Environmental Life Cycle Thinking". While Orgalime welcomed several proposed amendments that aim at improving coherence between legislative initiatives, we were concerned about a number of amendments that would clearly run against the strategy of IPP, namely to promote the integration of environmental

aspects into product-related policy following a life cycle perspective and avoid conflicting incentives.

It still remains unclear, how IPP will link up with EuP and other proposals currently in the legislative pipeline, which will have further impact on the competitiveness of our industries (e.g.: Thematic Strategies on Waste Prevention and Recycling and Sustainable Use of Resources).

Position papers, including voting recommendations, were issued to voice our concerns and state our opinion that IPP should form a convincing strategy to serve as a guiding tool for better co-ordination and prioritisation of product-related environmental policies, thus, providing coherence. For our industries, the EuP proposal, which is hailed as a model under IPP, is already well under way and aims at providing a framework for further legislative action on environmental product policy on our products.

Orgalime will therefore continue to monitor the progress of IPP in relation to EuP over the coming months.

"REACH" – chemicals regulation

REACH, the Registration, Authorisation and Evaluation of Chemicals was once again an extremely important issue this year even though our industry is not the primary target. Our main concerns were for the downstream users of chemicals, i.e. engineering companies, as they use a broad variety of chemicals, such as paints, (cooling) lubricants, oils, chemical cleaners, organic solvents or adhesives, etc... in their day-to-day business. The revision of the EU chemicals policy, if carried out in the wrong way, will doubtlessly have huge consequences on the innovation capacity and competitiveness of the European engineering industry.



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Following the adoption of the proposal on 29 October 2003, the Commission agreed to carry out further work on the impact assessment. A Memorandum of Understanding was elaborated between industry and authorities under the lead of UNICE (employers association) and CEFIC (chemicals association) supported by the following industry sectors: ACEA (automobiles), CEPI (paper), EUROMETAUX (metal), CEMBUREAU (cement), AeA and JBCE (electronics). All impact assessment studies were to be completed by November 2004. Orgalime decided not to participate in the follow up impact assessment at EU level (its members had already been active in national impact assessments) which it felt could not be carried out under optimal conditions and, instead, Orgalime members' focus turned towards its lobbying activities in the new European Parliament and Council in autumn.

Considering Orgalime as a front-runner representative of downstream users, members of the Economic and Social Committee (EESC) consulted us prior to the drafting of their opinion on REACH. Orgalime also took part in hearings organised by EESC during the second half of the year.

Orgalime summarised and issued a paper stating the industry's key messages on REACH in order to establish an initial contact with the European Parliament, which had just started its discussions on the REACH proposal in 9 different committees. As expected, REACH is one of the key issues of the newly elected European Parliament.

Work on an extended position paper including precise proposals for amendments to the Commission's proposal was also started in order to highlight the following main concerns of our industry:

- harmonisation necessary at both global and European level;

- clear, simple, broad exposure and application categories instead of the concept of "identified use";
- availability of substances (a core element of innovation and competitiveness of European engineering industries);
- harmonised, simple, straightforward and operational information only should be passed on in the supply chain;
- substances in articles, waste and basic raw materials for the metal industry should not fall under REACH;
- REACH should not overlap with specific product related legislation for engineering products nor with other legislation, such as occupational health and safety or specific environmental legislation; and
- REACH should establish a risk-based priority system.

Orgalime is a very active member of the UNICE policy group and chemicals task force which is elaborating a broader proposal for a more workable REACH. We are also co-operating with our colleagues from the automotive, aerospace, paper and metals industries, pushing forward the interests of clients (downstream users) at UNICE level and lobbying the Parliament and Council from this perspective.

Orgalime will continue its increasingly active involvement in the REACH issue into 2005.

INTERNAL MARKET - HEALTH AND SAFETY ISSUES

Orgalime has been active on a number of internal market issues due to the Commission's decision to review much of the major internal market legislation affecting our industries and these issues were the focus of a significant number of Orgalime's positions in 2004.

Machinery Directive

In early 2004 an Orgalime delegation met the Irish Presidency to discuss the revision of the Machinery Directive and Orgalime transmitted its very clear political message: "Stop the revision process! Industry does not need a revision of the Machinery Directive at this moment in time." Our position was communicated to member states' delegations ahead of their meeting on 6 February. Given the number of years that the Council working group had discussed the revision (at the present time – some 40 meetings over 4 years...) no decision on the revision was made at this time, but we received very positive signals with member states realising that it was time that our industry should be more thoroughly consulted and that the final text must be acceptable for us.

Following our lobbying action in the Council, Orgalime tried to convince the Commission to withdraw the proposal entirely by pointing out the massive economic effects on industry and the consequent impact on our competitiveness. However, meetings and discussions with Commission representatives showed that the Commission was not willing to withdraw the proposal, so efforts were mostly concentrated in the Council. On a more positive note, how-

ever, we are pleased to see that Orgalime's main concerns were taken into account by the Council and a table of comments on the text agreed upon by the Council on 24 September 2004.

The text of this agreement is now being translated into the 20 official languages of the EU before the official common position can be issued. The second reading in the European Parliament will commence shortly after that.

Low Voltage Directive (LVD)

Orgalime continues in its conviction that current EU legislation concerning low voltage products is performing well and that the directive does not need revision. In our position paper issued in January 2004 we again stressed that, if the Commission is considering updating the directive, it is essential to carefully consider the impact of any proposed changes. Therefore, Orgalime has been actively contributing to the review of the terms of reference for an impact assessment study on the LVD to ensure that keeping the status quo remains an option.

The call for tender for the carrying out of the economic impact assessment was launched and was awarded to a consultant who had previously worked in the same area. The Commission expects that the impact assessment will take some two years, which means that the decision on whether or not to launch the update of the directive should not be made until summer 2006.

To complement the work on the impact assessment, Orgalime initiated an analysis of the strengths and weaknesses of updating the LVD from an engineering point of view and is preparing a number of studies including a



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cost-benefit analysis by the electro-technical branch of Orgalime. At the end of the year, we started drafting a position paper on how possible policy options may impact our businesses and on possible alternative solutions to changes in the directive. We regularly ask the Commission to consider alternatives to regulation, including no extra regulation, as might be expected in a better regulation environment.

Some new concerns also arose during the year, with the EU working on codification and market surveillance of the Low Voltage Directive. The work on codification, which aims at incorporating changes imposed by the 98/34/EC CE-marking directive, has now been completed and will be published during the year 2005. Changes, although minor, are likely to confuse manufacturers and users, since this well-known directive will be re-numbered. The work on market surveillance concerns the issue of the free movement of goods lawfully placed on the new members states markets before 1 May 2004. This has caused some concern amongst Orgalime members so we are currently studying possible ways of limiting the impact of unfair competition from non-compliant and non CE-marked products coming from the "new" to the "old" countries.

Given these concerns work on this issue is carrying on into 2005.

Pressure Equipment Directive (PED)

Mid-2004 the European Commission launched an internet stakeholder consultation on the proposal of a possible merger of the Pressure Equipment Directive and the Simple Pressure Vessel Directive (SPVD). The consultation was open to all stakeholders until 31 December

2004. Even before the closing of the consultation, the Competitiveness Council, somewhat surprisingly, came up with the proposal to consider the merger of the two directives in the framework of the drive for "simplification".

After analysing the proposal, Orgalime concluded that no benefit would accrue from the merger of the two directives. In a letter sent to partner associations and other stakeholders Orgalime strongly recommended that all sectors affected should participate in the consultation and adopt a strong position against a possible merger, in order to discourage the Commission from launching another "simplification exercise" of existing legislation, which would be driven essentially by bureaucratic considerations.

Our work in the area of European Approvals for Materials (EAMs) to limit companies' expenditure on acquiring individual certification from third parties has been met with positive reactions from member states. Further EAMs were approved this year and published in the Official Journal and on the Commission's official website. 11 EAMs have now been approved since this process started.

Orgalime will continue to work on the issue of the possible merger of the PED with the SPVD in 2005 and on developing new EAMs, under our present contract with the Commission which has been extended.

New Approach and Market Surveillance

In 2004 Orgalime launched a new task force on "New Approach and Market Surveillance". Our industry felt that it needed to be more proactive in its support of the New Approach regulatory framework, as we believe that it has

proved to be the most cost-effective way to regulate our products in the internal market.

The task force will pinpoint possible strategies to solve current issues which it is important to resolve in order to maintain the long-term workability of the New Approach. The four main priorities for our industry are:

- market surveillance;
- standards (length of drafting and lack of availability);
- accreditation (looseness of the system) and its impact on notified bodies (diminishing competence); and
- conformity assessment.

Work on the New Approach will be stepped up in 2005 as Orgalime plans to develop its communication to the European institutions on our views on how to improve the operation of the internal market. We will therefore be drafting a number of position papers which we propose to provide as input to the Commission's planned revision of the New Approach.

Electromagnetic Compatibility (EMC) Directive

After sustained efforts from Orgalime, spanning five years, in support of the work on the revision of the directive on electromagnetic compatibility (EMC) the text was finally adopted in December 2004. The new directive will bring more legal certainty to the engineering industry in Europe in contrast to the existing situation of non-binding guidelines. In particular, it clarifies the scope (improved definitions, more clearly defined exclusions), provides fixed installations with a more appropriate regulatory regime, simplifies the conformity assessment procedures, cuts "red-tape" and simplifies the manufacturer's work by aboli-

shing compulsory third-party intervention where harmonised standards have not been applied. Before its adoption, the Commission had already convened a working group of seven experts from industry, member states and certification bodies to be involved in the drafting of the implementation guidelines. Orgalime was able to delegate two experts who will continue into 2005 to provide our industry's view on the interpretation of the directive, without introducing too many changes to the existing guidelines.

The new EMC directive will enter into force in January 2005 and the former version will be repealed from July 2007 on. All new products will then have to comply with national implementation laws of the new directive, however, manufacturers will be allowed to continue placing on the market their 'historic' products if they comply with the provisions of the current Directive 89/336/EEC until July 2009.

Electromagnetic Fields and Waves (EMF)

On 29 April 2004, after a 12-year procedure that flouted the much publicised better regulation principles, EU institutions adopted the 3rd "Physical Agents" Directive 2004/40/EC on the minimum health and safety requirements regarding the exposure of workers to the risks arising from electromagnetic fields.

Joint action from Orgalime and CEEMET (Council of European Employers of the Metal, Engineering and Technology-Based Industries) ensured that the final text of the directive was more 'industry-friendly' than the version initially tabled in 2002 by the Danish Presidency of the Council, much to the satisfaction of our industry, which still however questions the need for additional regulation in this area.

Optical Radiation

The 4th draft "Physical Agents" directive concerns optical radiation or the protection of workers exposed to sunlight and other UV and IR lights from artificial origins.

In mid 2004 the Dutch Presidency of the Council pushed for the quick adoption of a common position on the draft directive once again rejecting the better regulation principles to which they had previously committed themselves.

This draft directive could prove problematic for all manufacturers of machines and electrical equipment that emit, on purpose or incidentally, optical radiation, as they would have to provide measurement data. In particular it would affect all manufacturers of optic laser tools used in the processing of materials (welding, drilling, cutting, coating, or marking).

The draft directive relies on the guidelines for restrictions on exposure produced by the International Commission on Non-Ionising Radiation Protection (ICNIRP), but these scientifically based guidelines unfortunately do not reflect existing international standards (i.e. the International Electrotechnical Commission classification of lasers), nor the real working conditions of exposure.

In the second half on the year Orgalime and CEEMET issued a position paper stressing the importance of carrying out an impact assessment and allowing consultation with stakeholders and experts in the field before reviewing the proposal and modifying it according to the advice of the experts.

Feedback on our position was encouraging but this issue will still remain on our agenda for 2005, when it passes through the European Parliament.



ORGALIME ISSUES IN 2004

TRADE ISSUES

Our work in the area of trade focuses specifically on individual issues of concern to our industry. For more horizontal issues, such as the WTO negotiations, we provide input to UNICE's work, as and when appropriate.

Marking of origin – "Made in EU"

In 2004 with the encouragement of the former Italian Presidency of the Council, the Commission launched a consultation with stakeholders on the need for the reform of the legislation on the marking of origin of goods, in particular on the question as to whether an obligatory marking of origin for imported goods and the introduction of a "made in EU" marking are desirable.

The Commission insisted that it did not intend to abolish national markings of origin (made in Germany, etc); however, industry fears that if the Commission follows the issue, it will use the opportunity to propose a harmonisation of national legislation in this area.

Orgalime informed the Commission of the industry's concerns and we were pleased to see that our comments had been taken on board: we were listed in their official document following the consultation as a sector demanding

the status quo which rejects any plans to reform the current marking requirements. Apart from certain specific sectors (such as textiles and ceramics), the majority of European industry shares the same view.

In 2005, Orgalime will continue monitoring the next moves of the Commission and Member States.

Steel – safeguard measures and countermeasures

As the largest European manufacturing sector and a major steel user (100 million tonnes consumed per year) Orgalime felt that the establishment of a balanced approach to dealing with the long term interests of our industry in this area was long overdue.

In a position paper issued in June, we stressed our belief that it is now time for the EU to seriously take further steps towards ensuring the liberalisation of the steel market, which remains one of the few areas of trade where the EU remains resolutely interventionist in spite of the fact that the steel industry is flourishing, while its clients are faced with trading conditions which seriously jeopardise the competitiveness of the many companies who use steel as their principal raw material.

This area remained at the top of the agenda of many companies and associations throughout the year, as steel prices continued to rise sharply, while many companies were at the same time hit by supply problems.

Orgalime and its members launched press campaigns and political actions during the year in order to increase the visibility of this problem and to drive for greater transparency in the market. These discussions, including a number of high-level contacts were helpful for communica-

ting the concerns of our industry whose companies are essentially SMEs sandwiched between major steel producers and large clients, such as the automotive industry. Following these sustained contacts, we are seeing that steel suppliers are beginning to understand the need to communicate better with their major customer sector.

This issue will no doubt remain on Orgalime's agenda for 2005.

Counterfeiting

Orgalime has for some time now been active in the fight against counterfeiting and piracy of engineering products which continues to be a significant and increasing problem for European consumers and industry. Our industry has welcomed all initiatives from international organisations supporting anti-counterfeiting and anti-piracy measures and we are working increasingly closely with our colleagues in the USA and now Japan on this issue.

Given the scale of the problem worldwide, we feel that more importance needs to be attached to ensuring that the fight against counterfeits remains high on the agenda of all multilateral trade contacts and fora. Orgalime expressed its opinion on this issue to the Commission and the OECD and called on the OECD to carry out a study analysing the damage caused by counterfeiting and to develop methodologies for measuring the harm caused by this. Such a study should also analyse the effectiveness of existing practices for combating counterfeiting in OECD and non-OECD countries.

Orgalime also suggested that future projects could include the development of follow-up OECD high-level workshops and anti-counterfeiting/piracy work programmes with China, Russia and possibly other countries.



LEGAL AND GENERAL ISSUES

A more business-friendly environment

In 2004, in answer to the Commission's Communication on Industrial Policy (COM (2004) 274) of 20 April 2004, Orgalime drafted a position paper promoting our view that less, simpler and more stable regulation is a must, along with further improvement of the functioning of the internal market, including better market surveillance and a rapid integration of the new member states in the Internal Market. Our main aim is to achieve a more business- and innovation-friendly environment in the EU. We also stressed the need for more investment in R&D and in education in order to provide the skills base needed by our industry and called for more investment in measures to facilitate innovation. These were themes which were taken up again and again by our President throughout the year in numerous discussions with Commissioners and Ministers in member states.

European Contract Law

In January 2004 the European Commission hosted a workshop on EU-wide general contract terms, at which Orgalime played a major role as our General Conditions served as a "best-practice" case study. This was followed in April by a full day conference hosted by the Commission and the European Parliament on how contract law in the EU's internal market should be developed in future. During the discussion Orgalime representatives defended industry's position with regard to freedom of contract and the distinction between B-2-B (business-to-business) and B-2-C (business-to-consumer) contractual relationships.

The elaboration of a 'common frame of reference' (CFR) has become a central discussion point as the future European contract law should provide common principles, definitions and model rules in order to improve and increase coherence of existing and future EU legal rules on contract law. Orgalime stressed that it is particularly important that industry, as a major stakeholder, should be constantly involved in the work in order to avoid the taking over of this issue by academics, with little regard for practical relevance.

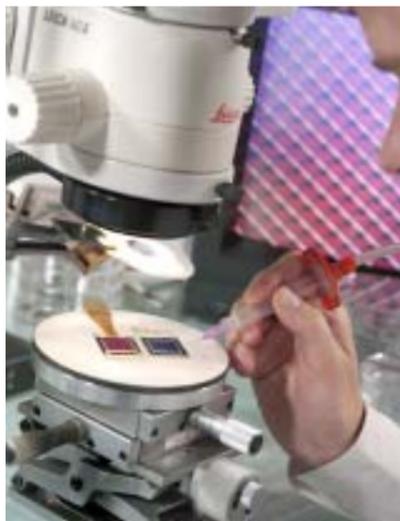
The Commission has invited contract law experts from companies and associations to apply to join an expert network (CFR-Net). This network, which comprises some 150 people, includes many Orgalime industry representatives, and will serve as a guide to the work of researchers who will then develop the Common Frame of Reference.

Competition legislation

In February 2004 Orgalime and several company representatives met with DG Enterprise



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representatives and Commissioner for Research and Development, Mr. Busquin's cabinet to discuss the new draft Technology Transfer Regulation. Due to the introduction of market share thresholds for the purpose of determining whether or not a specific licence has anti-competitive effects, a large majority of licence agreements in our industry would barely benefit from the safe harbour function of the regulation.

Furthermore, under the new regime, companies will be forced to carry out personal assessments as to whether or not a specific licence agreement is exempted under EU Competition law. As SMEs only have limited resources available to analyse the requirements for an exemption, this could lead them to unwittingly violate EU competition law. Orgalime voiced its concerns in a position paper, where we explained how the measures could hinder technology transfer in the engineering industry and impede the necessary dissemination of innovative technologies. The Commission, while taking note of

the specific concerns of engineering companies, however confirmed that it was unwilling to abandon its generally applied market share approach.

Following changes in the competition legislation, Orgalime produced a guide on the EU's Competition Policy and also plans to issue an updated version of the Orgalime Model Form for an International Technology Licensing Agreement early next year.

Mechanical Engineering and Framework Programme 7 for Research

Mid 2004 the European Commission issued its first proposals for the development of future European Union programmes to support research activities and policies – the Framework Programme 7 (FP7). The new programme is expected to imply a significant expansion of the European Community research budget for the period 2007-2013. The Commission will continue to discuss its ideas on this development throughout 2005.

Orgalime used this discussion phase as an opportunity to draft and present a position paper to the incoming Commissioner for Research at our Annual General Meeting. It included a number of recommendations to the Commission on how the research framework programmes should be adapted to better serve the needs of our companies, both large and small.

Orgalime reiterated these requests and suggestions at the Commission's ManuFuture conference held in the Netherlands in November where the future of European manufacturing to 2020 was the main topic of discussion. This project aims at ensuring the long-term competitiveness of the European manufacturing

industry in a global knowledge-based economy. Following our concerted efforts, a number of our members are now collaborating in the development of work in this area, which we hope will in 2005 lead to the definition of a strategic research agenda for our industry.



ORGALIME PUBLICATIONS

Orgalime publications date back to the 1950s and we now have a total of 25 legal publications, including model forms, general conditions and guides. They provide practical assistance for companies when they draw up different types of contracts commonly used in international trade and also give practical advice on frequently occurring legal questions. Our guides also cover other contractual and legal issues of particular importance for the engineering industry. The most widely used of our General Conditions are Orgalime S 2000 for the supply of mechanical, electrical and electronic products and SE 01 for the supply and erection of such products.

In 2004 Orgalime's Legal Affairs Working Group compiled and issued a new guide entitled "European Competition Law in Practice - A concise overview of major aspects of EC Competition Law". In 30 key points, the guide gives a thorough introduction to European Competition Law, explains which agreements and practices are considered as being restrictive to competition and gives advice to trade associations and their member companies. The guide has been published in both English and German.

Since joint ventures are commonly set up by companies in our industry, the group also decided to issue a Guide to the Creation of a Joint Venture. This is a short guide that summarises some of the key aspects to be addressed when the formation of a joint venture is contemplated. It is a useful reference tool that cites the benefits and risks for European companies wishing to establish a joint venture in an emerging market. The guide also provides a checklist for establishing joint ventures, focusing on production, rather than co-operation in areas such as research and development. Many indications in the guide are of a general nature however and are, therefore, also useful for other forms of co-operation. The guide is available in English.

Due to the changes in EU competition rules we have also decided to update our inside EU/EEA version of the Model Form for an International Technology Licensing Agreement. It is currently being revised by members of Orgalime's Legal Affairs Working Group following the issue of the new Block Exemption regulation on Technology Transfer Agreements. This model agreement can be used as a basis for drafting pure know-how or pure patent licensing agreements, as well as for mixed know-how and patent licensing agreements. The outside EU/EEA version published in 1999, to which European competition law is not applicable, can be used unchanged for the time being.

The e-commerce site for companies who wish to use our General Conditions in an electronic version, when sending tenders and contracts by e-mail to their customers and suppliers, launched in 2003, is proving to be a huge success. The number of companies wishing to obtain a licence agreement has increased significantly, making the everyday use of Orgalime General Conditions more widespread than ever.



LIST OF PUBLICATIONS

For further details please visit our web site at: <http://www.orgalime.org/publications/index.htm>
Publications are generally available in at least English, French and German

General Conditions

These are widely used by companies as their standard conditions. They are available in paper form or can be licensed for electronic use. Current publications include:

General Conditions for the supply of mechanical, electrical, electronic and electronic products (S2000). For use in supply contracts. Clauses for supervision of erection (S2000S) of products supplied under S2000 are also available.

General Conditions for Maintenance (M2000). For use by companies employing a third party to carry out maintenance of their equipment for a certain period.

General Conditions for the supply and erection of mechanical, electrical, electronic products (SE01). Intended for use when the obligations of the supplier include erection on site of the equipment.

General Conditions for the supply of specially designed and manufactured components (SC96). Intended for use in industrial subcontracting.

General Conditions for series processing (SP99). Intended for use by processors undertaking specific work on a customer's product, e.g. machining.

General Conditions for computer software (SW01). A supplement to General Conditions S2000 or SE01, regulating the rights and obligations of parties to a contract in respect of computer software.

Conditions for the provision of technical personnel abroad. Intended primarily for contracts in which the provision of technical personnel is independent of any other transaction.

General conditions for the repair of machinery and equipment (Ro2). For use when a contractor is asked by his customer to repair mechanical, electrical and electronic plant and equipment.

Turnkey Contract for Industrial Works. A recent standard contract and general conditions for the supply of complete plants on a turnkey basis.

Model Forms

These provide help when drawing up contracts which cannot be standardised to the same extent as General Conditions. They therefore contain alternatives from which the parties can choose. Most are now available in package form including paper copies and diskette/CD ROM:

Agency contract. A model for contracts between manufacturers and independent commercial agents who negotiate contracts in the name, and on behalf, of the manufacturer.

Consortium agreement. Used when two or more companies agree to cooperate for the duration of a specific project.

International technology licence agreement. This model exists in two versions, one for use essentially inside the EU/EEA, the other internationally. It can be used as the basis for drafting know-how and patent licensing agreements, as well as mixed agreements.

Exclusive Agreement with Distributors Abroad. Used for contracts between manufacturers (or other suppliers) with distributors who buy and sell in their own name and for their own account.

Original Equipment Manufacturer (OEM).

Used when the supplier has developed a product which the purchaser (the OEM) integrates into equipment which he sells to the final customer under his own label.

Guides and other publications

Guide on the Pressure Equipment Directive. A practical guide for manufacturers on application of the directive. It is continuously updated on our web site.

Guide for drawing up an international development contract. The guide explains the main elements of a development contract. It covers the problems usually encountered and examines possible solutions.

Guide on S2000. A guide intended for both users of S2000 and lawyers. Covers the obligations of parties with regard to drawings and technical documents in engineering contracts.

Security for payment in credit sales. A collection of short studies on the provisions of members' systems of law relating to security for payment where equipment is supplied on deferred payment terms.

Guide on the WEEE and RoHS directives. A practical guide for manufacturers on application of these directives. It is continuously updated on our web site.

European Competition Law in practice – 30 key points.

Co-operation Agreements: A short guide to the creation of a joint venture

Guide to Defect Liability in Europe



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