



ORGALIME

annual report 2005





## CONTENTS

*The President's message*

*Orgalime Achievements in 2005*

*Orgalime*

*The Economic Situation 2005-2006*

*Orgalime Issues in 2005*

*Orgalime Publications*

*Member Associations*

*Orgalime Bridgehead*



## THE PRESIDENT'S MESSAGE

After participating in Orgalime's 50<sup>th</sup> anniversary celebrations in April, I took over as President from my predecessor Mrs. Clément during the year. Of course, neither Mrs. Clément, nor Orgalime were unknown to me. My first involvement in Orgalime's work dates from December 2003, when I joined an Orgalime Presidents' delegation to visit the Deputy Prime Minister of Ireland, Mrs. Mary Harney, just before Ireland took over the Presidency of the EU. She discussed very directly with us the issues facing our economies and our industry, and I was encouraged to feel that here was a government Minister who understood some of the problems that we as industry are facing in Europe.

We also visited Commission President Prodi with the President of UNICE and several other industry branch Presidents. These first meetings with the representatives of the different EU institutions to give our core message on the role that we as manufacturing industry play in the competitiveness of Europe made me realise just how important speaking up for our industry is for influencing the fundamental policies which affect us as manufacturers in the EU. It also gave me a clear understanding of the essential role that the network of national associations that comprises Orgalime can and does play. I am happy to support this work now as Orgalime President.

### Lisbon Revisited

I have taken over as President at a time when the so-called Lisbon strategy, originally launched in 2000, is being revisited. If the strategy was excellent and ambitious, we are still far from reaching the goal of ensuring that Europe should become the world's most dynamic and competitive knowledge-based economy in the world by 2010.

The Commission and national governments now seem to have opted for a less ambitious goal - achieving growth and jobs. The focus has also shifted from Brussels to implementation in the different countries, where politicians, faced with the sometimes difficult task of driving through change, seem for the most part, to have become less enthusiastic. This is reflected in many of the somewhat unambitious national action plans drawn up in the wake of the Lisbon strategy.

Nevertheless, for our industry, the Lisbon agenda is the right strategy to improve Europe's ability to innovate, grow and be competitive in a globalised world: it would be totally wrong to ignore the original Lisbon goals. The global environment does not allow us to do so.

### Responding to the Global Challenge

That we need to act quickly and decisively is obvious to all today: not only do we have clear signs that the manufacturing industry is restructuring in Europe, with the consequent impact on employment, but we are also not generating new employment opportunities fast enough. To do this, we need Europe to grow faster than it has done in the past ten years.

In the meantime, growth elsewhere is attracting investment away from the EU 15 countries: countries that recently subscribed to a free market economy are attracting significant investment because of their potential for development. This is the case of countries such as Russia, India and China. These countries are rapidly building up their infrastructures and their industries. They are therefore enjoying tremendous growth. Moreover, the low cost of manufacturing in many of them is acting as a further magnet for investment.

We in Europe therefore face the challenge to rebuild what I will call "lost value added". This is not new: we faced this same challenge some 100 years ago and again 50 years ago, when we were helping industrialising countries to build up their infrastructures and industries. Every time that value added has shifted to another part of the world as a normal part of economic development, we Europeans have faced the challenge, and our manufacturing industry has rebounded through innovation. We have to do new things here in Europe. We also have to do them first.

If we want to generate new value added at home in the EU, we have to do away with regulatory obstacles to growth and innovation and take actions which will open the way to growth now and in the future:

- Growth now can be achieved by applying existing new technologies.
- Growth within five to ten years will come from today's investment in R&D.
- Growth within the next ten to fifteen years will have to be built on a better technical education of our youth.

What should be done in the short term? An obvious candidate, following the recent enlargement of the EU, is the modernisation of European infrastructures which immediately opens opportunities for applying new technologies and creating European lead markets:

- We have a task at hand to rebuild modernised European infrastructures - new and more secure energy networks and improved energy generation and distribution, road telematics, rail infrastructures and automation.
- We need to modernise health and government infrastructures.
- We have to make sure that all obstacles are removed today to apply information technology in manufacturing, in e-busi-



ness, in e-government, in e-health, in e-schools, etc...

Investing in such projects would also of course have a positive knock on effect throughout the whole manufacturing supply chain, from the smallest parts supplier to the major contractor.

The second area we need to invest in, with a slightly longer-term perspective, is R&D and here, without going into the specific manufacturing and process technologies of which our industry is the supplier, the focus should be on how we can really better use the considerable talent that we have in Europe; we must enhance the cooperation between private companies and research institutes; we must stimulate competition for research contracts, because competition will increase the quality of research and we must stimulate the development of clusters of excellence. We need top quality long-term research and we need applied research to support our innovation.

The third and longest-term growth lever is education. We are running into a demographic problem: not only do we have less students, we also have less students who are motivated to study engineering. We are performing poorly in comparison with other major countries: if we look at the number of engineers being trained in China, in the US and in Europe, there is a factor of almost 5, not only between China and the US, but even worse also between the US and Europe. This is something we must address.

In the short term, however, we must also do something about our labour market. We have to make sure that we are able to redeploy our labour force from old productions and technologies to new ones: this requires flexibility among the work force, but also retraining of staff, so that we can redeploy our personnel to work in the new technologies we are developing.

### Financing the growth agenda

To achieve such an agenda of course requires funds. Financing is an often neglected factor and yet it should be central to any innovation and growth agenda. It implies efforts both from the public and from the private sector.

At the level of governments, I believe that in many countries there is a need to look at national budgets: it is essential to achieve the right balance between investment and consumption. There are signs that governments are beginning to redress the balance, which has for too long been biased in favour of consumption, but this will take time and political willpower.

At the same time, it is clear that it will be necessary to mobilise the private sector to take on some of the investments, for example through public-private partnerships. For this, it is essential to widen the access to private finance and to create investment conditions for private capital to take on investment in areas such as infrastructure. Here the focus must be on how to improve the investment climate in the EU, so as to encourage both our entrepreneurs to invest again in the European economy, as well as to attract more foreign direct investment.

### Orgalime's Strategy: Our Way to Address the Challenges

In recent years Orgalime has focused very largely on ongoing business: this is not surprising, as there has been so much in the regulatory pipeline. Today, even if major issues such as REACH are still ongoing, our focus is turning more to developing a strategy for the future.

Some areas, such as the longer term role of our industry in the area of EU-supported R&D, are already being worked on here in

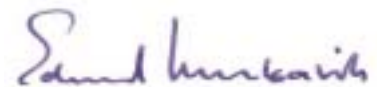
Brussels: our industry is active in the ManuFuture technology platform and in many others.

We are also becoming increasingly involved in industrial policy, participating in several of the Commission's initiatives – I am personally a member of the High Level Group on Competitiveness, Energy and the Environment. We are active in the Commission's follow up to industrial policy in the mechanical engineering sector – EnginEurope and we are driving a number of issues which are essential to the capacity of our industry to innovate and to develop new technologies and markets, to compete both in Europe and internationally.

We are also contributing input to the whole area of simplification and better regulation where our focus is on preserving, strengthening and developing the internal market, which has been instrumental in past years to the growth of our EU based manufacturing. We must ensure that regulation, both European and national, stops undermining the internal market so that we really can make full use of the unique advantage that a market of 450 million citizens offers us.

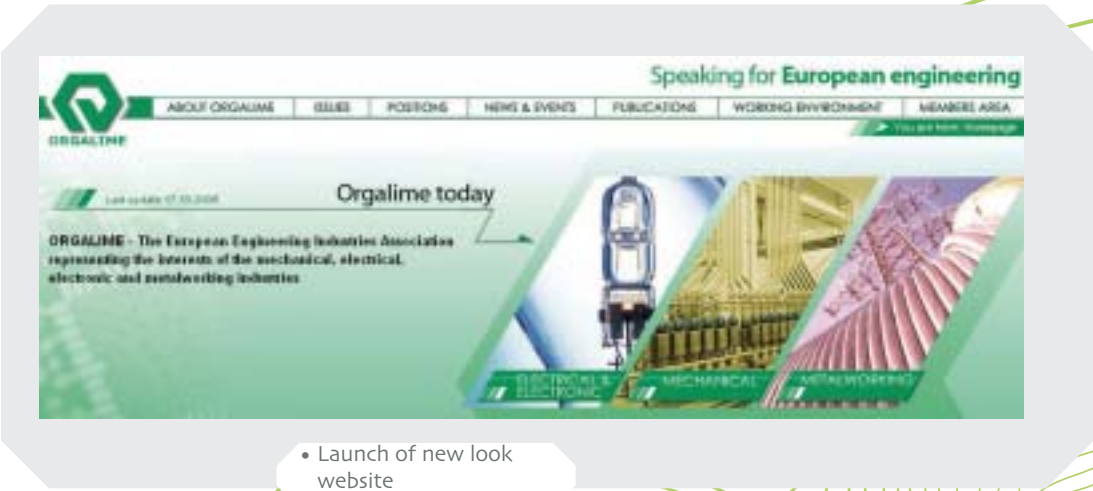
Europe must be able to face up to these internal challenges, if we are going to face up to the much greater challenge of competing in a fast developing globalised world, while preserving and developing the social and environmental system to which we aspire. I will be happy if we can do our small part in this major task.

Edward G. Krubasik





# ORGALIME ACHIEVEMENTS IN 2005



• Launch of new look website



• Special 50<sup>th</sup> Anniversary Dinner



• Achieving significant changes in the proposed directive on optical radiations "the sunlight directive"



• Publication of Orgalime's Manifesto – Engineering the future



• Successful 50th Anniversary General Assembly  
Commissioner Günter Verheugen, Vice President, European Commission as guest speaker.

- Adoption of the Eco design EuP Framework Directive with all Orgalime's key comments taken on board
- Adoption of Machinery Directive revision with Orgalime's key amendments included
- Participation of Orgalime's President in an Alliance for a Competitive European Industry workshop on business impact assessment
- Participation of Orgalime's President in the UK Presidency workshop on consultation and competitiveness
- Launching of the ManuFuture Technology Platform
- Organisation of joint Orgalime-European Commission Workshop on EU Legislation for Latvian, Lithuanian and Estonian engineering associations
- 11 European Approval of Materials under PED completed and approved
- Record number of new members join
- Conclusion of a Memorandum of Understanding with Cenelec reinforcing collaboration between our organisations
- Participation in the ECOSOC Study on Mechanical Engineering which highlights the key role of this sector in the EU economy
- Modernisation of our structures and working methods to operate in an increasingly competitive Brussels environment
- Development of a successful alliance with the car and aerospace industries for work on the REACH proposal
- Agreement with the Commission on launching a round table on the implementation of the WEEE and RoHS directives





# ORGALIME

## Introduction

Although the first meetings of the associations that were to form Orgalime date back to the end of the 1940s, in 2005, Orgalime officially celebrated its 50th anniversary. At its launching Orgalime included members from 12 countries; today this number has grown to 34 – national trade federations or associations representing the metalworking, mechanical, electrical and electronic industries of 23 European countries.

The growth of our membership has largely followed the expansion of the EU and we now have members in the majority of the countries which recently joined the EU. During the year three new members joined us, one from Italy, another from France and finally one from Bulgaria, one of the candidate countries. While the new members who join us from existing member states serve to maintain or reinforce our representation in these countries, those from the enlargement countries are helping us to go on fulfilling our basic mission: to be the prime voice of the engineering industry for the core issues which affect a range of sectors in our industry.

This mission is becoming an ever-increasing challenge, since Orgalime's members cover some 120 product areas, many of which also have their own European associations, each representing a single product category or a range of products. More associations and companies in our industry than ever before now have representative offices in Brussels. Orgalime itself is providing services to 13 sector associations in our industry. Establishing networks, whether formal or informal, to work on specific issues is becoming increasingly important to ensure that our voice is heard both in Brussels and in European capitals. With the launching in 2004 of the Alliance for a Competitive European Industry which includes 11 major industry branches and UNICE, we have

been able to participate more effectively in the EU institutions' work in the area of industrial policy, and regulatory impact assessments.

As Brussels has an ever greater impact on our constituency, we have adapted our structures and resources: notwithstanding our decision to maintain our present membership structures, we have reinforced our resources and our capacity to collaborate more closely on a number of issues with some of the many companies that our members represent. This will without doubt enhance the operational and communication capacities of our network in Brussels.

### Our industry in 2005

2005 has been a year of modest growth for our industry, with exports providing most of the impetus for growth. Our economists feel that the recovery which was initiated in 2004 is fragile as both investment in capital goods and by consumers in the EU remain weak.

If the manufacturing industry is showing signs of being "rehabilitated" at the level of Brussels, we still feel that in many countries, particularly in the EU15 countries, it will require some considerable change in the investment and business climate before companies, both local and international, feel comfortable with expanding their activities. If relocation is an issue, the lack of investment needed to drive growth and employment is of greater concern. Governments may be aware of this, but many of them are finding it difficult to adopt the structural changes which we see as essential. On a positive note, however, in the enlargement countries the picture is often very different and it is in these countries therefore that we are seeing much of the investment activity in manufacturing plants.

### Issues

At the level of the EU institutions, with the new Commission and the European Parliament we have seen a clear shift away from the unprecedented burst of regulatory activity affecting our products towards the development of an industrial policy focusing on growth and jobs. There were still issues in the regulatory pipeline which came to a head in 2005: work on adoption of the Directive on the eco-design of energy using products ("EUP") and on the Machinery Directive was completed during the year, while discussions on REACH, the draft chemicals legislation intensified. Work was launched on the revision of the New Approach, the regulatory basis for much of our product legislation. In this context we have been focusing in particular on the issue of market surveillance: with the growth of the mass of regulation affecting our products and the rise in imports of engineering products, it has become all the more important for our EU-based manufacturers to ensure that products sold in the EU fully respect our regulations, so that our manufacturers are not at a competitive disadvantage. At policy level, we have focused more resources on the area of industrial policy, with the aim of placing the competitiveness of our companies firmly at the centre of the EU's agenda.

#### ENGINEERING IN 2005:

Output	1 598 billion euro
Exports out of the EU	361 billion euro

#### THE YEAR AT A GLANCE

Investment	42 billion euro
Employment	10 million



# THE ECONOMIC SITUATION 2005-2006

## Introduction

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.

For the first time this year we have compiled our data for the EU25 countries on the basis of Eurostat's latest available annual industrial statistics, completed by short-term statistics on turnover and employment from the same source. These figures are then analysed and discussed by our economists in different countries to produce the forecasts which we provide hereafter.

On the basis of information at the date of publication, in 2004, the engineering industry's turnover is estimated to have reached some 1,575 billion euro and employed some 10 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.

## 2005 a year with some setbacks

Growth of production in our industry moderated during 2005. All in all, output increased by a modest 1.5%, a figure well below potential growth.

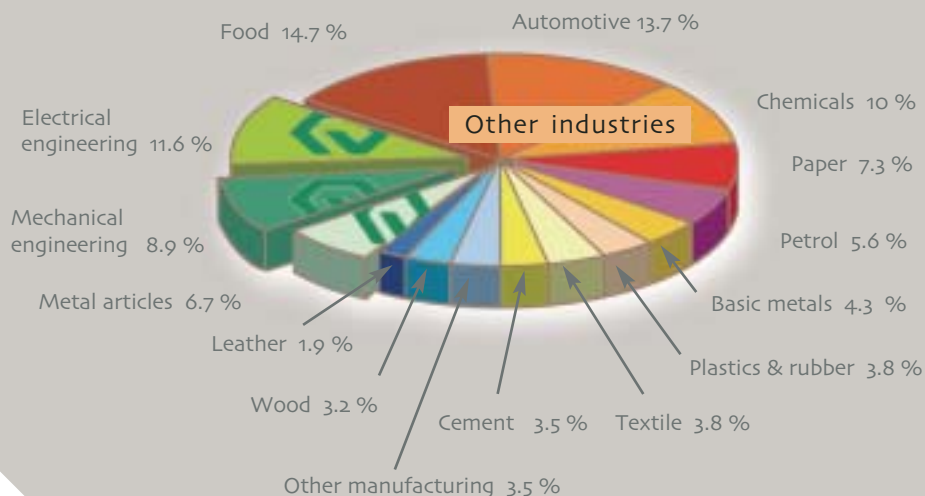
The metal goods industry experienced another setback. Output remained more or less unchanged. Because of high metal prices and rather low demand from key customers compared to 2004.

The mechanical engineering and instruments sectors both achieved output growth above 2%.

The electrical engineering, electronic and ICT sectors also registered low growth with just over 1%.

In 2005 our industry still experienced a further increase of prices of raw materials. Prices of steel, by far the most important single raw

## • ORGALIME INDUSTRIES Comparative size of EU manufacturing industries



Source : EUROSTAT's NewCronos



<b>ESTIMATED VOLUME OF PRODUCTION</b>	<b>2005 %</b>	<b>Value</b>
annual rate of change	volume change	Billion euro 2004
<b>Fabricated Metal goods</b>	<b>-0.1</b>	<b>398.8</b>
<b>Mechanical Engineering</b>	<b>+2.8</b>	<b>531.5</b>
<b>Electrical/ Electronic Engineering and ICT*</b>	<b>+1.1</b>	<b>511.6</b>
<b>Instruments</b>	<b>+2.4</b>	<b>132.6</b>
<b>TOTAL ORGALIME INDUSTRIES</b>	<b>+1.5</b>	<b>1574.5</b>

\* Incl. Computers & Office Machines, Telecommunication equipment and electronics, electrical machinery

material for our manufacturers, reached a peak in the second quarter of 2005, and fell only marginally in the second half of the year.

Prices of other metals, such as copper, aluminium and zinc also rose to high levels. In some cases, such as copper, prices reached an all time high. As higher producer prices for our manufacturers are difficult to pass on to our customers, many companies faced considerable pressure on profit margins.

Towards the end of 2004 and in the first half of 2005 our industry also witnessed an inventory accumulation of finished goods. A gradual cutback in these inventories took place during the second half of the year.

Overall, the macroeconomic development did not support our industry. Altogether growth in the EU 25 GDP was substantially lower than in 2004: it only reached 1.6% in 2005 compared to 2.6% in 2004. Spain, Ireland, Denmark and Norway all showed high economic growth in 2005. On the other hand Germany, France, Italy and the United Kingdom registered a deceleration compared to 2004. In Italy, the GDP stagnated.

Apart from GDP, overall gross fixed investment, that is essential to our industry, was only slightly higher in 2005 than in the year

before, and the development of household consumption did not perform any better. Sluggish labour markets and the inability to create jobs is one explanation for this. Gross fixed investment expanded by 2.7% in the EU25 in 2005 compared to 2.6% in 2004. The corresponding figures for household consumption were 1.6% in 2005 and 2.0% in 2004.

In our own industry gross fixed investment accelerated in 2005 reaching a growth of 4.9% in volume terms compared to 3% in 2004. This development is mainly due to a lagging effect of a positive year 2004, with improved profits, higher capacity utilisation, and also slightly higher business confidence. Investment picked up considerably in the Netherlands, Finland and Norway.

Apart from the overall European business situation there are signs that structural changes are still ongoing with outsourcing and relocation of production to high growth markets or to lower production cost countries.

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. Overall European Orgalime employment declined by 0.9% in 2005.

### The general outlook for 2006

#### Acceleration ahead

2005 has started to be a good year. Production has accelerated in all of our sectors and in almost all member countries. In the last quarter of 2005 the overall EU/EFTA GDP growth decelerated slightly which had repercussions on our industry. However, almost all business cycle indicators point to a rather good year for 2006. The well-known IFO index is at a 15 year high, the purchasing managers' index has improved, the inventory cycle is supportive and the so-called leading indicators have accelerated in the second half of 2005.

Nevertheless, there are a number of factors that are shaping the activity at the present time, including some economic obstacles that need to be tackled:

- There are still no signs of a substantial pick up or renewed acceleration of growth in Italy, Germany and to some extent in France where labour markets are rather weak. Even though indicators are showing positive signs, those countries have yet to deliver. Below potential European growth still casts a dark cloud over the situation and raises a few question marks concerning both the strength as well as duration of the upswing that is anticipated.
- Input prices are still a cause of concern. Overall metal prices are still high. The slight drop in steel prices that we saw in the second quarter of 2005 has come to an end. Major European steel producers have been able to raise prices slightly during the first months of 2006.
- There is still relatively strong demand for engineering products and strong industrial activity in Central and Eastern European countries, as well as in Asia and the United States.

The ECB, as well as a few central banks outside the euro-zone raised interest rates late in 2005: the reason for these decisions was that inflation has been above the target in many countries. There is a difference between total CPI and CPI adjusted for energy prices. The CPI excluding energy and food price increases shows that inflation is not so high. This leads us to consider that there is a risk that too strict a monetary policy could jeopardise economic acceleration, at least in the euro zone.

Altogether, Orgalime economists are expecting that 2006 will be a better year than 2005, at least in terms of growth of production. The forecast for output growth is expected to be some 2.5% for the industry as a whole in 2006.

Norway and Sweden, in particular, countries that already experienced high growth in 2005 expect further strong acceleration in 2006. In countries where growth was sluggish last year, such as in Germany and France, or even negative, such as in the United Kingdom, an improvement is expected for 2006. In no country is a contraction of our industry expected in 2006.

Capital formation is vital for our industry in times of strong international competition. A factor, which is contributing positively to the situation in 2006, is that investment within our own industry is expected to continue growing. Overall European engineering investment is expected to grow by 6% in volume terms - even more than in 2005.

### The industry sectors

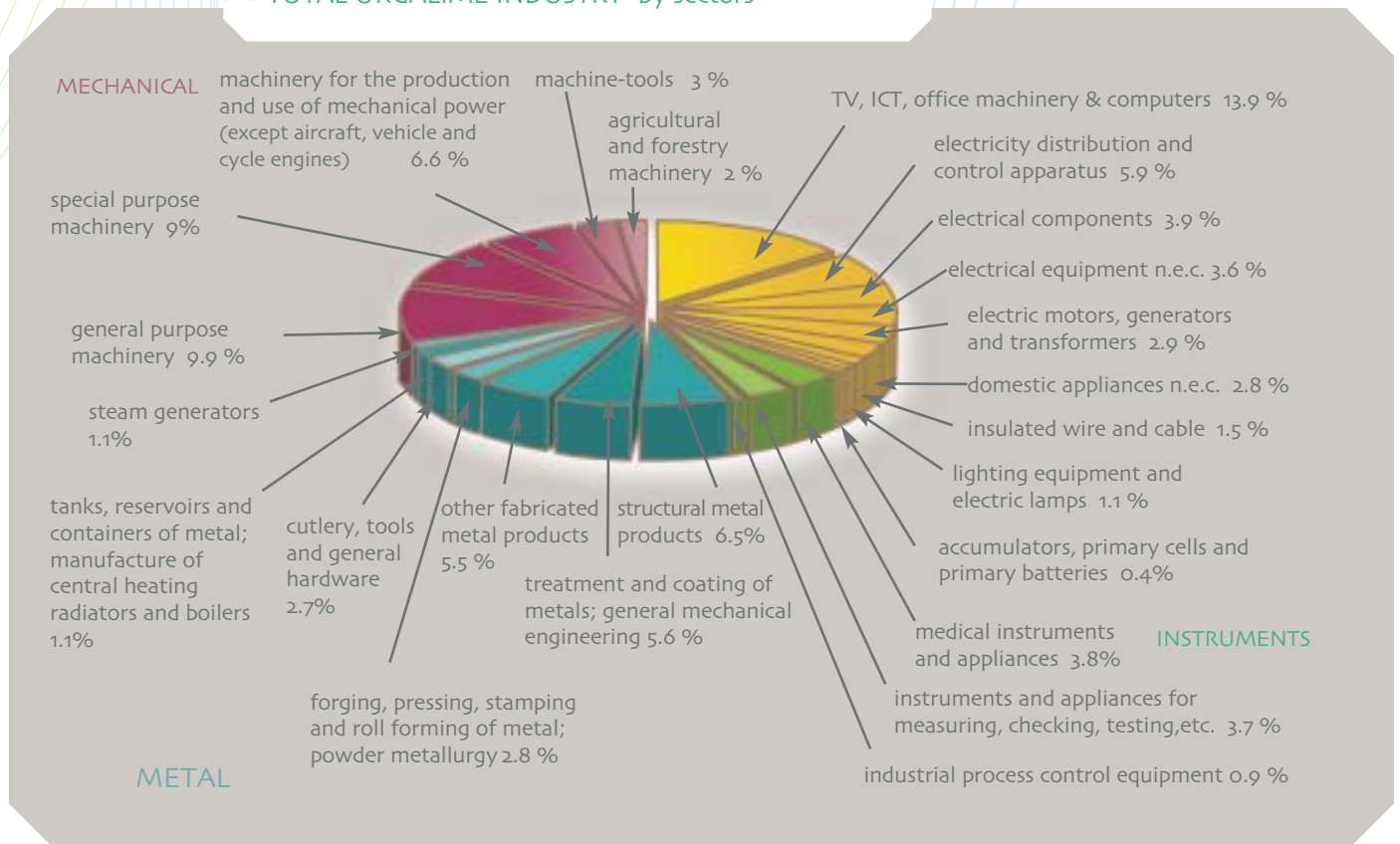
#### Electrical, electronics and instrument Industries

The electrical electronics, ICT and instrument industry is amongst the largest industrial sectors in Europe. Production in 2004 reached some 644 billion euro.

2005 was a disappointing year for the industry, which finally experienced a long awaited recovery in 2004. There was a slowdown of production growth to 1.4% during 2005.

Foreign trade was the main contributor to output growth in this sector with exports increasing by a healthy 6.3%. Exports of instruments expanded at a rate above the average by 8.5%. Sales outside the EU were slightly higher than intra-EU trade.

#### • TOTAL ORGALIME INDUSTRY- by sectors



Source : EUROSTAT's NewCronos



The development of the electrical engineering sector as a whole varied strongly from country to country. The United Kingdom and Finland experienced a drop in production in 2005 whereas Sweden and Spain had a double digit growth rate.

Production of electrical engineering equipment was sluggish with a drop in production, especially in the United Kingdom and Sweden. At the European level, the overall production in the sub sector - distribution and control apparatus – progressed well, whereas a contraction was seen in all other parts of the industry.

The ICT industry once again experienced a rather sharp deceleration in production volume from a double-digit growth in 2004 down to almost no growth in 2005. Production of electronic components was the best performing sector. For the second year running, Sweden had a growth rate above 20%, whereas growth in other countries was lower than in 2004.

Instrument engineering showed its third year of rather healthy growth. In 2005 production expanded by 2.4% - slightly less than in 2004. Medical instruments had an exceptionally high output growth of about 5% in 2005.

Outlook for 2006: Forecasts for 2006 suggest that production in the branch will accelerate compared to 2005 to grow by some 3.4%. A slightly higher growth rate is expected in instrument engineering. The ICT sector is expected to show the strongest acceleration. For traditional electrical engineering products a somewhat better performance is expected, with growth of around 2%.

#### **Mechanical engineering industry**

The European mechanical engineering industry had an annual production value of some 530 billion euro in 2004. It is the third largest manufacturing sector in the EU.

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.

After an upswing in 2004 growth decelerated slightly in 2005 down to 2.8%. The second quarter of last year was rather disappointing but a certain pick up in activity was noticed during the final quarter of 2005.

Exports outside the EU, which grew by 7.1% contributed substantially to the performance of the sector. Intra EU-trade was high, but as a consequence of low growth in Europe, it was considerably lower than trade outside the EU. The highest growth rates among sub sectors were seen in agri- and forest machinery (Nace 293) followed by machines for mechanical power (Nace 291).

Austria, Finland, the Netherlands, Norway and Sweden showed growth of over 5% in volume. For the four major countries growth was lower and Italy had another difficult year with a contraction in terms of volume.

Outlook for 2006: The outlook for the sector for 2006 is still positive. The sector will benefit from the European engineering industry's own investment plans for 2006. Output for 2006 is expected to grow by a modest 1.9%, mainly because the three major producing countries do not expect any strong acceleration. On the other hand the smaller and medium sized European countries are more optimistic concerning the outlook for 2006.

#### **Metalworking Industry**

The industry covers a wide range of products including tools and finished metal goods castings, forgings, boilers and metal containers, as well as secondary transformation on contract basis, such as treatment and coating of metals.

The turnover of the sector in the year 2004 was close to 400 billion euro.

The industry produces, to a large extent, inputs or products used in other sectors in



engineering, such as the automotive industry or the metal construction sector.

Production output in the metalworking branch was more or less unchanged in 2005 for the sector as a whole compared to a growth rate of 2.6% in 2004. Two factors, however, affected the industry negatively in 2005: the output generated by other sectors of the engineering industry which use metal goods decelerated throughout 2005 and lower export growth even if the sector has limited dependence on exports.

The sector of metal tanks and containers expanded close to 3% (Nace 282), whereas industry of forming and of various treatment of metal (Nace 284,285), expanded at a high but considerably lower rate than in 2004.

The sector faced problems mainly in Germany and Italy, where a contraction of output was registered. However, Austria, Norway and Slovenia showed rather brisk growth in 2005.

**Outlook for 2006:** Metal goods production growth in all countries is expected to accelerate in 2006. On average output growth is expected to reach 2.1%. A reason for this is the somewhat higher activity in many other industries, especially in the rest of the European engineering industry.

As the sector is relatively labour-intensive and is facing both tough competition from lower cost countries, as well as price increases in raw materials inputs, such as steel, our economists cannot rule out that some sub sectors will still face a tough situation.

## Foreign Trade

Orgalime estimates that total exports (intra and extra trade) for the industry reached 925 billion euro in 2005. Of the total 61% remains inside the EU/EFTA area and 39% is exported outside the area.

Exports expanded considerably more than production in 2005 –by 5.8% in volume terms: this trend is a consequence of the increasing specialisation of trade and re-exporting activities of the industry. Trade outside the EU grew even more by some 7% on average over the industry. Trade in the internal market (now 25 countries) was affected by low European demand, but still expanded by a healthy 5.1%.

Besides Belgium and Italy, almost all countries had high export growth in 2005, but certainly not as important as in 2004. At a sector level, exports increased the highest for instrument engineering by 8.5% and for electrical engineering and ICT by 5.9%. Mechanical engineering exports grew by 5.7%. Metal goods, that had on average the lowest growth in output during 2005, also had the lowest growth in exports that is 4.5% in volume terms.

**Outlook for 2006:** According to our forecasts export growth is expected to slow down in 2006. Exports outside the EU are the main reason for the expected slowdown. Trade inside the EU/EFTA area is on the other hand expected to grow by 5% about the same as in 2005. Foreign trade will still grow above average for electrical engineering and ICT, as well as in instrument engineering.

## 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 2005 employment continued to decrease by about 0.9%. This is however less than in 2004. None of the individual sectors increased employment. Electrical engineering and ICT showed the biggest drop with minus 2.2%. In mechanical engineering, employment decreased by a modest 0.3%.

Productivity kept on rising, but at a lower rate. Due to the rise in labour costs and input prices, only a slightly higher productivity is foreseen in 2006.

**Outlook for 2006:** For 2006, employment is expected to decrease again by 0.5%. Again, this year, the least affected is expected to be the mechanical engineering sector, where employment should remain stable. In the metal goods sector however output has shown no growth in 2005 and therefore employment is expected to decrease more significantly in this sector in 2006.





## ORGALIME ISSUES IN 2005

### INTRODUCTION

In 2005 Orgalime issued a total of 28 position papers on a wide range of issues including environmental, technical and horizontal regulatory issues. Orgalime positions are actively promoted to the EU institutions in Brussels, to national authorities through our members' networks, and of course to the press.

Environmental issues topped the agenda once again with the finalisation of the directive regulating the area of Eco Design of End Use Equipment (EuP) coming to a head during the course of the year. The "REACH" proposal for regulating chemical substances also required significant efforts, as it worked its way through the regulatory chain with an unprecedented number of European Parliament Committees giving their opinion, and sustained interest by many stakeholders. We have continued working on the recently enacted Waste Electrical and Electronic Equipment (WEEE) and the Reduction of Hazardous Substances (RoHS) directives. At the end of the year, with the publication of the Green Paper on Energy Efficiency, we developed our input on energy issues which are fast becoming central to the work of the EU institutions, both in the context of the Kyoto protocol and from the perspective of energy security. We are also working increasingly on industrial policy and better regulation, as the Commission's focus has turned to a jobs and growth agenda, as a follow up to the Lisbon Agenda launched in 2000. We therefore participated in the Commission's consultation on simplification, providing input on where we felt EU legislation was supportive of competitiveness and where we felt it was not.

To see Orgalime's latest positions:  
[www.orgalime.org/positions/latest\\_positions.asp](http://www.orgalime.org/positions/latest_positions.asp).

Orgalime was also very active in the area of technical and health and safety regulation. The possible review of the "New Approach" Directives is high on our agenda and work on the revision of the Machinery directive,

## ENVIRONMENTAL ISSUES

on the Low Voltage and Electromagnetic Compatibility directives continued steadily throughout the year. Orgalime actively worked on the draft directive on exposure of workers to optical radiation, the proposed merger of the Simple Pressure Vessels and Pressure Equipment directives and the revision of the guidelines on the application of the directive on Equipment intended for use in Potentially Explosive Atmospheres (ATEX). In the area of trade, work focused on ongoing trade disputes with the USA and the rise of technical barriers to trade which we are seeing in China. In the area of EU funded R&D, Orgalime members launched the *ManuFuture* "technology platform" which we have promoted for nearly three years. Finally, we were active in the area of legal publications and in certain specific legal issues which are on the EU's agenda.

### **EUP**      *Commission Proposal on the Eco Design of Energy Using Products*

The beginning of the year saw many amendments being added to the already lengthy list of amendments to this proposal by the European Parliament which Orgalime accompanied with intensive lobbying at all levels. Background papers, position papers and letters were issued and a working document was elaborated summarising the positions of the Council, Parliament, Commission and our industry on key issues. This served as a basis for sustained contacts with the institutions. After further intensive discussions with the institutions the EuP framework directive was finally adopted during the year, with most of our positions taken on board.

With the transposition deadline set for August 2007, Orgalime then spent the second half of the year concentrating on implementation and such areas as:

- monitoring of the transposition process in member states;
- active contribution to the establishment of an EuP methodology;
- involvement of our members at national level in the EU project of fostering eco design in SMEs;
- establishment of the Consultation Forum;
- and preliminary work for our industry's participation in upcoming preparatory studies on 14 product categories.

Concerns were expressed to the Commission on the ongoing EuP methodology study carried out on behalf of DG Enterprise and industry by Dutch consultants. In October 2005 Orgalime actively participated in the Commission stakeholder workshop on the draft final EuP methodology report where our input was quoted repeatedly and widely supported during the meeting. A position paper providing our comments on the present EuP methodology and challenging the proposed method of identifying best available technologies and how to use the (Least) Life Cycle Cost approach was issued.





The establishment of the future Consultation Forum had still not been finalised at the end of year, but the Commission intends to issue an invitation for participation to stakeholders. Orgalime has provided some initial views of our industry on the Forum and will provide further comments as regards the preferred structure, composition and timetable of the future Consultation Forum, as well as its desired link to the future Regulatory Committee. Work will therefore continue on this issue in 2006, with much of it now concentrating on sector-specific issues. Orgalime's focus will be on fostering a harmonised implementation of the framework directive across member states and on seeing how we can best reconcile EuP and competitiveness.

#### **REACH    Chemicals regulation**

Despite the fact that our industry is not the primary target, REACH (Registration, Authorisation and Evaluation of Chemicals) is an extremely important issue for us. We therefore published several positions on the issue during the year and worked with different networks to communicate our views. Orgalime participated actively in UNICE, the industry and employers confederation's work, so as to ensure that so called "downstream user" (i.e. the clients of the chemical industry) issues were thoroughly addressed in UNICE's positions. Orgalime concerns on the issues of substances in articles and the proposal to set use and exposure categories on the basis of which downstream user industries would need to communicate the use of substances to their chemical suppliers were also addressed in the subsequent parliamentary hearing and, thanks to our intense efforts, supported by Commissioner Verheugen who stressed the importance of these issues for the competitiveness of our industries.

In Autumn Orgalime's position on the introduction of use and exposure categories, clarifications to the scope of REACH, and a

strengthened role of the agency were mirrored in the results of the European Parliament's first reading. Most of these proposals were taken up by the Council's political agreement reached shortly before Christmas. In particular, the Council has followed our specific request to not only take up the European Parliament's proposal for building communication in the supply chain on use and exposure categories, but has completed these in the relevant provisions for downstream users. However we still need to achieve further progress, in particular on the issue of substances in articles, which will affect our ability to efficiently manage our international supply chain. This is essential for our companies to continue competing on global markets without being at a disadvantage because they are based in the EU.

With the experience gained particularly from the implementation of the RoHS directive, we will need to follow carefully developments on authorisation under the REACH proposal in order to avoid that the principle of mandatory substitution enters the final regulation. Thanks to our alliance with the aerospace and automotive industries and our issuing of joint position papers, the Council also took on board our key points regarding the issue of authorisation.

Our strategy of alliance building has clearly brought satisfactory results to our lobbying efforts, but REACH will remain on our 2006 agenda as a highly complex and politically sensitive issue, whose outcome will have a significant bearing on the ability of many companies to operate efficiently as manufacturers in the EU.







## **WEEE & RoHS**

### **Directives on Waste Electrical and Electronic Equipment and on the Restriction of the Use of Certain Hazardous Substances**

With the entry into force of the WEEE directive during the year, our focus shifted to the national transposition of the directives in the member states, to better defining the scope of the directives, achieving specific exemptions to banned substances under RoHS and the proposal for a decision on maximum concentration values. As the issue affects a wide range of our industry's products, Orgalime is concerned about increasing divergences in transposing the directive by individual member states. Orgalime was therefore pleased with DG Environment's publication of a "Frequently Asked Questions" (FAQ) document in May as a means of fostering a common understanding for member states in areas essential to ensuring that the directives are workable in practice. These FAQs reflect Orgalime's input to a large extent. We also welcomed DG Environment's decision to set up an informal round-table to discuss key transposition issues with our industry. Several meetings covering a wide range of practical issues were held during the year.

As the year continued there were still many questions remaining over exemptions requested to certain applications of substances restricted under the RoHS directive, including on the fact that some exemptions granted could be up for review as early as 2007.

As questions also continuously arise, over which products fall under the scope of the directives, Orgalime decided to develop a guide regarding the scope of the WEEE and RoHS to be issued early in 2006. Further guides on the specific obligations of the RoHS directive and on clauses to be used in business-to-business contracts are also under preparation.

As national transpositions progressed throughout the year at a moderate rhythm, Orgalime extended its transposition database, in order to allow comparison of member states' transpositions and identify potential divergences. In particular, we started examining the issue of national registers. We feel that it might be advisable to achieve some measure of harmonisation with regard to the basic elements of the 25 national registers in order to facilitate the comparison and exchange of data and cooperation on a European-wide basis. An overview of national registers was compiled including information on collective systems in member states and was published on Orgalime's website during the second half of the year.

Given that national transpositions are not yet completed and that the RoHS directive will enter into force in July 2006, Orgalime aims to provide further input on this issue in the coming year.

**To view the overview of national registers:  
[http://www.orgalime.org/issues/  
WEEE\\_overview\\_National\\_Registers.pdf](http://www.orgalime.org/issues/WEEE_overview_National_Registers.pdf)**



## IPP Integrated Product Policy

Throughout 2005 Orgalime monitored the progress of work on IPP, a wider ranging policy framework in relation to EuP, which affects our industry's products only.

Areas of particular interest were:

- DG Environment's EIPRO study to "identify products with the greatest potential for environmental improvement";
- DG Environment's IPP pilot case on mobile phones;
- and activities of the Joint Research Centre (JRC) to establish a Life Cycle Inventory Database.

Orgalime firmly challenged the Commission's assertion that activities on IPP would be "fully complementary" to the EuP directive, as the above-mentioned activities follow neither the spirit nor the letter of the EuP directive. We have fought hard to try to achieve a common and coherent approach to environmental policy applied to engineering products and are now reluctant to see the Commission multiplying the instruments it applies to this area.

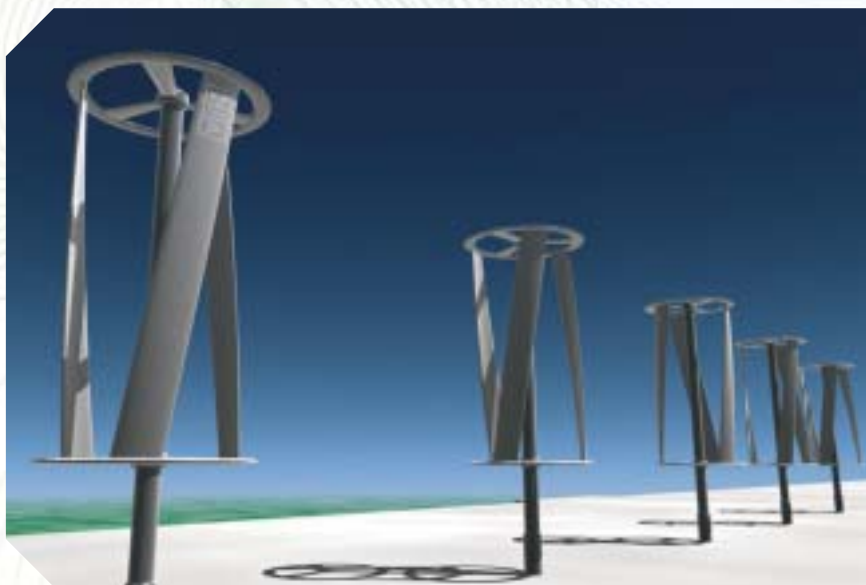
In November the Commission's Joint Research Centre (JRC), in cooperation with DG Environment, invited European industry associations to a kick-off meeting to establish a "European Platform for Life Cycle Assessment". The Life Cycle Inventory (LCI) database is expected to be established by April 2006. As it remains unclear however how the submitted data will be processed and used and who would be the owner of the data, Orgalime is taking a cautious approach to this initiative. The issue will be discussed in detail within Orgalime and monitoring of these related directives will continue into 2006.

## Green Paper on Energy Efficiency

The Commission published a green paper at the end of the year which aims at raising a debate on how to foster energy efficiency

measures across Europe. There are several references within the paper to the EuP framework directive indicating that it is an important tool to help to contribute to future energy savings. In December Orgalime participated as a speaker at DG Transport and Energy's conference entitled "Sustainable Energy for Europe" with the view to gathering more information before publishing a position paper on this green paper next year.

The issue is also being debated in the High Level Group on Competitiveness, Energy and the Environment, where Orgalime's President, is one of the eight representatives of European industry.



## INTERNAL MARKET HEALTH AND SAFETY ISSUES

Given the Commission's decision to review most of the major internal market legislation affecting our products, Orgalime has been very active on a number of internal market issues and published a number of positions in this area in 2005.

### **Machinery Directive**

Following on from successful lobbying of this issue over the last years, with a view to obtaining changes which we felt were essential, Orgalime continued its work on the revision of the Machinery Directive. Early on in 2005, we welcomed the European Parliament's support for many of the amendments that we had proposed to the Council's common position. With the file back on the table for second reading, Orgalime then issued another position paper in time for the UK Presidency commencing in July.

The second reading in the European Parliament began in earnest in September and Orgalime was pleased to see most of our comments being taken up in the official draft recommendation published at the beginning of October: out of a total of ten amendments proposed by the Rapporteur, nine corresponded with Orgalime's proposals. Meetings with MEPs intensified throughout the month of October and an Orgalime letter was distributed to key actors at the negotiating table with the clear message that the compromise text was acceptable to our industry and that, after many years of discussion, it provided a way forward. After further discussions between the institutions, a final agreement between them was

reached in December, paving the way for formal adoption of the directive early in 2006.

Our close collaboration with the institutions, where many of our counterparts expressed their appreciation for our input, led to achieving a compromise, which although it does not fully meet our concerns, includes a number of important improvements for our industry and represents a very workable compromise.

The text is foreseen to be ready for publication in the Official Journal sometime between March and June 2006. The new Machinery Directive will then enter into force 42 months later. In the meantime we will be pursuing our work on the guidelines which will be drafted by the Commission to help both authorities and companies to apply the new directive.

### **LVD Low Voltage Directive**

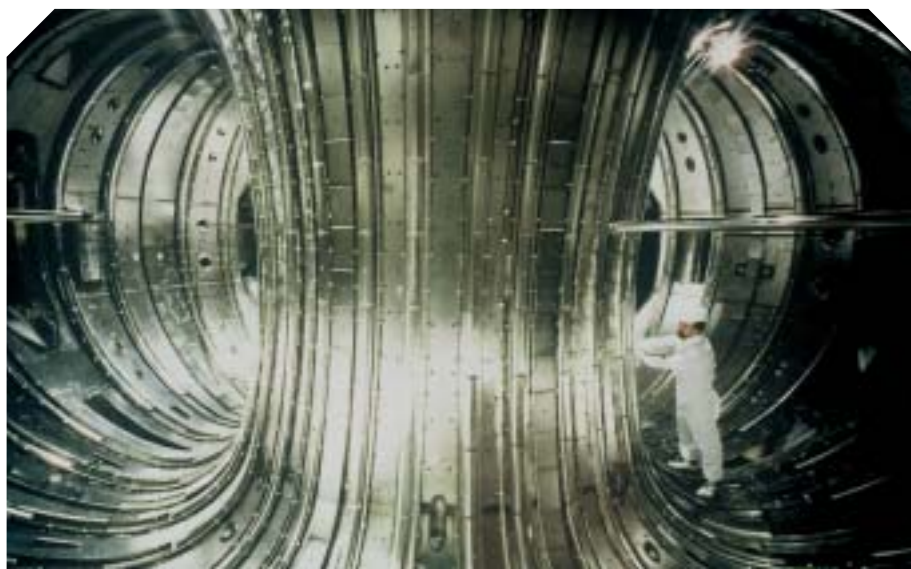
Early in 2005 Orgalime published a guidance paper on the regulatory impact assessment of the so called "LVD update" which is under way, stressing that before any decision can be taken to revise the directive, the impact assessment needs to demonstrate the benefits of the proposed changes, as well as the potential costs. In particular, Orgalime believes it is essential to demonstrate that revising the LVD will be an improvement for:

- health and safety of users;
- free circulation of goods;
- and competitiveness of the EU industry.

Following our call for simplification of EU regulation in a letter addressed to Commissioner Verheugen in June, Orgalime suggested that, when performing the business impact assessment, the Commission should take into account alternative options to further regulation, including maintaining the status quo. Given the direction being taken in the questionnaire prepared for the assessment, in a position paper issued in June, Orgalime called for the proposed revision of the LVD to be shelved. The Commission informed Orgalime that it would consider our position after completion of the business impact assessment.

If the final results of the assessment had not yet been published at the end of the year, initial findings showed that no significant conclusions could be drawn either from this assessment or from the public internet inquiry carried out in parallel. The economic impact was estimated by the consultants in charge of the assessment as practically nil and the public inquiry did not manage to provide any clear outcome on the potential social or environmental impacts. A formal conclusion is not expected until spring 2006.

Orgalime was happy to note however that DG Enterprise appears to be taking into account Orgalime's further suggestion to await the outcome of the work carried out on the future of the New Approach prior to making a decision on whether to carry on with the revision of the LVD or not. A decision should therefore not be on the agenda before 2007.





### New Approach and Market Surveillance issues

The Commission's planned revision of the New Approach has generated significant interest amongst Orgalime members. Various suggestions were put forward to deal with various issues, including the increasingly sensitive issue of market surveillance, such as calling on member states to provide a political impetus to improve and harmonise their controls as a means to ensuring fair competition on the EU's internal market. Orgalime called upon DG Enterprise and industry to ensure a real co-ordination with other DGs concerned by the control of the application of product related directives, whether at the borders of the EU or in the internal market.

In October we issued position papers on definitions used in New Approach directives and on the area of improving market surveillance. With regard to market surveillance, Orgalime called for a better sharing of the responsibility for conformity to the provisions of European regulations between the manufacturer and the person who places the product on the market. This may or may not be the same person.

Our views on different issues related to the New Approach have been taken up to a large extent in the discussion paper drafted by DG Enterprise and industry which we are now studying closely.

In 2006, Orgalime will continue working on this area and other related issues, such as the declaration of conformity and conformity assessment modules and the future of the CE marking. Orgalime feels that the meaning of the CE marking needs to be reinforced, but we are strongly opposed to our products being subject to mandatory third-party certification as part of the normal conformity assessment procedure.



### **PED Pressure Equipment Directive**

Further to the Commission proposal for integrating the SPVD (simple pressure vessel directive) into the PED, Orgalime stressed that the existing directives function well and should in no way be merged. Work continued on this throughout the year with Orgalime members participating in the consultation on this issue at national level. Orgalime encouraged all stakeholders to adopt a strong position against a merger in order to discourage the Commission from launching another "simplification exercise" of existing legislation. Our initial position paper calling for a halt to the planned merger of the two directives was then followed up by a further position after the Commission went on to suggest that the Transportable Pressure Equipment directive should also be included in this merger as part of its simplification exercise.

The possible merger of these directives remains on the cards, as they are included in the list for simplification in 2008. We will therefore continue to keep up the pressure from our side against these proposed mergers which we see as driven essentially for bureaucratic reasons.

### **EMCD Electromagnetic Compatibility Directive**

Following the adoption of the revised EMCD published in the Official Journal on 31 December 2004, member states will be required to transpose the directive by 20 January 2007 for application by 20 July 2007.

During the year Orgalime contributed considerably to the drafting of the revised EMCD guidelines with the Commission/member states working group. It was decided that priority would be given to the sections dealing with notified bodies, fixed installations and the declaration of conformity. A first version of the guidelines was circulated to stakeholders but adoption of the revised EMCD guidelines is not expected

before mid 2006. Orgalime will continue to provide contributions from the European engineering industries.

### **Optical Radiation**

This is an issue on which we have worked jointly with our sister organisation CEE-MET (representing Employers of the Metal, Engineering and Technology-Based Industries). In our position paper issued in January, our concerns were essentially focused on the need to refer more to existing IEC standards (e.g. for lasers) and other Low Voltage or Machinery directives' harmonised standards (for all other equipment), so that manufacturers are not indirectly obliged to provide their customers/employers with specific risk assessments for optical radiation.

Although Orgalime's concerns were initially well considered, the draft report for the second reading in Parliament caused us some concern. Orgalime therefore continued joint lobbying efforts with CEE-MET to re-establish some measure of common sense into a text which, if adopted as such, we felt would hardly be applicable.

In the second half of the year, thanks to a very active public press campaign on the absurdity of this proposal and in particular the provisions related to exposure of workers to sunlight, the Commission accepted that exposure to sunlight should be excluded from the scope of the directive. However, notwithstanding our calls to have this proposal simply withdrawn, plans for adopting a version reduced in scope continued. Companies will therefore be obliged to make risk assessments for artificial light sources and there will be some administrative burdens for certain equipment, for example, lasers. Our proposed amendments on health surveillance have been accepted, as has our request that the Commission must draft a practical application guide. The directive should now be adopted in 2006.

Orgalime continues to feel that adopting legislation, such as this proposal, without carrying out a prior impact assessment and justifying the need for new measures, is not in line with the Commission's own better regulation principles.

### **ATEX Equipment intended for use in Potentially Explosive Atmospheres Directive**

In 2005 Orgalime provided the ATEX Standing Committee, responsible for updating existing ATEX guidelines and producing new ones, with considerable input on the revision of the existing ATEX guidelines. The new guidelines were adopted in the second half of the year.

### **Standardisation issues**

In parallel to our work on different aspects of the New Approach, Orgalime issued a further position paper in response to the Commission's draft "action plan for European standardisation". While we fully recognise the essential role that standards play under the New Approach, we once again stated our belief that standardisation should essentially remain a voluntary process, driven by market needs before serving policy-making needs.

On another front, Orgalime also published a position paper at the end of the year on the need for enhanced cooperation between CEN and Cenelec. If Orgalime believes that closer cooperation between the two bodies is welcome, we do not believe that a full merger of the two organisations would be beneficial for European standardisation.

Finally, with a view to reinforcing our cooperation with Cenelec, Orgalime and Cenelec signed a Memorandum of Understanding formalising our already close contacts and cooperation in the area of European standardisation policy and issues.





## TRADE ISSUES

Orgalime's work in the area of trade focuses on specific issues of concern to our industry. For more horizontal issues, such as the WTO negotiations, we provide input to UNICE's work when appropriate. In June Orgalime held a workshop with representatives from DG Enterprise and DG Trade to discuss international trade activities and market access barriers in 3rd countries. DG Trade also provided advice on how SMEs can benefit from the EU's anti-dumping legislation.

### Rules of Origin

In April Orgalime received a letter from the Commission about informal consultations at the WTO under the auspices of the Agreement on Rules of Origin. The rules to be adopted will determine applicability of trade policy measures, quantitative restrictions and origin labelling. When a product is not wholly obtained from one country, wherever the last substantial transformation took place is determined as the country of origin. The Commission asked for our opinion on two possible methods for determining this:

- the change of tariff heading (CTH),
- and the option of employing the CTH or the value added rule (VAR).

In response Orgalime therefore asked the Commission to negotiate for allowing companies the choice of either applying the CTH or the VAR as in general, larger companies prefer the CTH method, as it is easy for them to calculate whether a change of tariff heading occurred during a production process but many SMEs prefer the VAR as it is easier to prove that the "last substantial transformation" during the production process occurred in that country using the VAR.

### Counterfeiting

The statistics of seizures for 2004 showed that the amount of counterfeit and pirated articles seized at the EU's external borders



continues to increase rapidly. Customs now seize more than 100 million articles per year. In October 2005 the Commission presented a package of measures for 2005 and 2006 to strengthen protection against counterfeiting and piracy by increasing Community level protection through improved legislation and operational controls, better customs/business partnerships and reinforced international cooperation. Together with member states, the Commission will also consider possible amendments to the World Trade Organisation Intellectual Property Rights ("TRIPS") Agreement so that countries apply anti-counterfeiting controls not only on imports but also on exports, transit and transshipment movements.

In response to demands of the business community, including Orgalime, the OECD also launched a project that will assess the economic effects of counterfeiting and piracy. The project will cover infringements of all types of intellectual property rights, as described and defined in the TRIPS Agreement and will expand on a related project on the economic impact of counterfeiting that was carried out in 1998. The objective is to improve the understanding and awareness of the effects that infringements of intellectual property rights have on governments, businesses and consumers in member and non-member countries. The project will also analyse rising concerns over the health, safety and security threats that counterfeit and pirated products pose to consumers and will review trends and developments to assess what is being done to combat the illicit practices. Orgalime will follow the progress of these projects closely and provide input where necessary.

#### **CCC Chinese Compulsory Certification scheme**

Orgalime participated in an EU-China seminar on Technical Regulations and Standards in the Mechanical and Electro-technical Sectors in Shanghai in October 2005, for

which we delegated two speakers from our industry.

The CCC is imposing extra costs and administrative burden on European engineering industry products and is seen by many companies as an unnecessary barrier to trade. Orgalime representatives called for more transparency on the whole and, more specifically, expressed manufacturers' concerns that there still appears to be very limited improvement of the procedure: double testing still applies, there is a tendency for Chinese standardisation bodies to deviate from internationally recognised standards, Chinese Customs do not have the necessary information about which products do not need the CCC mark, and European testing laboratories are not accredited by Chinese authorities. Concerns about data protection and the respect of IPRs were also expressed. Orgalime asked the Chinese authorities and the Commission to consider the establishment of a "CCC help desk" in Europe for SMEs operating with China that cannot afford to establish offices in China.

With regard to newly introduced or planned requirements on energy saving, waste management and restriction of hazardous materials, Orgalime called for an enhanced dialogue prior to the introduction of new measures.

We are becoming increasingly concerned by what we see as a tendency for authorities in certain countries, such as China, to introduce new measures which we feel restrict trade and introduce unnecessary complexity. This is neither to the advantage of our industry, nor of investors in these markets who invest in engineering products, most of which are capital goods needed for the development of their own industries.



## LEGAL AND GENERAL ISSUES

### A more industry-friendly environment

In September 2005 the Commission published a Communication on the "Outcome of the screening of legislative proposals before the Legislator". Some 68 legislative proposals were to be withdrawn altogether and others, including several of interest to our industry, will be reviewed in another manner. Orgalime issued a press release immediately after Commissioner Verheugen presented the plan to the European Parliament acknowledging that this was a step in the right direction towards better regulation, but that the simplification process must go much further. Orgalime also suggested that the institutions should continue to work on the process in a closer and more structured consultation process with our industry.

In a letter addressed to the Commission in June in reply to Commissioner Verheugen's request for us to provide ideas on areas where we would like to see simplification of the regulatory environment, we emphasised that, if regulation is necessary, and this should be the exception rather than the norm, then we believe that the Commission should:

- always use Article 95 for all product related regulation;
- ensure a harmonised transposition in the member states;
- ensure that member states enact effective market surveillance programmes;
- ensure regulatory stability by not amending directives which are working.

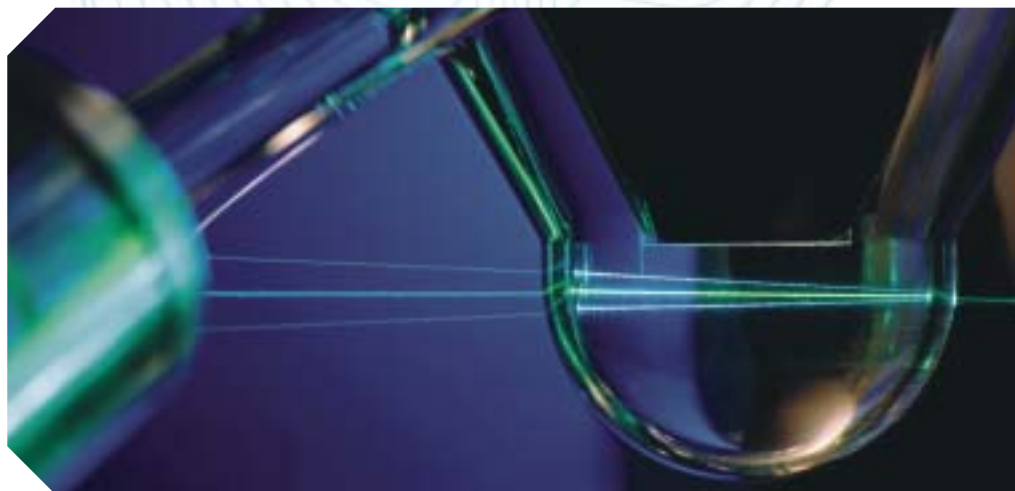
We also provided a list of directives and policies where we felt that the Commission should propose to implement its simplification programme. We will continue working on these issues in 2006 as part of our input on industrial policy.

### European Contract Law

Launched by the previous Commission, the European Contract Law initiative intends to improve the quality and consistency of EU legislation in the area of contract law.

To this end a so-called "Common Frame of Reference" (CFR) was developed by the Commission based on research carried out by academics. A CFR Network (CFR-Net) was also set up to receive feedback from stakeholders, including industry. Some 15 lawyers from Orgalime's Legal Affairs working group and member companies were admitted to the CFR-Net.

The lack of transparency at the beginning of the year in the procedures that the Commission had put into place made it difficult for us to put forward our views in an effective and timely manner and the process became rather frustrating. Nevertheless, encouraging signs of a change in the Commission's approach became clear after the publication of the first Annual Progress Report in September. In it the Commission commits itself to the principle of freedom of contract and appropriate differentiation between business-to-business and business-to-consumer contracts and researchers will consider these issues when preparing future or revised drafts. The organisation of the different working groups was also improved and there will now be more possibility for stakeholders to comment on the drafts that the researchers produce.



## **IPR Intellectual Property Rights**

In 2005 the Commission adopted proposals for a directive and a framework decision for combating counterfeiting and piracy through the adoption of criminal law provisions at EU level. The proposals are complementary to the 'Enforcement Directive' which was adopted in 2004 but which did not harmonise penal sanctions. As activities that infringe IPR are often carried out by criminal organisations, the Commission now intends to work towards harmonising national penal laws and increasing collaboration between member states in the fight against counterfeiting and piracy. It proposes to treat as criminal offences the intentional infringements of IPR on a commercial scale and the attempting or aiding, abetting and inciting to do so. A key barrier to overcome will be the reluctance of member states to share their competence in the criminal law sphere with the EU.

While there are numerous initiatives ongoing in the area of IPR, which has also proved to be a sometimes emotional issue, for example with the European Parliament rejecting the proposal for a directive on the patentability of so-called "Computer implemented inventions", it is clear that the protection of intellectual property rights will remain of major importance to engineering companies, which depend on their capacity to develop and market innovative products, including on the export markets, where our industry is the prime exporting sector of the EU.

## **FP7 Mechanical Engineering and Framework Programme 7 for Research**

In April the Commission adopted a proposal for the FP7 for research and development which suggests doubling funds to be spent for the period 2007-2013. The proposal provides new impetus to increase Europe's growth and competitiveness, recognising that knowledge is Europe's

greatest resource and suggests also the creation of a European Research Council.

In the wake of this Orgalime, from secretariat right up to President, participated actively in the setting up of a "High Level Group" on manufacturing technologies, which led to the launching of a platform for developing a vision for research in the area of manufacturing, "ManuFuture".

Orgalime member associations are well represented in ManuFuture which has focused on developing a Strategic Research Agenda (SRA), a first version of which was presented in December.

The draft Strategic Research Agenda outlines a roadmap for industrial transformation and its principal technology, business and framework drivers. The Strategic Research Agenda was opened at the end of the year for consultation and feedback from a wider audience, after which more detailed roadmaps of the prioritised technology and research areas will be prepared. Orgalime will continue providing further political input on this issue in 2006.

## **Economic and Social Committee opinion on "Industrial change in the mechanical engineering sector"**

During the year Orgalime was invited to provide its expertise into this Economic and Social Committee report which serves as a basis for much of the work to be launched early in 2006 on the follow up to the Commission's Communication on industrial policy, where the mechanical engineering sector, which we represent, is singled out for particular attention as one of the sectors which are essential to the competitiveness of the European economy. Work in this area will be actively pursued during 2006.







## ORGALIME PUBLICATIONS

Dating back to the 1950s Orgalime publications now amount to 25 legal publications, including model forms, general conditions and guides. They continue to provide expert practical assistance for companies drawing up different types of contracts commonly used in international trade while providing practical advice on frequently occurring legal questions for the engineering industry. The most widely used of our general conditions are Orgalime S2000 for the supply of mechanical, electrical and electronic products and SEo1 for the supply and erection of such products. Such has been the international demand for the S2000 that 2005 saw Orgalime produce a Chinese translation of the general conditions.

Due to the changes in EU competition rules involving the issue of the new Block Exemption regulation on Technology Transfer Agreements the inside EU/EEA version of the Model Form for an International Technology Licensing Agreement required updating. This updated model agreement is a useful basis for drafting pure know-how or pure patent licensing agreements, as well as mixed know-how and patent licensing agreements. Although European competition law is not applicable to the outside EU/EEA version Orgalime's Legal Affairs working group decided that an update was called for and work will continue on this update into 2006.

Orgalime also published a new guide entitled "Guide to Defect Liability in Europe". Many companies should find this guide very useful as it is of utmost importance for company representatives dealing internationally with supply contracts to know what liability risk they incur and to limit this risk to manageable levels to reduce uncertainty. While this is easy enough for domestic business, for export transactions the supplier can often be uncertain what foreign jurisdiction would be the most favourable and to what extent deviating provisions agreed in a contract will be

**For further details on Orgalime publications:**  
<http://www.orgalime.org/publications/index.htm>



valid. The aim of the guide is to provide a brief overview of the basics of liability law concerning defective products in various European national jurisdictions and to give examples for limitation clauses in general conditions in line with the relevant legal systems.

Launched in 2003 the e-commerce site for companies which wish to use our General Conditions in an electronic version, when sending tenders and contracts by e-mail to their customers and suppliers, has once again been resoundingly successful with a record number of companies registering to obtain a licence agreement. This project has vastly multiplied the everyday use of Orgalime general conditions and Orgalime continues to improve the service provided by this site.

#### **General Conditions**

- General conditions for the supply of mechanical, electrical, electronic and electronic products (S2000);
- Conditions for the supervision of erection of mechanical, electrical and electronic products (S2000S);
- General conditions for maintenance (M2000);
- General conditions for the supply and erection of mechanical, electrical and electronic products (SE01);
- General conditions for the supply of specially designed and manufactured components (SC96);
- General conditions for series processing (SP99);

- General conditions for computer software (SW01);
- Conditions for the provision of technical personnel abroad;
- General conditions for the repair of machinery and equipment (Ro2);
- Turnkey contract for industrial works.

#### **Model Forms**

- Agency contract;
- International technology licensing agreement. (versions for inside and outside EU/EEA);
- Exclusive agreement with distributors abroad;
- Consortium agreement;
- Original equipment manufacturer (OEM).

#### **Guides**

- Guide for drawing up an international development contract;
- Guide on S2000;
- Guide on the WEEE and RoHS directives;
- European competition law in practice – 30 key points;
- Cooperation agreements: A short guide to the creation of a joint venture;
- Guide to defect liability in Europe;
- Guide on the Pressure Equipment Directive;
- Drawings and technical documents;
- Security for payment in credit sales.

**For electronic versions of Orgalime General Conditions:**  
<http://licensing.orgalime.org>





## MEMBER ASSOCIATIONS

### AUSTRIA

**FEEI** Mariahilfer Strasse 37-39  
5, Obergeschoss, A-1060 Vienna

**FMMI** Wiedner Hauptstrasse 63  
Postfach 335, A-1045 Vienna

### CZECH REPUBLIC

**ELA** Dacickeho 10  
CZ - 14000 Prague 4

### BELGIUM

**AGORIA** Diamant Building  
Boulevard A. Reyers 80, B - 1030 Brussels

### DENMARK

**DI** H.C. Andersens Boulevard 18  
DK - 1787 Copenhagen V

### FINLAND

**TECHNOLOGY INDUSTRIES OF FINLAND**  
Eteläranta 10  
SF - 00130 Helsinki 13

### FRANCE

**ALLIANCE TICS** Tour Neptune  
Place de Seine 20  
F - 92086 La Défense Cedex 1

**FIEEC** Rue Hamelin 11  
F - 75783 Paris Cedex 16

**FIM** Maison de la Mécanique  
Rue Louis Blanc 39-41  
F - 92400 Courbevoie

### GERMANY

**VDMA** Lyoner Strasse 18  
D - 60498 Frankfurt/Main

**WSM** Kaiserswerther Strasse 137  
D - 40474 Düsseldorf

**ZVEI** Stresemannallee 19  
D - 60591 Frankfurt/Main

### HUNGARY

**MAGOSZ** Kuny Domokos u. 13-15  
H - 1012 Budapest

### IRELAND

**IEEF** Lower Baggot Street 84/86  
IRL - Dublin 2

### ITALY

**ANIE** Via Gattamelata 34  
I - 20149 Milan

**ANIMA** Via A. Scarsellini 13  
I - 20161 Milan

**FEDERMACCHINE** Viale Fulvio Testi 128  
I - 20092 Cinisello Balsamo

### LATVIA

**ASSOCIATION OF MECHANICAL ENGINEERING AND METALWORKING INDUSTRIES OF LATVIA**  
21 Talivalza Str  
LV - 1006 Riga

### LITHUANIA

**LMEIA** Savanoriupr 176-803  
LT - 03154 Vilnius

### LUXEMBOURG

**IMTL** Rue Alcide de Gasperi 7  
L - 1013 Luxembourg

### NORWAY

**NORSK INDUSTRI** Majorstua  
N - 0306 Oslo 3

### POLAND

**FEDERATION OF THE ECONOMIC CHAMBERS OF THE ELECTROMECHANICAL INDUSTRIES**  
ul. Pozaryskiego 28  
PL - 04-703 Warsaw

### PORTUGAL

**AIMMAP** Rua dos Platanos 197  
P - 4100 414 Porto

**ANEMM** Estrada do Paço do Lumiar  
Polo tecnologico de Lisboa, lote 13  
P - 1600 Lisbon

### SLOVENIA

**MPIA** C/o Dimičeva 13  
SI - 1504 Ljubljana

### SPAIN

**CONFEMETAL** Principe de Vergara 74  
E - 28006 Madrid

**SERCOBE** Calle Jorge Juan 47  
E - 28001 Madrid

### SWEDEN

**TEKNIKFÖRETAGEN** Storgatan 5  
S - 114 85 Stockholm

### SWITZERLAND

**SWISSMEM** Kirchenweg 4  
CH - 8032 Zürich

### THE NETHERLANDS

**FME/CWM** Boerhaavelaan 40  
NL - 2700 AD Zoetermeer

**METAALUNIE** Einsteinbaan 1  
NL - 3439 NJ Nieuwegein

### UNITED KINGDOM

**BEAMA** Westminster Tower  
3 Albert Embankment  
GB - London SE1 7SL

**GAMBICA** St George's House  
195-203 Waterloo Road  
GB - London SE1 8WB

### Observer Associate Member

### BULGARIA

**NATIONAL CHAMBER OF ELECTRICAL ENGINEERING IN BULGARIA**  
P.O. Box 76  
BG - 1407 Sofia



## ORGALIME BRIDGEHEAD

*Orgalime's Bridgehead provides services to associations in our industry from assistance on specific issues or areas of work to a full secretariat general.*

### *Organisations serviced by Orgalime*

**CEIR** – valves

**CEMA** – agricultural machinery

**CEO** – hand tools

**EFCEM** – catering equipment

**EFSAC** – safety and security equipment

**EGMF** – garden equipment

**EUMABOIS** – wood-working machinery

**EUROM 1** – ophthalmic optics

**EUROMAP** – plastics and rubber machinery

**EUROPUMP** – pumps

**ESTAL** – surface treatment on aluminium

**FEM** – material handling and storage

**PNEUROP** – compressors and pneumatic tools

CREDITS: Bosch - p.13, p.19, p.23, p.28 • European Community - cover, p.8, p.14, p.15, p.16, p.18, p.21, p.24  
Siemens - p.25 • Vatech - cover, p.6 • VHK - cover, p.11, p.17, p.26, p.27





## The European Engineering Industries Association

"Diamant Building" • Boulevard A. Reyers 80 • B-1030 BRUSSELS  
Tel: 32 2 706 82 35 • Fax: 32 2 706 82 50  
[secretariat@orgalime.org](mailto:secretariat@orgalime.org) • [www.orgalime.org](http://www.orgalime.org)